

**ACCOUNTING, ACCOUNTABILITY AND DEVOLUTION: A STUDY OF THE  
USE OF ACCOUNTING INFORMATION BY POLITICIANS IN THE  
NORTHERN IRELAND ASSEMBLY'S FIRST TERM**

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\*It is of great sadness to the research team that we mention the death of June Pallot, who passed away in November 2004 following a long battle with illness.

**ABSTRACT**

*The impact of new public management (NPM) and the implementation of resource accounting and budgeting (RAB) have given particular prominence to accounting information in the UK public sector. This paper explores the extent to which such information has informed and shaped the actions of politicians in the first term of the Northern Ireland (NI) devolved Assembly (1999–2003). It is argued that if accounting systems are to help in delivering more appropriate, more accountable and better management within the public sector as well as strengthening democratic processes, then it is imperative that key stakeholders (including politicians) be familiar with such information and make it the basis of debate. The research provides evidence that many NI politicians have great difficulty understanding and using this new language, and it is argued that this restricts their ability to engage in key deliberations and potentially undermines democratic control and accountability. In addition, it is suggested that the uncertainty surrounding the Assembly, as evidenced by numerous suspensions, has damped enthusiasm for learning this new language.*

## INTRODUCTION

The Northern Ireland (NI) Assembly was established as part of the Belfast Agreement (NI Office, 1998) reached at the multi-party negotiations on Friday 10 April 1998. Following a referendum held on 22 May 1998, which resulted in a majority voting in favour of the Agreement, the Assembly was constituted under the NI (Elections) Act 1998 and met for the first time on 29 November 1999. The Agreement, while not resolving the seemingly intractable constitutional question<sup>1</sup>, paved the way for local politicians to manage local issues through a powersharing arrangement.

Devolution was seen as a way of achieving both political and managerial objectives, not only in NI but also in Scotland and Wales. This paper explores the extent to which these interlinked objectives related to devolution have been realised in NI. The particular focus of the research reported in this paper will be the examination of the impacts of the ideas of the new public management (NPM)<sup>2</sup> movement in general (with its focus on calculation, targets, measurable outcomes and highly rational management processes) and, more specifically, the development and use of resource accounting and budgeting (RAB)<sup>3</sup> as an accounting technology to support politicians and other stakeholders. The current government has embraced such concepts and technologies in its modernising strategy.

This paper will explore the emergence, development and uses of accounting practices within the first term of the new NI Assembly and the meaning attributed to these developments, particularly in the new style RAB initiatives which are based on the integration of objectives, targets, financial accounting and management accounting. In particular, it will investigate the extent to which accounting information informs and shapes the actions of politicians in the devolved Assembly. Semi-structured interviews of key stakeholders (politicians, senior civil servants and external experts) were conducted to gain a broad understanding of issues relating to accounting and accountability in the Assembly.

In terms of the format of the paper, the following approach is taken. The next section sets the scene and provides a theoretical and contextual backdrop for the empirical research reported later in the paper. It contains a discussion of the origins of devolution in NI and the way in which both NPM themes and RAB have assumed an increasing importance as the UK devolution programme has been implemented. The subsequent section provides an outline of the research method used, and this is followed by a presentation of the results. An analysis and discussion of the results and concluding comments are presented in the final two sections.

## DEVOLUTION, NPM AND RAB

### *The history of devolution in NI*

Devolution may be defined as the transfer to a subordinate elected body, on a geographical basis, of functions at present exercised by ministers and Parliament

(Bogdanor, 1999, p. 2). In a UK context, devolution challenges the culture of the unitary nature of the British state and the supremacy of Parliament, as it implies the handover of powers. With respect to Ireland and the UK, the process of devolution has a long history going back almost 120 years, when the Liberal leader William Gladstone proposed Home Rule for Ireland in 1886.

From 1921 until 1972 NI had devolution (Home Rule), at which time it was prorogued and later abolished by the British Government in response to the outbreak and intensification of violence from 1968 onwards. Indeed, the era from 1968 onwards is often referred to, euphemistically, as the "troubles" (almost 4,000 people died in politically related violence during this period). From 1972 NI was under British direct rule (where ministers from Britain, with no electoral connection with NI, were appointed to take responsibility for key areas of public administration). Initially, this was supposed to be a temporary solution. However, despite several attempts to introduce devolution (between 1972 and the mid-1990s various alternatives including an Assembly and the formation of a powersharing Executive were tried and abandoned<sup>4</sup>), it was not until 1994 that significant measures towards devolution capable of gaining broad cross-community acceptance began to develop. Throughout this period of direct rule a commonly articulated complaint was that not enough attention was paid to policies relating to NI, and that limited accountability attached to the individuals responsible for making decisions. For example, Carmichael and Knox (2003) suggested that during this period there was a "democratic deficit", with decisions being taken by direct rule ministers lacking "local" accountability. In terms of the NI political parties, it was argued that with direct rule political parties had 'all the advantages of political activity with none of the disadvantages of responsibility' (Bogdanor, 2001, p. 99), something that was viewed as unhelpful in terms of serious political engagement. However, the extent to which NI politicians were satisfied with direct rule is debatable, particularly given that its existence reduced significantly the opportunities for paid political career opportunities.

Following the announcement of an IRA cease-fire in August 1994, Sinn Féin was permitted greater freedom to participate in the political debate. Multi-party talks started in 1996 between the elected representatives of the political parties culminating in the signing of the Belfast (or Good Friday) Agreement (NI Office, 1998) in 1998. Three key principles agreed upon as a pre-requisite to devolution by the pro-Agreement parties were: an inclusive Executive exercising powers; the use of influence to achieve the decommissioning of paramilitary arms by May 2000; and the modalities of decommissioning to be determined by the International Commission on Decommissioning. This Agreement, which was approved by referendum held in May 1998, proposed the election of 108 members to the Assembly by a single transferable vote for a fixed-term period of four years. According to Wilford (2000, p. 578), the Agreement is built according to the key feature of 'consociationalism', which consists of the following key characteristics: cross-community power sharing; proportionality rule; segmental autonomy; and mutual veto. These are designed to enable political governance in a divided society where majority rule is not tenable. Perhaps the most important of these

characteristics is the concept of power sharing. This principle, recognised as an institutional novelty of the Agreement (O'Leary, 2001), shapes the way in which the Executive is formed, and determines the voting procedures for taking "key decisions" (for example, the election of the First Minister and Deputy First Minister must be taken on a cross-community basis using either parallel consent or a weighted majority; the same is the case with the approval of budget allocations).<sup>5</sup>

Given the stumbling and protracted journey that resulted in the Belfast Agreement (NI Office, 1998), the process of devolution in NI commenced with a mixture of anticipation and foreboding (Carmichael and Knox, 2003). At this time of writing (January 2005), the NI Assembly's first period of operation has been completed (in 2003). This was punctuated with four periods of suspension during which significant periods of direct rule from London were required. Subsequently, new elections to the Assembly, initially postponed from May 2003, were held on 26 November 2003 and resulted in the anti-Agreement Democratic Unionist Party (DUP) led by Ian Paisley and Sinn Féin led by Gerry Adams emerging as the largest parties within unionism and nationalism/republicanism - a situation broadly acknowledged by many as presenting difficulties in re-establishing a functioning Assembly (Devenport, 2003), mainly because these two parties represented the more extreme positions in the unionist and nationalist/republican camps and had a considerable history of trenchant opposition to each other. Perhaps surprisingly, although progress has been less than dramatic and the Assembly remains suspended (with NI political parties failing to agree arrangements for its reestablishment), there have been indications of a breakthrough. Most recently, a potential accord, based on a British and Irish Government "blueprint", that would have resulted in the reestablishment of the Assembly, seemed tantalisingly close, and appeared to be unsuccessful ostensibly on the grounds that it could not be agreed whether photographs of IRA disarmament should be taken and published as a means of verifying decommissioning (Devenport, 2004). However, it is possible that each of the main parties welcomed the opportunity to walk away.

#### *NPM and RAB*

The reform of governmental machinery with the introduction of devolution in the UK has been accompanied by the UK central government's espousal of the rationality of NPM in which accounting plays a central part (Likierman, 1997). The aim of NPM is not just improved management processes, but enhanced transparency and accountability (HM Treasury, 1992; Minogue, 2000). This paper will spotlight the impact of both NPM and RAB, and their focus on rational decision making, in relation to the first term of the new NI Assembly. Such concepts have been mobilised by the current government in its modernising strategy. In the Comprehensive Spending Review (HM Treasury, 1998) these ideas have taken hold and have cascaded down to the budget setting process in each of the devolved Parliaments/Assemblies in the UK.

NPM reforms, which were particularly prevalent during the 1980s and 1990s, have had major impacts in many western governments (Hood, 1991; Guthrie,

Olson and Humphrey, 1999; Pollitt and Bouckaert, 2000). Within the UK, this focus on new management practices is seen in a range of changes in health, education, central government and local government. For example, the language of NPM provides a major thrust in the whole Next Steps Initiative programme (HM Treasury, 1992; HM Government, 2000), and its rhetoric is peppered throughout the *Modernising Government* (HM Government, 1999) White Paper. NPM reforms typically have evolved around six dimensions: privatisation, marketisation, decentralisation, output orientation, quality systems and intensity of implementation.

It is interesting to note that arguments in favour of decentralisation (defined as a transfer of formal authority from a higher tier in a hierarchical organisation to a lower one), a central idea of the NPM agenda, resound with some of the main themes from the devolution argument. While it is clearly recognised that devolution is distinct from decentralisation in a number of ways (perhaps most notably in that with devolution political powers are transferred for reasons much wider than improved managerial effectiveness), similar ideas often surface in discussions of both decentralisation and devolution. For example, better local decision making, freeing up central management (or central government) to focus on wider strategic issues and a more motivated and responsible local management (or local political) team. However, the relationship between devolution and decentralisation (an aspect of NPM) has been viewed by some as possibly more deliberate, with devolution being seen as a way in which important aspects of the NPM thrust can be intensified (although in these cases it is not argued that the devolution agenda is primarily driven by attempts to implement NPM ideas). For example, Midwinter (2003, p. 2), in discussing the link between decentralisation and devolution, argued that the model of devolution being operated in the UK has some similarities to the NPM model

which promised greater efficiency through budgetary decentralisation, and competition and choice in a combination of management accounting theory and public choice economics.

In much of the extant traditional accounting literature (American Accounting Association, 1966; Accounting Standards Committee, 1975) and in many NPM publications, accounting is typically conceptualised as a tool intended to furnish rational decision makers with appropriate information. Accounting is treated as a neutral technology, and hence in the hands of rational decision makers it is deployed to generate and draw attention to information that guides decision makers in making informed decisions. Such a traditional view of accounting is premised on a more general view of the organisation, as one with well-defined, clearly-ordered goals and objectives that are relentlessly pursued by senior managers or decision makers. It is assumed that the preferences of decision makers map (or can be made to map) perfectly onto organisational preferences, and that these preferences provide the basis upon which accounting systems are designed and developed. Accounting techniques have an aura of logic, objectivity and accuracy, and this aura holds particularly strongly among those who are not

technically equipped to deconstruct accounting numbers (Knights and Collinson, 1987; Ezzamel, 1994).

In tandem with NPM reforms, a number of governments have moved from cash to accrual accounting principles (Sutcliffe, 2003). Indeed, it is argued that without such movement some of the NPM changes would be weakened (Chan, 2003; Likierman, 2003). In the UK this has been implemented under the title of resource accounting and budgeting (RAB). Resource accounting, which extends beyond the cash-based accounting used previously by applying accrual principles to public sector accounting, also seeks to integrate objectives and targets into the accounting system (implemented in full 2001/2002). In addition, on the management accounting side, a subsequent move to resource budgeting in order to make the management accounts align with the external accounts was made (implemented in full 2003/2004). These changes, although not directly related to devolution, were being phased in at the same time as UK devolution was being established. The origins of RAB and the timetable for its implementation in the UK are presented in Table 1, where it is noted that the number of dry-run years in NI with respect to resource accounting was reduced to one (rather than the three as used elsewhere in the UK) due to significant departmental restructuring related to the NI devolution process.

The devolution process in NI can be seen primarily as providing a contribution to the overall peace process (and other wider political objectives), but also, albeit less critical in the scheme of things, as a means of supporting managerial objectives relating to the improvement of decision making in the public administration of NI. In the context of NI, the rationality of modern accounting practice in the public sector may have the potential to improve decision making, including those decisions taken by politicians. However, it is recognised that the wholesale application of the principles of NPM (including RAB) as a mechanism for change may have limitations because the complexity of the public sector may place constraints on the introduction of its ideas (Pollitt and Bouckaert, 2000).

The position of governmental units, including devolved institutions, may reflect pressures to be seen as "modern" by appearing to adopt new accounting practices that are perceived as serving a legitimating function. In some studies of reforms in the public sector, a number of researchers, influenced by institutional theory, posit that the desire to modernise is often characterised by particular ideas of what constitutes improvement and by particular patterns of behaviour (Arnaboldi and Lapsley, 2004; Khadaroo, 2005). As a consequence of this, public sector organisations may mimic the private sector or the practices of other public sector organisations, which are perceived to be efficient, in order to appear modern or legitimate (something that may be promoted by central government policies). This is described as isomorphism by institutional theorists (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott and Meyer, 1994). DiMaggio and Powell suggest that the more highly organised policy making becomes, the more individual organisations focus on responding to the official categories and procedures specified by the larger environment. Therefore, in order to be

perceived as legitimate, organisations adapt their formal structures to conform to institutional norms (described as coercive isomorphism by DiMaggio and Powell).

**TABLE I: ORIGINS AND TIMELINE FOR THE INTRODUCTION OF RAB IN THE UK**

Year	Event
1993	The adoption of accrual accounting by UK central government mooted by the then Chancellor of the Exchequer, Kenneth Clarke, of the Conservative government led by John Major
1994	Green (discussion) paper <i>Better Accounting for Taxpayer's Money: Resource Accounting and Budgeting in Government, A Consultation Paper</i> published by HM Treasury
1995	White (policy) paper <i>Better Accounting for Taxpayer's Money</i> published by HM Treasury
1998/99, 1999/00 and 2000/01	Resource accounts: dry run and shadow years*
1999	Resource budgets: dry-run exercise undertaken
2001/02	Resource accounts "live"
2001/02 and 2002/03	Resource budget transitional years: big non-cash items not included in the departmental expenditure limits (DEL)
2003/04	Full resource budgets "live" with cash and non-cash items included in the DEL

\*This was restricted to one year (2000/01) in NI due to departmental restructuring related to devolution.

## RESEARCH METHOD

The research reported in this paper uses semi-structured interviews of key actors (politicians, senior civil servants and external experts), with an interview guide being utilised to gather data. Before the construction of the final guide, two pilot interviews were conducted in order to test the thinking behind the line of questioning and to identify any areas/issues that had been missed in terms of the overall objective of the research. The guide included questions relating, among other things, to the understanding and use of accounting information, and the perceived benefits and drawbacks of RAB. Some of these questions arose from the pilot interviews, while others emanated from the literature on accountability and accounting in the public sector.

Although a brief explanation of the reason for asking particular questions is provided as the results are presented (see Results section later), the detailed rationale relating to each of the questions is not included in the paper because of the requirements of brevity. However, an example may aid understanding. For instance, a question was asked eliciting views on the advantages and

disadvantages of RAB. Likierman (2000) had flagged a number of benefits (for example, improved management information for planning and control) that may result from the introduction of RAB, and this question explored perceptions on whether these have been (or are likely to be) achieved. The interview guide and an explanation of the motivation relating to each of the questions asked are available from the authors on request. The rationale for collecting qualitative data by informal semi-structured interview is based on the interactionist's premise that, when the aim of the research is to understand a complex process where those involved have different perspectives on the matter in question, it makes sense to adopt a research strategy which allows these perspectives to be understood in the same terms in which the participants understand them (Blumer, 1969).

Seventeen people were interviewed (11 politicians, two senior civil servants and four external experts) over the period May 2002 to January 2004, with the participants being assured that anonymity would be respected in the reporting of results. All interviews were recorded and transcribed. Politicians of all the main political parties were included in the process (the Ulster Unionist Party (UUP), Democratic Unionist Party (DUP), Social Democratic and Labour Party (SDLP), and Sinn Féin) and coverage incorporated individuals at ministerial level (two), chairs or deputy chairs of committees (four) and ordinary Members of the Legislative Assembly (MLAs) (five), most of whom were members of one or more of the Assembly's committees. Non-politician respondents comprised principal clerks (senior civil servants) to committees within the Assembly (two), heads of organisations concerned with the effective and efficient delivery of public administration in NI (two) and external commentators on policy changes in NI (two).

The interview transcripts were utilised in a thematic analysis of the main research topics. The questions were divided into five sections (and are reported below in these same five sections) relating to the broad subject areas being explored, as follows: accountability issues; provision of information (general and accounting); resource accounting and budgeting; budget issues; and performance information. The questions were framed for politicians, but when used in interviews with senior civil servants and external experts (together referred to as non-politicians) the interviewer adjusted them in order to relate more specifically to the interviewee's knowledge and responsibilities.

## RESULTS

A general impression gained from the interviews by the researchers, although not something specifically addressed by the questions asked, was that there was enthusiasm on the part of politicians to see the Assembly work (something that calls into question Bogdanor's (2001) claim, mentioned earlier, that direct rule was viewed favourably by NI politicians). Indeed, given the public persona of the Assembly, replete with high-profile and vitriolic engagements of political parties, it was perhaps surprising that a keenly held desire to work together was apparent.

This was remarked upon by one of the non-politicians when commenting on how the committee structure of the Assembly worked:

By and large, the committees work much better than the Executive. There is no difficulty in terms of substance with Sinn Féin and the DUP, or between unionist and nationalist.

In addition, a number of politicians spoke of good working relationships with ministers from different political parties. For example, one politician (from Sinn Féin), a committee chairman, commented on the relationship built up with Mark Durkan from the SDLP (when Minister of Finance and Personnel). In referring to his committee's difficulty in acquiring particular information related to finance and accounting, he stated:

We then found with Mark Durkan – and we have quite a good relationship with Mark Durkan, the Minister of Finance and Personnel, and ourselves as Chairperson and the Committee – that he was very open and was pushing himself to get this information out. There was a unique relationship built up there.

A distinguishing feature of the NI devolution arrangements, when compared with those of Scotland and Wales, is that all major parties are represented in government (on the Executive) through a powersharing arrangement and there is therefore no official opposition. Heald (2003) argues that this arrangement increases the importance of the Assembly committees in providing questioning and scrutiny (roles normally undertaken by the opposition). The availability to such committees of pertinent, comprehensible and objective information (including accounting information) as the basis for such questioning and scrutiny is fundamental.

#### *Accountability issues*

Participants were asked about their different perspectives on notions of accountability, with responses helping to identify the various thinking of the different actors concerning their own understanding of accountability. Most of the participants, whether politicians or non-politicians, had fairly broad, although differing, views as to the meaning of accountability. It was identified variously as being: a requirement of those holding office to give account of their stewardship; an appreciation of who was responsible for doing what and ensuring that it was done; and the presence of good scrutiny and monitoring of the use of public money.

A number of politicians, particularly those who were not ministers or who were not actively involved in departmental committees concentrating on accounting and accountability issues, tended to have a more compartmentalised view of what accountability meant, most frequently equating it with scrutiny and allied processes (for convenience, this group of politicians is referred to as "outsider politicians"). With respect to politicians at ministerial level and those involved in departmental committees focusing on accounting and accountability issues (plus a few politicians who, because of their expertise outside of the Assembly, had particular interests in accounting and accountability issues), there

appeared to be a wider view of accountability (for convenience, this group of politicians is referred to as "insider politicians"). In particular, a number within this group expressed the view that good managerial information systems were necessary for effective accountability. These views tended to echo important NPM themes. One ministerial response illustrating this was:

I believe that, given that government is managing public money, in the public's name, in the public interest, you need to have measures to ensure that the theory of democracy actually matches the practice... It is important that the public have good scrutiny and good monitoring to ensure that the best choices are being made and the best value is being got from those choices...[you] have to ensure that this management has a management information system that can equally translate into coherent, accessible public accountability and public information that can be used particularly, but not only, by MLAs and the various Assembly committees.

The non-politicians generally viewed accountability from a more multi-faceted perspective than "outsider politicians", citing, amongst other things, that it existed on a number of levels. In addition, one non-politician perceived his organisation's role as having shaped and influenced accountability since devolution:

We live and breathe accountability here and have been closely involved with one aspect of it since devolution [financial accountability]... Our job in financial accountability is to make sure that the elected representatives have the information that they need to hold the Executive to account. That's as succinct as that. And that's why we see ourselves as main actors in it. Consciously, if you like, trying to shape accountability in those terms since devolution began.

The interviewee went on to give an example of this, and in doing so illustrated a desire largely to mimic what was happening in London:

...the focal point for accountability for resources in the public sector rests with the PAC [Public Accounts Committee]. When the PAC was established here, the twelve or so MLAs who make up its membership had no significant accountability background, knew nothing about the role of a PAC and so, largely, were dependent upon us for advice and guidance... So, the modus operandi of the PAC, as it is working at the moment, is how we've advised PAC how they should operate; which was largely to take the Westminster model and bring it here, with minor adaptations.

#### *Provision of information (general and accounting)*

Questions here focused on a range of information provision issues including the extent to which information provided met the information needs of politicians. In addition, the perceptions of participants regarding the meaning of "accounting information", the understandability of it and the users of such information were investigated.

Because the pilot interviews brought the issue of information overload to the fore, participants were asked about the amount and quality of information received. In addition, their comprehension of what was meant by "accounting information" was elicited because of its importance to the whole area being investigated and the obvious dearth of professional accountants who were MLAs

(only one MLA was a member of a major professional accounting body). Given this, and the fact that the pilot interviews had revealed a degree of ambiguity about what interviewees classify as accounting information, the expectation was that some politicians may not feel particularly comfortable with debate using the language of accounting.

A key theme among the politicians was that there was often too much irrelevant information and it was impossible to deal with all that is available. There were clear opinions expressed that there was the danger of becoming overwhelmed with information. It was perceived that providers of information tend to use a scattergun approach, disseminating everything to everyone regardless of individual interests. A difference between politician interviewees and non-politicians on this issue focused on the reason why so much information was being produced, politicians tending to lay responsibility at the door of those distributing the information, while non-politicians viewed politicians' compulsion to acquire everything that is available (regardless of their ability to use the information) as problematical. These differences possibly suggest that the process of tailoring information to an individual's need may be extremely difficult, as the information that is perceived as having little value by one individual may be perceived as vital by another.

In addition, it was expressed that finding an equilibrium between the amount and level of detail of information flowing between departments and members proved challenging, particularly in the early days. However, as the process has developed, albeit in an interrupted manner, confidence has grown and more appropriate, more customised information was being made available (illustrating a learning process). The responses also indicated that department officials and support civil servants to committees (and the relationships between them) are seen as crucial in a necessary filtering process as they reduce volume and attempt to guide committees towards relevant and important information. Whether such steering is appropriate is a moot point, as it highlights the issue of who should shape what goes on. Perhaps such guidance by non-politicians is inevitable in the early stages of a new institution, with the extent of steering likely to be influenced by the length of operation and stability of the Assembly. A response by one of the non-politicians illustrated the difficulty of reconciling members' demands for information and departments' ability to provide relevant information, as well as suggesting the presence of an emphasis on process (reminiscent more of traditional political processes rather than an NPM culture):

The difficulty is if the balance is wrong. I feel for the department on this to a degree and protocols are being developed on this all the time. But they have responded to the demands of committees and they're not sure sometimes what they should be providing or shouldn't be providing; and then they're castigated for not providing documents they would have thought they wouldn't have had to provide. So there is a focus on process on the part of members that riles departments, and they aren't resourced to deal with it.

Some participants expressed the view that in order to cope with the amount of information available, a discernment relating to the relevance of the information to

their roles was crucial. Effective mechanisms that ensured filtering and focusing-in on important issues were identified as being needed. Interviewees were keen to stress, however, that the subject of information provision was one of learning and education (although, perhaps paradoxically, it was clear from the interviews that few politicians attended seminars organised to improve their understanding, even though a number expressed the need for more education).

When asked about what they would classify as "accounting information", "outsider politicians" stressed accounting predominantly in terms of financial numbers. For example:

Accounting information would be the sort of information that you could build a very detailed structure of public accounting in Northern Ireland, in terms of money flows and in terms of accountability structures, built into assessing how this money is used.

On the other hand, non-politicians and "insider politicians" tended to have wider notions of accounting information, encompassing broader performance-related issues. Perhaps this is unsurprising given that many of the "insider politicians" and non-politicians may have been exposed to NPM ideas to a much greater extent than "outsider politicians". Accounting information was variously seen by non-politicians and "insider politicians" as: the interpreting or monitoring of planning and performance; the process of quantification of performance; a paper trail of where money had been spent; performance measurement; and a combination of good financial support and good systems, to allow for the "matching" of inputs (in terms of finance provided) and outputs/outcomes (in terms of performance achieved). Overall, non-politicians and "insider politicians" tended to have much broader ideas relating to the meaning of accounting (and views that reflected NPM thinking).

#### *Resource accounting and budgeting (RAB)*

Participants were asked about their perceptions regarding the extent to which RAB had contributed (or could contribute) to the improvement of accounting information. In doing this, an attempt was made to explore the principal benefits (as suggested by Likierman (2000)) and drawbacks (as posited by such writers as Guthrie (1998) and Mellett (2002)) that were being experienced.

It was notable that a significant number of the "outsider politicians", including a chair of a committee, knew little or nothing about RAB. Indeed, three of these politicians had not even heard of RAB. A possible explanation of this, and a point made by a number of interviewees, was that the entire RAB project was in its early stages, and the challenge is to make RAB information accessible and understandable within the Assembly. For example, one of the ministers, in acknowledging a fairly widespread lack of knowledge of RAB by politicians, commented:

One of the difficult things has been to manage a change like that, just on top of the whole change of devolution itself. And that was something that involved a certain amount of transition overload as far as a lot of MLAs were concerned. So people were just getting used to budgetary processes and understanding appropriations

and votes on accounts et cetera, and then there was all this stuff on resource accounting and budgeting.

In contrast to “outsider politicians”, non-politicians and “insider politicians” were generally fairly conversant with the intricacies of RAB and were able to identify a range of potential drawbacks and benefits. With respect to drawbacks, the following are examples of what was mentioned: the difficulty of implementation for small public bodies; the creation of disproportionate bureaucracy; the high cost; and the difficulty in moving the public sector mindset forward from the basis of cash. With respect to the benefits, among those mentioned were: the improvement of decision-making processes due to the consideration of the capital asset base, heretofore ignored; and the introduction of standardised practices across public bodies, thus enhancing comparability of performance. The non-politicians and “insider politicians” were generally positive about the possible contribution of RAB, while acknowledging disadvantages. One extreme example of this came from a non-politician who stated:

I see enormous benefits... Although it has been, and is proving to be, an enormously cumbersome and laborious process for government. At the end of the day, there are going to be significant benefits. I think that everybody underestimated the cost side of the equation in the very early 90s... now standing back from it, I am surprised just how complex it has proved to make the public sector fit what is essentially a private sector [model].

This overstates the similarities of RAB to private sector accounting. Although the accruals aspect of RAB is drawn from private sector accounting practices, many of the requirements are very different from private sector practice. For example, the very detailed additional schedules required under RAB (for instance, Schedule 1 the Summary of Resource Outturn) and the manner in which the public sector is required to account for fixed assets (valuing them at current value and making a charge for the cost of capital, as well as depreciation, in their accounts) result in much more complex financial reports.<sup>6</sup>

#### *Budget issues*

The setting of the budget is one of the most sensitive, visible and potentially emotive aspects of any democratic government's decision-making responsibilities. It involves choices regarding the funding of competing claims. The prior expectation of the researchers was that at the budget stage there would possibly be the greatest opportunity for debate in terms of the language of accounting, where finance, targets and priorities became the substance of the argument. Questions were therefore asked about the degree and nature of the debate surrounding the budget in the Assembly and the evolution of the budget process during the Assembly's first term.

A main theme of the responses to questions on budget issues was that difficulties had arisen regarding scrutiny because of overly technical presentations. One “outsider politician” linked this to the difficulty of understanding the language of accounting (possibly related to a lack of understanding of RAB issues).

In addition, the interviewee questioned whether or not the Executive desired to be as open as possible:

I feel I have to say that the financial grasp and the minutiae of the budget largely passes over the head of the elected members. It's not to say we're all stupid, it's just to say that the accounting procedures and the presentational aspects of it, the fine working of it, is not easily understood by the politicians. Now, is that deliberate or is every statement of that nature based like that? I haven't made up my mind on that. One thinks that some may be blinded by science, but rather than admit to ignorance, they say wonderful, we'll vote for that. I think some better understanding could be put in place in relation to the financial detail for that.

Given the limited knowledge of accounting and, in particular, RAB by many politicians, this possibly suggests that budget information is provided that is not understood by many politicians and therefore scrutiny (and accountability) is diluted.

Furthermore, politicians were sometimes perceived as being more concerned with how much was being spent rather than on what it might achieve. Ministers expressed a view (which was concurred with by some non-politicians) that bids by non-ministerial politicians contained very little consideration of planning and performance issues. For example, one minister suggested that politicians were often more concerned with increasing departmental allocations than in looking at what particular levels of spending would achieve (a far cry from many of the themes embedded in NPM that emphasise rational choices and concepts of efficiency and effectiveness).

*In a more positive tone, a number of participants, including both "outsider politicians" and non-politicians, expressed the view that the procedures regarding consultation and scrutiny had improved significantly since the early days of devolution. In particular, Mark Durkan (former Minister of Finance and Personnel, and latterly Deputy First Minister) was singled out for praise by two of the interviewees in developing a participative, consultative process. For example, one non-politician commented:*

I think that's been a very positive aspect of devolution. When Mark Durkan was Minister for Finance and Personnel, he took a very positive view in terms of the relationship with the Assembly and the committee and the need to involve committees as early as possible. It was in his best interest to get that debate started, so that they could scrutinise bids coming in to them more effectively as well.

Again, as elicited by questioning in several other areas of this study, a number of participants highlighted that this was NI's first period in this new parliamentary body and articulated an expectation that things would evolve and improve through time. Evidence regarding how the budgeting process had changed since its inception was proffered to support this, including the fact that changed structures to ensure robust scrutiny in the future were in place and, in areas where representatives had previously had difficulties (e.g. a fairly tight timescale), these difficulties were being addressed (for instance, by earlier pre-budget reports).

*The evolution of performance information*

Performance information, as part of RAB and in terms of a wider agenda of improving management and accountability, has had an increasingly significant profile in the UK public sector for many years (HM Government, 1982; HM Treasury, 2001). Such information is viewed as an integral part of an effective accounting and management system in a public sector organisation. Questions were asked about the role of performance information in informing and shaping the actions of politicians in the Assembly, specifically seeking to establish both the views of the participants with respect to the performance information that is provided and their perceptions regarding changes in the reporting of performance information, given the NPM agenda in the UK. In addition, participants were asked about changes in access and openness of accounting information, including wider performance information, as a result of devolution (given that a key aspect of the research sought to investigate democratic accountability, with specific reference to the representation of relevant information and the openness and accessibility of this information).

While there appeared to be some disagreement among participants regarding their perception of the levels of performance information that are produced, the vast majority of interviewees were of the opinion that there was limited systematic dissemination of what was available. In particular, most politicians (other than those at ministerial level) had imperfect awareness of the availability of performance information. Additionally, non-ministerial politicians, compared with non-politicians, tended to have a less precise, much vaguer comprehension of what performance information was. There was also a general consensus among politicians that the flow of performance information was *far from satisfactory*, with a number indicating that they received little information routinely. A typical "outsider politician" response was:

I suppose we only receive information on performance in briefings, when we actually search it out. Now, whether or not it is freely available, I'm not quite clear on, as it has to be prepared once we have requested it.... [referring to a particular educational programme] Well, I think that's the type of detail (e.g. reading age) we would like to receive. Now, hitherto, I would have to say that it's been a bit short.

The above politician expressed the expectation that the quality and quantity of performance information would improve as devolution established itself and politicians continued to demand relevant performance information. The politician went on to say:

... as devolution continues, members will continue to insist on getting accurate and up-to-date information; and it'll not be possible to excuse the lack of information simply on the basis that it's never been asked for before.

Taken together, the above two quotations seem to indicate that performance information is far from pervasive in the lives of some politicians, certainly not in the manner one might expect with a NPM focus. Moreover, the final quote appears to assume (perhaps based more on hope than expectation) the feasibility of good information provision, suggesting that time and pressure might change things. In

addition, other comments suggest that there is a perception by politicians of reluctance on the part of providers to supply performance information, and a suspicion that there are ulterior motives for non-provision.

It was mentioned by one non-politician that, with respect to performance information, there has been a focus on looking at inputs and activity levels, rather than completing the loop by reviewing the associated issues concerned with outcomes and customer services, but that this was changing. This non-politician stated that public bodies are:

Fabulous at firing arrows at walls, drawing targets around them and then saying it was a brilliant shot. The situation has now moved on to, there's the target, now fire the arrow at it.

Such a comment indicates a perception (and perhaps awareness) of major weakness in performance measurement systems as previously used in the public sector, and suggests an evolving refinement. Admissions of this nature are rarely highlighted by those advocating NPM reforms.

## DISCUSSION AND ANALYSIS

The increased use of accounting information, and the adoption of accounting practices which are perceived as "private sector", can be viewed as one part of the wider NPM movement. The NPM movement has increased the emphasis on quantification in the public sector, specifically in the context of a highly rational model of management behaviour (in part facilitated by objective, neutral accounting information that allows crisp, rational decision making) (Hyndman and Eden, 2001). Support for such a role for accounting information is articulated in a number of official UK publications connected to improving accounting and modernising government. However, many writers have been very sceptical about the efficacy of NPM methods in general, and accounting in particular, in delivering more appropriate, more accountable and better management within the public sector (Guthrie, Olson and Humphrey, 1999).

This research made clear that the experiences of politicians in the Assembly did not mirror NPM as presented in official government pronouncements. Although responses to some questions often repeated general themes of NPM, evidence was found of, for example: traditional political processes where bid chasing was prevalent; little attention to planning; and a lack of focus on performance.<sup>7</sup> Moreover, the research does not provide strong support for the idea that accounting information has led to more rational decision making in the first term of the NI Assembly. Many political decision makers are unclear as to the meaning of certain significant accounting information. In general, there is information overload, with politicians struggling to obtain relevant information. There is confusion between the suppliers of information and the users of information. Given this scenario, even if it were accepted that accounting information could provide the foundation for rationality, the basis for rational decision making is, at present, missing from the NI Assembly.

More particularly, whether accounting information, as encapsulated within RAB, will ever be appropriate to support the decisions that politicians have to take is unproven. For example, although RAB is often expressed as private sector practice applied to the public sector, it is much more than this. Arguably, it is much more complicated (with, for example, additional intricate schedules and complex methods for charging for fixed assets and working capital) and more difficult to understand than private sector accounting. Given this, it is perhaps strange that so few comments from the interviewees regarding RAB were negative.<sup>8</sup> Notwithstanding the fact that many "outsider politicians" had either not heard of RAB or admitted limited knowledge, "insider politicians" and non-politicians expressed few disapproving opinions. Perhaps this is because of a lack of detailed familiarity of the impact of systems in practice (with resource accounting only having its first "live year" in NI in 2001/2002). Or alternatively, in a way that resonates with ideas from institutional theory, perhaps RAB is viewed as a way of appearing modern and/or legitimising the political changes that have occurred. As Parry (2003) has argued, new governments (p. 1) 'self-evidently want to be modern, best-practice governments, not a tired echo of what went before.' Certainly there was evidence of this in the interviews, with a number of interviewees stating a desire to follow both "best practice" and what was happening in Westminster. In addition, the way in which RAB, as developed by HM Treasury, was accepted in an unchallenged fashion in NI (see NI Department of Finance and Personnel, 2003) suggests a desire to conform. Given the political and social instability in NI prior to 1999 and the desire, even among some anti-Agreement parties, to have devolution succeed (albeit anti-Agreement parties have differing views as to how it should operate), it is perhaps unsurprising that few dissenting voices were heard.

It is clear that a significant proportion of politicians inadequately understand issues surrounding the language of accounting, issues that have come to the fore in a public sector environment that embraces NPM and RAB ideas. This creates a problem when debate is conducted in the language of accounting. Research from Sweden suggests that central government politicians do not want accounts that use accruals-based information, such as is used in RAB, and prefer less precise, more direct cash flow information (Bowerman, 1998). Similarly, in New Zealand it has been questioned whether parliament has the necessary skills, time, resources and motivation to make use of the extra information (Pallot, 1998). Comparable issues arise from this research. The interviews revealed that the senior civil servants, some of the external experts and certain politicians (particularly those at ministerial level) had acquired a fairly detailed knowledge on such issues as RAB and performance information. Nevertheless, many politicians are precluded from entering into meaningful debate on a range of resource allocation issues because of a lack of understanding of what is perceived as a technical accounting discourse that is becoming more pervasive. For example, one participant, when discussing the presentation of the budget, expressed this most vividly by suggesting that many MLAs do not understand the technical language, are reluctant to admit to such lack of knowledge and are therefore inhibited in challenging the budget.

The research suggests that a distinction can be made between two types of politician, "insider politicians" and "outsider politicians". "Insider politicians", conceivably because of the role that they perform within the Assembly which perhaps forces them to have an extensive and intensive learning of the language of accounting, displayed much greater comfort than "outsider politicians" with an accounting dialogue. With "outsider politicians" the pressures to learn are often considerably less and, as a consequence, their capacity to engage meaningfully in debate that uses accounting terminology and concepts is limited. Such a scenario may undermine effective scrutiny and weakens democratic accountability by contributing to what is seen by some as an unwelcome drift to less public accountability in a range of matters. Stewart (1984 and 1993) promulgates the need for a 'ladder' of public accountability containing a number of 'rungs' (for example, accountability for probity and legality, programme accountability and policy accountability) in order to safeguard accountability and particularly highlights the importance of accountability being discharged by elected representatives to the public. Obviously, with respect to this, considerable difficulties arise when such representatives are unable to understand the language of debate on key issues.

A similar argument has been promulgated by Guthrie, Olson and Humphrey (1999), who argue that if accounting is to play a role in strengthening democratic processes, then it is vital that actors (particularly politicians) understand its meaning. In a comparable tone, yet writing almost 40 years ago, Sidebotham (1966), focusing on local authority accounting, highlighted the danger that, given a lack of knowledge of accounting by politicians, there is the possibility that bureaucrats will assume power, and thereby effectively disenfranchise elected representatives. More recently, and in a similar vein, Bowerman (1998), in providing a comparative international analysis of reforms in the public sector, stressed the possible threat of democracy being undermined by too much emphasis on techniques of managerial control and performance measurement, and a lack of understanding of such technologies (or undue importance being ceded to such technologies) by politicians. She suggested that this has the potential (p. 412) '*to further erode the role of political debate and judgement*'. While the research presented in this paper provides evidence that some politicians are equipped to engage in a debate conducted in the language of accounting, many are not. Note, however, that democratic, political institutions are complex systems that rely on political competition and extensive division of labour (Downs, 1957). These issues may facilitate relative efficient decision making compared to practical alternatives on an institutional level, even though the observed practices at the individual level may seem wanting compared to an ideal model of unbounded rationality.

Given that the establishment of a devolved Assembly was founded on an aspiration of providing consensus politics in NI, the non-engagement of "outsider politicians" in debates that are conducted in the language of accounting is perhaps of great concern. This research provides evidence that the availability of accounting information to politicians is partial and, perhaps more importantly, its understandability by politicians is limited. Given this, the potential for accounting

information to contribute to the establishment of consensus politics, and improved democratic accountability, is weakened.

To an extent, both the development of appropriate accounting information systems to support politicians and the level of understanding of accounting information by politicians, are functions of the maturity of the Assembly and its associated structures and processes. Indeed, the research finds evidence during the first term of the NI Assembly, at times when the Assembly was operating, of ongoing modifications being made to accounting systems to facilitate the needs of politicians. A constantly emerging theme was that the Assembly was in its early stages of development and the process (including the provision, understanding and use of accounting information) was evolving through time. This thrust was evident in responses to a range of questions with broadly similar views being expressed by "insider politicians", "outsider politicians" and non-politicians. However, whilst some progress had been made, it was perceived that it would take the passage of a further period of time before the bodies would, or could, reach their true potential. This view was expressed in relation to, for example, understanding RAB and the engagement of politicians with budget issues. A fairly general theme from the participants in the study was that education (if, indeed, politicians could be activated to avail of such a facility) was necessary to improve the situation. Undeniably, the uncertainty caused by suspensions appeared to reduce the interest of politicians in learning.

## CONCLUSION

The impact of NPM, and more specifically the implementation of RAB, has increased the importance of calculation, targets and accounting information in the UK public sector. This paper investigates the extent to which accounting information has informed and shaped the actions of politicians in the first term of the NI devolved Assembly. What is seen is the apparent rationality of accounting being used across the political spectrum as the language of discussion and debate. This suggests a desire among many stakeholders, including politicians, to legitimise the political changes that have taken place, with clear evidence of a desire to follow (or mimic) what has been happening in Westminster. Nevertheless, many politicians, for the most part those who are not ministers or are not actively involved in departmental committees concentrating on accounting and accountability issues (referred to in this paper as "outsider politicians"), have great difficulty understanding and using this new language. This restricts the ability of such individuals to engage in key deliberations that use accounting information, and potentially undermines democratic control and accountability by effectively disenfranchising such elected representatives with respect to such debates.

This issue is not unique to NI, and other writers have highlighted the dangers to democracy where accounting information is extensively used in decision making but, at best, only understood, or partially understood, by a small number of politicians. The main thrust of such arguments is that if accounting systems are to help in delivering more appropriate, more accountable and better management

within the public sector, as well as strengthening democratic processes, then it is imperative that key stakeholders (including politicians) be familiar with such information and make it the basis of debate. Given that both in NI and in the wider UK the promotion and implementation of RAB, on the back of an increasing acceptance of NPM ideas, has given prominence to accounting information, a lack of understanding by a significant proportion of politicians (as indicated in this study) is particularly problematical. Not only may it cede disproportionate power and influence to a restricted group of politicians who have developed skills in such technical discourse (a group referred to in this paper as "insider politicians"), but, in NI, it may destabilise the overall structure of the Assembly by making it difficult for Assembly committees to provide their essential and unique scrutiny role, a function normally performed in a democracy by an opposition (which, for wider political reasons, is missing in the present NI Assembly structures). Whether such weaknesses can be corrected through time is a moot point. Certainly, the research indicated a perception among most actors that the process and structure is in its infancy and understanding might increase through time. However, the failure to re-establish a functioning Assembly following the 2003 elections, together with the numerous suspensions during the Assembly's first term, has undermined confidence and damped enthusiasm for learning, a factor that makes future progress more difficult.

Finally, one of the most noticeable impressions gained by the researchers, although not one specifically addressed in the questions asked, was an eagerness on the part of the vast majority of politicians to see the Assembly work. Given the longstanding political and social instability that exists in NI, the fact that most MLAs appear committed to the idea of a devolved Assembly suggests that there is perhaps hope for the future (despite the faltering attempts to cement the Assembly since 1999 and, latterly, the failure to re-establish an operating Assembly following the 2003 elections). Conceivably, with sufficient goodwill and compromise on all parts (things that are not easy to establish in NI), together with a period of stability to allow politicians to develop the necessary skills, the language of accounting, accountability and performance may take a more prominent role in debate and discussion in NI political quarters. While at present this may appear some way off, the hope is that such language (with at least a general perception of being rational and neutral) will provide support for both politicians and other stakeholders in making public administration in NI more accountable, more conciliatory and more appropriate.

## NOTES

- 1 This is a term used to reflect differences between nationalists and republicans (who favour constitutional arrangements whereby NI is absorbed within an expanded Ireland) and unionists (who favour retention of NI as part of the United Kingdom).
- 2 Hood (1991) suggested that NPM is a convenient, though a rather loose, term that is a shorthand for a set of broadly similar administrative doctrines that dominated the reform agenda in the public sector in many OECD countries from the late 1970s. Moreover, he identifies the main themes of NPM as being (Hood, 1995, p. 95) 'the idea

of a shift in emphasis from policy making to management skills, from a stress on process to a stress on output, from orderly hierarchies to an intendedly more competitive basis for providing public services, from fixed to variable pay and from a uniform and inclusive public service to a variant structure with more emphasis on contract provision'. For a comprehensive coverage of NPM, see the special issue of *Financial Accountability & Management*, Vol.15, Nos. 3 and 4, 1999.

- 3 Resource accounting is a term of art covering a set of accrual accounting techniques for reporting on the expenditure of UK Central Government, comprising departments and their executive agencies, including Trading Funds, and a framework for analysing expenditure by departmental objectives, related to outputs wherever possible. Resource budgeting is concerned with planning and controlling public expenditure on a resource accounting basis. RAB has been applied throughout the UK, including NI, since the early 2000s, after a number of dry-run years (see Table 1 for more detail of this).
- 4 These attempts included: a powersharing Executive formed in 1974 following the "Sunningdale Agreement" (this was abandoned in May 1974 after many unionists opposed its establishment and organised the Ulster Workers Council strike); the establishment of a devolved Assembly in 1982 with scrutinising powers only (this was boycotted by the two main nationalist and republican parties and was dissolved in 1986); the Anglo-Irish Agreement of 1985 which was signed by Margaret Thatcher for the UK and Garret Fitzgerald for the Republic of Ireland and outlined the principle of power sharing (it was opposed by Sinn Féin and all main unionist parties). For a detailed analysis of government attempts to introduce devolution in NI see Elliott and Flackes (1999).
- 5 At the same time as moves were afoot to establish a devolved administration in NI, comparable changes were taking place in Scotland and Wales. Particularly during the 1980s and 1990s, the level of conviction and the extent of support towards constitutional change grew significantly in Scotland. For example, the cross-party "Campaign for a Scottish Assembly" was formed and this resulted in the issuance of a "Claim of Right for Scotland" demanding a parliament with full powers (Mitchell, 2002, pp. 248-249). In Wales, the debate on devolution was conducted in a similar way to Scotland, but it moved with a different pace and with a subtly different spirit. The arguments pro devolution did not have the same support as in Scotland, due to more ambivalence on political identity (O'Neill, 2000, p. 76). As a consequence of these movements, coupled with central government support for the principle of devolution, both Scotland and Wales gained devolved governments in 1999.
- 6 For an explanation of the schedules (reports) required in resource accounting see NI Department of Finance and Personnel (2003).
- 7 While a critique of the appropriateness of NPM is beyond the scope of this paper, an interesting analysis has been provided by Denhardt and Denhardt (2000).
- 8 A comprehensive examination of the arguments for the use of RAB, and a detailed review of its impact on the NI departments, is provided by Connolly and Hyndman (2005).

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