

Lessons from Australian and British Reforms in Results-oriented Financial Management

by

Bram Scheers, Miekatrien Sterck and Geert Bouckaert^{*}

Reform of government financial management systems in the past decade has seen developments in accrual accounting and in results-based budgeting and reporting. Australia has worked with an accrual-based framework for outcomes and outputs budgeting and reporting since fiscal year 1999/2000. The United Kingdom moved to a resource-based (or accrual-based) financial management system in April 2001. This article evaluates the Australian and British reforms, including aspects such as parliamentary control, political accountability, the role of managers, the political decision-making process, financial control, and critical factors for success or failure.

* Bram Scheers and Miekatrien Sterck are Researchers in the Public Management Institute, Department of Political Sciences, Catholic University Leuven, Belgium. Prof. Dr. Geert Bouckaert is Director of the Public Management Institute.

1. Introduction and methodology

In the last decade governments have been actively reforming their financial management systems. Accrual accounting is becoming increasingly accepted by OECD countries as the appropriate method of financial reporting. However, aligning accrual-based budgeting and accounting is less developed. There is much greater acceptance of accruals for financial reporting than for budgeting purposes (Blöndal, 2003a). A lot of research also shows an increased focus on results (Pollitt and Bouckaert, 1999; Blöndal, 2003b). Results-based budgeting and reporting is becoming the norm. The more performance-oriented focus requires a better integration between the processes of planning and budgeting, though there are outstanding issues to be resolved in integrating financial and wider performance reporting and the measures to be devised.

Australia is generally seen as one of the forerunners with regard to financial management reforms. Since the fiscal year 1999/2000, the Australian government has worked with an accrual-based outcomes and outputs budgeting and reporting framework (Chan *et al*, 2002). In April 2001, the British government moved to a new resource-based (or accrual-based) financial management system (HM Treasury, 2001b) which also places the United Kingdom government amongst the world leaders in financial management reform in the public sector. The United Kingdom is now at the forefront in the European Union in introducing an accrual-based budget.

The purpose of this article is to evaluate these Australian and British reforms. As most OECD countries are currently reforming their financial cycle and plan to introduce (parts of) such reforms, it would be helpful to get an idea of the effects of these reforms and on the factors which facilitate or hinder implementation. Guthrie and Humphrey state that the role of the public sector accounting researcher has to be one of casting more light on the national and international applications of financial management reforms and, in particular, of exploring and exposing the differences between the claimed potential of such reforms and their practical impacts (Guthrie and Humphrey, 1996, p. 298). This is the objective of this article which gives a view of the difficulties when implementing the reforms.

Our findings are based on a qualitative analysis of secondary data as well as primary data. The subject of research consists of results-oriented financial management reforms in the ministries of the central government level. In a first stage, (supreme audit institution) reports about and evaluations of the reforms were analysed. Then we went through the budget documents, financial statements and audit reports. Finally, the data we

gathered from this analysis were complemented with the information we collected from in-depth interviews with expert witnesses and civil servants involved. The in-depth interviews were conducted during research visits to Australia and the United Kingdom in 2003. During our Australian research visit, we visited the Department of Finance and Administration (DOFA), the Australian National Audit Office (ANAO), the Joint Committee of Public Accounts and Audit, two departments (the Department of Family and Community Services and the Department of Education, Science and Training) and the University of Canberra. During our research visit to the United Kingdom, interviews were held at HM Treasury, the National Audit Office (NAO), the Public Accounts Committee, the Cabinet Office, two departments (the Department of Culture, Media and Sports and the Department for International Development) and two executive entities (Jobcentre Plus and the Victoria and Albert Museum).

Part two of this article describes the Australian and British results-oriented financial management reforms at central government level. Then the article deals with the effects of these reforms on different topics like parliamentary control, political primacy and accountability, management, the political decision-making process and financial control in part three. Part four discusses some critical success and failure factors for the implementation of such financial reforms. In the conclusion, some points of attention for implementing similar financial management reforms are given.

2. The Australian and British results-oriented financial management reforms

In this part, we give a short overview of the results-oriented financial management reforms in Australia and the United Kingdom. The most relevant elements for this article and the most typical characteristics of the current financial management systems are given.

2.1. Australia

As mentioned in the introduction, Australia is generally seen as one of the forerunners with regard to financial management reforms. Since the early 1980s the Australian government has developed initiatives to make the budget and management system more results-oriented, as for example with the introduction of programme budgeting in 1983. Since the mid 1990s there is an increased attention for an integrated, comprehensive reform strategy. In 1995, it was decided that departments would have to report on an accrual basis. The policy instrument was the introduction of three new pieces of legislation to replace the Audit Act of 1901 (Guthrie, 1998, p. 8). As a consequence, the currently applicable pieces of legislation are the

Commonwealth Authorities and Companies (CAC) Act 1997, the Financial Management and Accountability (FMA) Act 1997 and the Auditor-General Act 1997. The CAC Act 1997 establishes a single set of core requirements with respect to the financial, audit, corporate governance and accountability arrangements applicable for the Commonwealth authorities and companies.¹ The FMA Act 1997 draws up the regulatory, accounting and accountability framework applicable for the agencies.² The Auditor-General Act 1997 provides a legislative framework for the Office of the Auditor-General and the ANAO.

In 1996, it was decided that an accrual-based outputs and outcomes budgeting and reporting framework would be introduced in the Australian public sector. The framework was implemented for the first time in the budget of 1999/2000, focusing on managerial responsiveness on the one hand, combined with an outcome-oriented, long-term budget and planning process on the other hand. The result is that in Australia appropriations are now explicitly made for outcomes in the appropriation bills. The Portfolio Budget Statements then provide additional details and explanations of the budget to inform senators and members of the public of the proposed allocation of resources to government outcomes. Thus, under the Australian outcomes and outputs framework, “appropriations are structured around outcomes, whilst Portfolio Budget Statements specify the price, quality and quantity of outputs agencies will deliver and the criteria they will use for demonstrating the contribution of agency outputs and administered items to outcomes” (Chan *et al.*, 2002). Another consequence of the new framework is that amounts appropriated are now based on the full cost of delivering outputs and outcomes rather than the expected cash outflow for the year (Department of the Parliamentary Library, 2002).

2.2. *The United Kingdom*

Since the 1980s there has been increased emphasis on establishing results-focused management systems in the United Kingdom’s public sector. Initially, these reforms concentrated on promoting greater efficiency in public expenditure by the way that the public sector was organised. Increasingly, the emphasis was shifted to ensuring that value for money is achieved by promoting high-level performance in the public services. Thus, the emphasis has shifted from a focus on inputs and process to one on outputs and, increasingly, outcomes.

In the UK, the yearly Estimates are the means of obtaining from Parliament the legal authority to consume the resources and spend the cash the government needs to finance departments’ agreed spending programmes for the financial year. Parliament gives statutory authority for both the

consumption of resources and for cash to be drawn from the Consolidated Fund by Acts of Parliament. “The Appropriation Act not only gives parliamentary authority for total resources requested to be used and cash to be issued from the Consolidated Fund but also limits the way in which the resources can be used by prescribing how the overall sum is to be appropriated to particular Requests for Resources (RfRs) in order to finance specified services” (HM Treasury, 2003a, p. 12). The RfRs can be seen as outcomes the government wants to achieve.

Since the late 1990s the government has tied the allocation of resources explicitly to commitments by departments to the achievement of specific and measurable performance targets. In 1998 the UK government launched the Comprehensive Spending Review (CSR) and the Public Service Agreements (PSAs) with the ambition to create a multi-year and policy-oriented budget process. The spending review process supports the wider fiscal framework and aims to deliver better value for money in public services by, for example, replacing the former annual public expenditure survey with biennial reviews, which set firm plans for three years ahead, allowing for greater certainty in planning expenditure (HM Treasury, 2001b). The introduction of the PSAs was mainly driven by the need for more departmental accountability, especially to the Chancellor of the Exchequer and the Prime Minister. During the spending reviews HM Treasury negotiates with the departments the aims, objectives and key targets resulting in a PSA. The PSAs set the outcomes that should be reached within the three-year fixed budget for Departmental Expenditure Limits (DELs).³ Performance measures are used to set clear, transparent targets to improve public services in a number of areas. In that sense, it can be stated that the negotiation of outcome measures is part of the budgeting process (Ellis and Mitchell, 2002). However, these performance targets are set alongside the budget process, as Parliament plays no official oversight role over PSAs. As a consequence, there is little evidence that the two processes are closely related (Talbot, 1998). Moreover, the negotiation of the PSAs formerly took place at the end of the spending review process and was not linked to the decisions on DELs. However, steps are taken to make the negotiation of PSAs closer connected to the budgetary decision-making process.

In the 2000 spending review, the outcome-oriented PSAs were supplemented by output-oriented Service Delivery Agreements (SDAs). The function of SDAs is to outline how the department intends to deliver on its PSA targets. They provide the link between PSAs and the more detailed business plans of departments and their agencies. Departments must also plan and report to the Cabinet Committee on Public Services and Expenditure (PSX) on the implementation strategy followed to reach the

PSA targets by means of delivery plans and delivery reports. In 2003, HM Treasury decided to no longer oblige departments to produce SDAs, in order to reduce the burden of planning.

In 1995 the UK government made the first move to introduce an accrual accounting and budgeting system by means of the White Paper *Resource Accounting and Budgeting in Government*. This was mainly driven by the need for more efficient management and by the need to enhance the accountability of departments to Parliament. The reform has been legally anchored in the Government Resources and Accounts Act (GRAA) of 2000. As a result, in April 2001, the British government moved to a new resource-based financial management system. As a consequence, resource (or accrual-based) Estimates have replaced the cash-based Estimates, and Resource (or accrual-based) Accounts have replaced the cash-based Appropriation Accounts (HM Treasury, 2001b). For each department the Estimates are now accrual-based, but also contain information about the cash requirements.

3. Effects of the results-oriented financial management reforms

Now that we have sketched the results-oriented financial management reforms in Australia and the United Kingdom, some effects of those reforms will be discussed. In this part, we answer successively the following questions: How has the parliamentary control evolved as a consequence of the reforms? Did the political primacy and accountability increase? Do the managers dispose of the financial instruments to manage in an efficient and effective way? How did the political decision-making process evolve? How was the financial control ensured?

3.1. *Parliamentary control*

On the one hand, it can be stated that parliamentary control has increased after the introduction of the reforms. Parliament now receives information it did not previously have at its disposal. It can now see clearly to what outcomes the means contribute. More information about the relation outcomes-outputs-activities-inputs is given. Moreover, not only cash information is available, but also information about the full cost of delivering outputs and outcomes is given. In order to close the fiscal year, departments and organisations have to report on the costs and the outcome/output information. Although the British Parliament has no formal role in setting the government's high-level Public Service Agreement (PSA) targets (see section 2.2), the publication of performance against these targets in departments' annual reports provides an important tool for Parliament in its role of scrutinising the executive. Increasingly departmental select

committees are taking an interest in PSA performance, seeing this as a good means of holding the executive to account. It is thus clear that the reforms have a great potential for increasing parliamentary control since a lot of new information has become available to parliamentary scrutiny.

On the other hand, it can be argued that parliamentary control has weakened because authorisation now takes place on a very aggregated level and because the complexity of the budget and accounts has increased. In Australia authorisation takes place at the outcome level, while in the UK authorisation is done for the Requests for Resources (RfRs) which correspond to outcomes the government wants to achieve. The average number of authorised departmental budget articles or RfRs was around one and a half in fiscal year 2003/04. A consequence of this aggregated level of authorisation is that Parliament loses sight of the more detailed and familiar information. As appropriations are done for outcomes, executive management has more freedom in spending the resources, which limits the control of Parliament. The more detailed information can still be found in the explanatory statements. However, Members of the Australian Parliament have criticised that the output information in the Portfolio Budget Statements (PBSs) and annual reports is too aggregated and that it is difficult to get a clear view of the agencies' contributions to the outputs (Department of the Parliamentary Library, 2002). Moreover, the information in the PBSs is not binding, as Parliament does not vote on it.

Moreover, in Australia politicians have been confused because of the simultaneous implementation of an accrual budget and an outcome budget. Agencies have frequently adapted their outcome and output structure, which has led to a less transparent budget for the Members of Parliament. As a consequence of the instability of the outcome and output structure, it has been very difficult to see the evolution of the resources over time. Also, the number of outcome categories has diminished. The diminished transparency of the financial system has of course weakened parliamentary control.

Also the complexity of the accrual-based financial system has weakened parliamentary control. The majority of the Members of the Australian and British Parliaments do not understand the accrual-based budgets and accounts. They are used to working with cash information and are not familiar with this new information based on the full cost. The budget documents and financial statements have become very complex, as they contain both accrual information as well as cash information. As Members of Parliament are used to working with cash information only, the reforms require a lot of training in, communication on and adaptation to the new accrual-based system.

The conclusion is that the financial management reforms have a great potential for increasing parliamentary control as a lot of new information becomes available to Parliament. This information can help to identify and address broadly-based needs, to clarify linkages between different goals, to distinguish “why” government is involved from “how”, to communicate a longer-term view, to engage the community in planning and to enhance transparency and accountability. However, it seems that it will take some time before the full potential will be exploited. Recipients of performance information do not always have a good grasp of how to assess performance, whether in advance or arrears, and the general reader has been overwhelmed by too much information (Neale and Anderson, 2000, p. 104). This is because Members of Parliament are not familiar with the output/outcome structure and the accrual budgeting and accounting. Because the new financial system is not well understood by parliamentarians, it can be stated that parliamentary control has suffered from the financial management reforms. This was certainly the case at the beginning of implementation. The question is how this will evolve in the future.

3.2. Political primacy and accountability

In this section we look at the effects of the results-oriented financial management reforms on political primacy and accountability. Political primacy means that government policy should be established by politicians and not by public servants. Parliament and government determine the social effects to achieve and the policy instruments to use. Political primacy means that the legislative power has precedence over the executive power, the minister over the public servant/manager, and the public interest over the private interest (Bouckaert, 1997). It is closely connected with the political accountability of government and the ministers to Parliament. Ministers have to report on the policy and on the performance of their administration. When observing recent results-oriented budget reforms in selected OECD countries, one can see that the need for more efficiency and effectiveness goes hand in hand with a need for modernising accountability (Martin, 2002). On the one hand, reforms may increase accountability within the executive branch, between autonomous agencies and departments and between departments and the central budget office. On the other hand, there may be a strengthening of political accountability and transparency, as much to Parliament as to the public.

It can be stated that political primacy and accountability has formally benefited from the results-oriented financial management reforms. In Australia, the resources are now appropriated for the social effects or outcomes politicians want to achieve. The outcomes are further specified in the Portfolio Budget Statements (PBSs) by means of the outputs agencies

will deliver and the criteria they will use to demonstrate the contribution to outcomes. The effects are reported by means of outcome indicators in the annual reports of the agencies. All agencies within the general government sector operating under the FMA Act 1997 are required to produce an annual report by the Public Service Act 1999. The annual report must be given to the minister responsible for the agency as soon as practicable after 30 June each year and, in any event, not later than six months after the reporting date. Agencies' annual reports are the primary vehicle for reporting programme performance, particularly effectiveness, to the Parliament and the public (Australian National Audit Office, 2002). A mandatory requirement is that annual reports include information on the outcome effectiveness and on output price, quantity and quality. As well, the performance information must relate to the outcome and output structure established in the relevant PBS. Annual reports are prepared in accordance with the "Requirements for Annual Reports" which are issued by the Department of the Prime Minister and Cabinet (PM&C) and approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit. PM&C advised agencies that the annual report must include (Department of the Prime Minister and Cabinet, 2003, p. 6):

- the reporting of actual results against outcomes and outputs and the specific performance information set out in the PBS/Portfolio Additional Estimate Statements;
- performance information relevant to funds provided for purchaser/provider arrangements;
- a concise narrative discussion and analysis of the detailed performance information at an appropriate level of reporting.

A copy of each set of financial statements given to the Auditor-General and the Auditor-General's report on them must also be included in the agency's annual report that is tabled in Parliament. A consequence is that Parliament often focuses to a large extent on the financial data. This focus is partly explained by the fact that the performance indicators are not very stable over time and that there is often a disconnection between the performance information and the outcomes to achieve. There is obviously a need to achieve a greater convergence between performance information collected for external accountability and internal management purposes. If performance information is used internally for management purposes and accountability, then staff recognise its importance and are likely to see the value of refining information to better meet their ongoing needs and thereby improve its usefulness for external reporting (Australian National Audit Office, 2001, p. 29). Moreover, the performance information – contrary to the financial statements – is not audited. There is thus no guarantee that

performance indicators are relevant and appropriate, having regard to their purpose, and fairly represent indicated performance.

In the UK, appropriations are made for Requests for Resources which can be seen as outcomes the government wants to achieve. The government has also made use of performance measures to set clear, transparent targets to improve public services in a number of areas. During the spending review, HM Treasury negotiates with the departments the outcomes that should be reached. These targets are set out in Public Service Agreements (PSAs). The share of outcome indicators in the PSAs 2001-04 was 68% (National Audit Office, 2001, p. 1) compared to 15% in the PSAs 1999-2001. The output-oriented Service Delivery Agreements (SDAs) provide the link between the PSAs and the more detailed delivery plans, which plan the implementation in order to achieve the PSA targets.

The British government has a complicated system of reporting documents. The departments report to the Cabinet Office and HM Treasury on the implementation of the PSA targets and the delivery plan by means of delivery reports. These documents are not reported to Parliament and are not accessible to the public. In the spring (March to May), the departments deliver a spring departmental report to Parliament which contains more information on the Main Estimates and the policy targets and indicators of the PSAs and SDAs. In the autumn (September to November), the departments report to Parliament on the achievements by means of the departmental annual report and accounts. An analysis of the delivered outputs and outcomes is made and the accounts of the fiscal year are given. The 2002/03 edition of the *Resource Accounting Manual* states that the annual report and accounts of the departments have to contain the following (HM Treasury, 2003b):

- an annual report;
- a statement of the accounting officer's responsibilities;
- a statement on internal control;
- the primary statements and notes to the accounts;
- the audit opinions and report.

The Cabinet Committee on Public Services and Expenditure (PSX), chaired by the Chancellor of the Exchequer and serviced by HM Treasury, regularly scrutinises how departments are doing against their high-level targets, and each year performance is published.

The PSAs are perceived as instruments to strengthen the policy role of the two central departments HM Treasury and the Cabinet Office. This is

certainly the case for the policy areas which are a political priority as, for example, health, education, transportation and the Home Office. These policy areas are followed up by the Delivery Unit, a specially designed unit within the Cabinet Office. According to Richards and Smith, the budget reform strengthened the position of HM Treasury in the policy-making process and increased the control of HM Treasury over the departments (Richards and Smith, 2002).

It can be concluded that political primacy and accountability has formally increased as a consequence of the financial management reforms. Resources are now appropriated for the outcomes that government wants to achieve. The Australian accrual-based outcomes and outputs budgeting and reporting framework emphasises the need for stronger accountability of agencies to departments as well as an enhanced external accountability. It focuses on managerial responsiveness, output steering and accrual budgeting on the one hand and on an outcome-oriented, long-term budget and planning process on the other hand. In the UK, financial management reforms mainly strengthened the accountability within the executive branch, namely of line departments to horizontal departments, by means of the PSAs.

3.3. Management

A major objective of the results-oriented financial management reforms is the realisation of better financial management by public service managers. The pretext of the reforms is, among other things, the changed philosophy of government management. Governments operate in a more competitive environment, producing their goods and services in a contestable market. Areas of government that are not operating efficiently and effectively are subject to outsourcing or privatisation. In a contestable market, managers need to know the full cost and the full implications of their decisions for the bottom line, so Miley argues that the Australian move to accrual accounting was essential (Miley, 1999). The British system for authorising, controlling and accounting for public money had changed little since the middle of the 19th century. This system, based almost only on cash, gave a distorted picture of the cost of providing services, building in perverse incentives and in particular a bias against essential long-term investment (HM Treasury, 2001a, p. 1). Thus the managers lacked instruments in support of management.

The implementation of the new financial systems was aimed at introducing best practice from commercial accounting into central government. This would enable the managers to work efficiently and effectively and to contribute to the realisation of high quality government services. The question is whether these claimed effects on internal

management have been realised. Do entities report the information through rational assessment of the benefits involved or to meet statutory requirements?

The Australian and British financial management reforms have introduced several instruments to conduct more efficient and effective financial management. These instruments involve, among other things, the accrual basis for budgeting and accounting, the possibility to borrow and the end-year flexibility. Also the authorisation of the resources on the outcome level gives management a lot more freedom to use these resources in the most efficient and effective manner in order to achieve these outcomes. The reforms have clearly led to a change in management behaviour and more attention to efficiency and effectiveness.

In Australia, a survey in 2001 by the National Institute of Labour Studies (NILS) showed that 93% of agencies consider that the agency's performance management arrangements have contributed to improved individual and organisational performance (Australian Public Service Commission, 2002). The advantages of the accrual component of the reforms on internal management are largely achieved, and the accrual component is positively experienced by the agencies' top management. The latter states that efficiency and effectiveness have improved as a result of the reforms. A negative point is, however, that the accrual component is often seen as useless by the line or programme managers. The advantages of the output/outcome component of the reforms on internal management are less clear. The outcome information or the non-financial information is in most cases only given because it is mandatory. If the obligation disappeared, most agencies would not give this information in the current form. Nevertheless, the outcome information is seen as relevant for the development of a departmental strategy.

Contrary to Australia, cost information still has not sufficiently been used by departmental management in the UK. Departments are still mainly focused on the timely delivery and the correct production of the resource accounts. This is confirmed by a recent NAO report that shows that departments and agencies still have a long way to go in order to realise the full benefits of the resource accounting and budgeting reform (National Audit Office, 2003). The NAO assessed the progress of 46 departments and agencies in realising the full potential of accrual accounting to improve resource management. Some 28% have made good progress implementing accrual-based accounting. They belong to the group in which the focus of control is shifting to accrual-based targets and in which there is good use of financial and performance data in decision making. Around 37% of the departments are progressing towards accrual reporting, but management information on this basis is produced only periodically and budgetary

control is based on a hybrid of cash and accruals. Approximately 35%, however, still rely mainly on cash-based budgets and management information, and the preparation of accrual-based financial statements is a separate one-off exercise at year end to meet external reporting and accounting requirements. As such, these departments have so far derived no or limited benefits from the new information.

The conclusion of this section is that the financial management reforms have delivered the financial instruments to create a more efficient and effective internal management. These benefits have, in general, been exploited in Australia. This is not yet the case in the UK. Less than one-third of the British departments and agencies have so far been realising the benefits of the reforms for internal management.

3.4. Political decision-making process

In this section, we check whether the political decision-making process has been influenced by the results-oriented financial management reforms. One of the objectives of the reforms is that the performance information is taken into account when the level of funding is decided, and thus influences the political budgeting process. With appropriate information, politicians are able to exert pressure for improvements and can better understand the issues involved. But do the executive and the legislature take the non-financial or performance information into account when deciding about the level of funding? Is the new information discussed and scrutinised in Parliament or is the focus still on the financial information?

A growing political interest for the results-oriented information is observed in Australia and the UK. In the former, resources have been appropriated for outcomes since the implementation of the accrual-based outcomes and outputs framework in 1999. The Department of Finance and Administration states that when savings had to be made it was able to convince the government to not save money in an arbitrary and linear way, but to take the new results-oriented information into account. However, in general there is little evidence that the output and outcome information is actively and massively used in the political decision-making process. Our finding is confirmed by a survey conducted by the OECD and the World Bank which shows that it is not common that Australian politicians use performance measures in decision making and that the performance results are even not used by Parliament (OECD and World Bank, 2003). The sometimes poor quality of the results-oriented information is of course an obstacle for this use. Because the performance information is not audited (contrary to the financial statements), there is no assurance about the relevance, the appropriateness and the fair representation of the performance

information. Politicians do not ask to return to the previous cash-based system, but urge the administration to improve the quality of the accrual-based output and outcome reporting.

In the UK, there is a strong political interest in the Public Service Agreement (PSA) targets, especially for the policy areas which are a priority of the Prime Minister (health, education, transportation and the Home Office). The state of affairs of the PSAs is discussed every six months in the Cabinet Committee on Public Services and Expenditure (PSX). It is, however, not clear in what way and to what degree the non-financial information influences the political decision-making process. According to the OECD and World Bank survey, it is common for the minister with responsibility for the ministry/entity which is supposed to deliver on the performance target to use performance measures in decision making. However, performance results are not used by the legislature (OECD and World Bank, 2003).

Thus, for both countries there is so far limited evidence that the performance information is actively used in the political decision-making process. The legislative power of both countries does not scrutinise or use performance results in the budgeting process. However, because of the PSA targets, the British ministers tend to increase the use of performance measures in decision making. Moreover, a growing political interest for the accrual-based output and outcome information is found in both countries. It may be expected that, when politicians become more familiar with the new information and when there is sufficient assurance about the reliability of the performance information, the use in the political decision-making process will increase.

3.5. Financial control

The budget is also an important instrument for financial control. Wildavsky formulated the multifunctional character of budget systems as follows: “Budgeting is supposed to contribute to continuity (for planning), to change (for policy evaluation), to flexibility (for the economy) and to provide rigidity (for limiting spending)” (Wildavsky, 1978). In times of economic difficulties, there is more attention to savings than to results-oriented budgeting. This was illustrated in the beginning of the 1990s when various governments were confronted with large budget deficits and the results-oriented budgeting reforms were overshadowed by the need for financial control. Top-down expenditure limits have been introduced to bring government spending back into control. This was also the case in the UK with the Comprehensive Spending Review in 1998.

Financial control is often associated with a centralised budgeting process and a cash and commitments-based line item or input budget format. These characteristics contradict those of a results-oriented budget system, *i.e.* a decentralised budgeting process and an accrual-based output or outcome budget format. That is why those responsible for budget policy often fear that financial control will decrease as a consequence of the more results-oriented financial management reforms. The cash-flow information is important and necessary for sound fiscal control and to identify the treasury need for cash as part of macroeconomic (monetary and fiscal) and budgetary policies. That is why a compromise has to be found in order to combine financial control with a more results-oriented budget. While the resources are appropriated for outputs or outcomes, financial control should be strong enough to be able to intervene when necessary. Therefore, a clear view on the cash information is necessary.

It can be said that both Australia and the UK have succeeded in combining financial control with a more results-oriented budget. The suite of financial statements provides a more complete picture of financial activity than cash reporting alone. Accrual-based financial reports and budgets give a picture of operations during the period concerned and the overall financial position. However, as cash-flow information remains important and necessary for sound fiscal control and to identify the treasury need for cash, Australia and the UK also supply cash-flow information to have a more complete overview.

In the UK, the resource accounting and budgeting reform (RAB) does not substitute information about costs for information about cash. Cash information and parliamentary control over cash remain by means of the net cash requirements which are based on the Requests for Resources. The cash management scheme ensures that improved departmental cash management is another feature of RAB (HM Treasury, 2001b). The Australian government provides cash information along with the accrual reports on operations and its financial position. It was recently decided that the agencies have to report again on a monthly basis on their cash position. The decision was taken to reinforce the financial control. As both countries still report on the cash requirements, the financial control can be maintained and guaranteed.

To conclude, it can be stated that financial control is guaranteed in Australia and the UK by means of cash reporting. The evolution towards an accrual-based outcome budget format has thus not led to a loss in financial control. The cash information is no longer a steering variable, but a result of the economic policy.

4. Critical success and failure factors

This part handles some critical success and failure factors for the implementation of results-oriented financial management reforms as described in part two. A lot of similar factors were found in both countries. Australia as well as the United Kingdom face problems with the quality of the performance data. Also the availability of sufficient qualified personnel and know-how turned out to be a critical failure factor in both countries. Critical success factors were, for example, the good support of and co-operation between the central agencies with regard to the financial reforms, the results-oriented culture and the acknowledgement of the necessity of cash reporting. The following sections briefly discuss some identified critical success and failure factors in Australia and the UK.

4.1. The connection between the financial cycle and the policy and management cycle

The reforms in the financial cycle (budgeting, accounting and audit) are closely related. This is realised by the introduction of the three new Acts in Australia and the Government Resources and Accounts Act in the UK. Also there has been a close connection between the financial cycle and the policy and management cycle (planning, monitoring and evaluation) in Australia ever since the introduction of the accrual-based outcomes and outputs framework. Because of the close relationship between the two cycles by means of the budget documentation, financial and non-financial specialists generally co-operate well.

This is not really the case in the UK, where the introduction of an accrual basis (by means of the resource accounting and budgeting initiative, RAB) is not integrated with the evolutions in the information content of the budgeting process (by means of Public Service Agreements, PSAs). The RAB initiative is aimed at improved management, while the introduction of the PSAs is focused on the policy angle. There is an insufficient relationship between the appropriation process and the negotiations of results in the PSAs. In the past, the PSA targets were often decided at the end of the spending review. There is also insufficient harmony between the different plans and budget documents. For example, there is not always an unambiguous connection between the targets formulated in the budget, the targets formulated in the PSAs and the targets reported in the annual report and accounts.

It is critical for success that not only the different components of the financial cycle, but also the whole financial cycle and the policy and management cycle are closely connected. If this is not the case, the specific

reform risks being on its own and will probably fail to realise its full potential.

4.2. *The quality of the data*

The quality of the financial and non-financial data is insufficient and remains a major challenge. In Australia, there are a lot of problems concerning performance data and indicators:

- lack of stability of the outcome indicators and even of the outcomes themselves;
- insufficient availability of the indicators;
- the lack of an IT system for the collection of the performance indicators (collection is still done manually);
- often a disconnection exists between the four output indicators (quality, quantity, timeliness and cost), the outcome indicators and the outcomes;
- the value of the performance indicators is questionable as no validation is done by internal nor external audit;
- the causal relationship between outputs and outcomes is difficult to define.

The problems are also discussed by the ANAO: “The Portfolio Budget Statements performance information did not always include targets or the targets that were provided were often vague and/or ambiguous” (Australian National Audit Office, 2002, p. 14).

In the UK, departments face major problems in producing Schedule 5: “Statement on Resources by Objectives”, in which costs are allocated to targets. Schedule 5 is currently under review by HM Treasury to determine the problems and to develop solutions. Most of the problems concerning performance data are caused by:

- insufficient connection between the targets and the indicators;
- insufficient connection between data generated by different administrative units;
- insufficient quality of external data;
- incorrect reporting of data.

The quality of the data has thus been a critical failure factor for the reforms in both countries. Nevertheless, a lot of work has been done by the

central actors to ensure the quality of the data. The Australian DOFA, for example, published a guidance document in which it set out criteria for formulating performance indicators (Department of Finance and Administration, 2000). In the UK, the manual *Choosing the Right FABRIC* describes the criteria for a good performance measuring system (HM Treasury *et al.*, 2001). However, these guidelines have not proved to be sufficient to guarantee the quality of the performance data. The poor quality still undermines the use of the performance data. That is why the central actors are looking for ways to guarantee and improve the quality of the data. One of these measures is that since 2003 the NAO is responsible for validating the departmental data systems used in reporting performance against Public Service Agreements (National Audit Office, 2004, p. 33). The implementation of the audit of the information systems is still in the pilot phase. According to Wilkins, there is some evidence indicating that the extent and nature of stakeholder consultation and input can contribute to more effective data reporting (Wilkins, 2003, p. 1). It is suggested that the extent of linkage between externally reported information and its use by management may also be important.

4.3. Transparency

In both countries, a lack of transparency of the system turned out to be a critical failure factor. The results-oriented financial management reforms have introduced financial systems which are less transparent and more complicated than before. As already discussed when the effect on parliamentary control was considered, Australian agencies have frequently changed their outcome and output structure which has led to a less transparent budget. It has become a lot more difficult to see where the money goes. Also the use of two different accounting standards, the Australian generally accepted accounting principles (GAAP) and the economics-based standards *Government Finance Statistics* (GFS), causes a lot of problems and less transparency. The use of two standards can be a political problem, as two kinds of deficit are possible and may be exploited politically. The ANAO states the accounting standards problem as follows: “The public sector will also need to resolve the differences relating to the harmonisation of the GFS framework and Australian GAAP. The aim of this work is the development of an Australian Accounting Standard (AAS) for a single set of government financial reports to reduce current levels of confusion, and to aid transparency” (Australian National Audit Office, 2003, p. 30).

Also in the UK, the integration of accounting concepts into a government context has led up to a very complicated system. Especially Schedule 1: “Summary of Resource Outturn” is very complex. As

mentioned before, parliamentarians experience a lot of difficulties in understanding the resource estimates and resource accounts. A simplification of the system and a communication and training strategy to improve transparency are currently being considered.

4.4. Persistent attention to cash information

A critical factor for success is the persistent attention to cash information. In both countries cash-flow information remains important and is still supplied to have a more complete overview. The Australian government generates the necessary cash information from the accrual accounting system as well as on a transactional basis. In order to improve the information about cash, it was recently decided that the agencies have to report again on a monthly basis on their cash position. In the UK, cash outlays are authorised at departmental level by means of the net cash requirements. The cash flows are followed up centrally using a General Expenditure System Database.

Thus, both countries guarantee that the availability of cash information is maintained. If this were not the case, macroeconomic and budgetary policies and sound fiscal control would be undermined. This would lead to the failure of the financial management reforms.

4.5. A results-oriented culture

In Australia, there is a strong results-oriented culture. The political level – government as well as the opposition – shows interest in the cost information and is becoming increasingly aware of the potential of the reforms. However, it should be mentioned that it is mainly the Joint Committee of Public Accounts and Audit which showed/shows interest in the reforms, while the other politicians do not understand the reforms and distrust them. This should be improved in the future.

A results-oriented culture has also been introduced at the administrative level in Australia. There was strong support for the reforms of the top of DOFA. As a result of the implementation of the reforms, the function of chief financial officer has been revalued from a minor function to a senior management function. Civil servants, especially top management, now think more in terms of costs and outcomes. When savings are necessary, these are not made arbitrarily, but the performance information is taken into account. These are just a few examples to show that the culture has become much more results-oriented in Australia.

In the UK also there is a strong political interest for the publicly available performance targets of the Public Service Agreements. However,

the cost information is less a part of the political and administrative culture. Policy vision is more a part of the administrative culture compared to management vision. There is, though, increasing attention to management and delivery.

The more results-oriented culture which has been in place in both countries has contributed to the success of the reforms. Not only the political level, but also the administrative level has shown more attention to results. The introduction of a strong financial function in the line departments was necessary to implement the reforms.

4.6. IT systems

The information technology system has caused a lot of problems in Australia as well as in the UK. The Australian government uses the IT system AIMS⁴ (Accrual Information Management System) to collect the budget information from the different agencies. A lot of problems have occurred with AIMS; thus the DOFA is currently examining ways to deal with these problems. It is not clear yet whether AIMS should be completely redesigned or whether an upgrade will be sufficient. The problems are currently dealt with by means of “solutions newsletters” produced by the DOFA.

In the UK, the development of IT systems is decentralised. Departments choose themselves how to build the information system. A lot of the departments still have not succeeded in building a well performing system. In particular the cost analytical component requires much work to be done.

The IT system is thus clearly a critical failure factor. It seems very difficult to introduce an IT system which supports an accrual-based financial system in a government context.

4.7. Making line management responsible

One of the critical success factors has been the increased responsibility of line management. Financial management is no longer only the central actors’ concern, but has also become line management’s business. Because of that, line management has been a lot more involved with the financial management reforms, and this has led to better results. The Australian DOFA has moved from a very centralised position to a middle position in which line management has become much more responsible. The latter has, among other things, been illustrated by the introduction of the agency chief financial officer function. In the new middle position, the DOFA can be proactive, strategic and facilitating. The British government is characterised by the strong central steering of HM Treasury concerning the general

framework, and sufficient degrees of freedom for the departments when implementing this framework. This has increased departmental support for and commitment to the reforms.

4.8. Available resources

Both countries were aware of the fact that sufficient resources had to be available for the implementation of the reforms. Such reforms increase the volume and the complexity of processes, as a chain reaction arises from budgeting through accounting to auditing. As a consequence, both countries invested heavily in the development of the framework, in the development of know-how and expertise, in information and communications technology systems (ICT) and in external communication. The Australian government, for example, has undertaken a significant and growing investment in ICT: during 1999/2000, it spent an estimated AUD 2.04 billion, or 7% of total government operating expenditure, on ICT (Australian National Audit Office, 2003, p. 56).

The fact that both countries had provided large budgets for the implementation of the financial management reforms was a critical success factor. Satisfactory financing has to be foreseen in order to avoid the lack of resources during implementation.

4.9. Expertise and know-how

Both countries were faced with insufficient relevant expertise necessary for implementing the reforms. Such financial management reforms require new competencies for all the actors in the administration. This leads to a shortage of suitable employees and to competition between the different organisations. The ANAO suffered from a huge staff turnover as a result of the new framework. In the UK, a training policy has been set up to deal with the lack of expertise and know-how. As a consequence, the number of qualified accountants within the departments has increased significantly during the last years. In the future, each principal finance officer will have to be a qualified accountant.

The availability of expertise and know-how was thus a critical failure factor in both countries. When implementing accrual-based information in the financial system, the influence and responsibilities of the accountants in government should increase significantly. The number of accountants must increase in order to enable successful implementation.

4.10. Co-operation between and support of central actors

The co-operation between the central actors is remarkable in both countries. Before the implementation of the Australian reforms, the DOFA and the Department of the Treasury agreed upon them. The DOFA and the ANAO consult with each other and co-operate for the publication of combined guidelines. In the UK also, HM Treasury and the NAO were forced to co-operate more closely for the implementation of the resource accounting and budgeting initiative (RAB). Moreover, HM Treasury works closely with the Cabinet Office, as the Public Service Agreement policy is a mutual responsibility. The co-operation is put into operation by means of the Delivery Unit.

There is also strong support from the central actors. In Australia, the DOFA and the ANAO take care of the support of line departments. The guidelines of the DOFA and the ANAO are considered very valuable for the top management of the agencies. However, for programme managers a rewriting often has to be done. Other central actors like the Department of the Prime Minister and Cabinet and the Department of the Treasury fulfil only a weak supporting role.

HM Treasury and the Cabinet Office are very important for the support of the British financial management reforms. HM Treasury published a complete series of guidelines about RAB. A number of departments which are responsible for the achievement of the political priorities are additionally supported and followed up. Also the NAO has a supporting role by means of the publication of manuals and recommendations.

If government wants to increase the chances for successful implementation of accrual-based outcomes and outputs oriented reforms, then it should ensure that central actors work closely together and strongly support line departments when implementing the reforms.

4.11. Periodic evaluations and adjustments

A critical success factor was and still is the periodic evaluations and, when necessary, the corrective measures. In Australia, the DOFA has decided to adjust the outcome structure of the budget. Probably intermediate outcomes will be introduced to form a link between the programmes, outputs and outcomes. It may be appropriate to have high-level outcomes over which an agency has only limited control as well as intermediate outcomes and measures more directly linked to the activities of the agency (Wilkins, 2003, p. 2). It was also decided to increase the frequency of cash reporting so that agencies now have to report monthly on cash. The capital

user charge⁵ has been abolished, as the instrument insufficiently influenced the behaviour of the actors.

The British reforms are periodically evaluated and adjusted by HM Treasury and the Cabinet Office. The implementation of the resource accounting and budgeting initiative and the Public Service Agreements was rather incremental and was periodically reviewed. Four trigger points were defined to follow up the implementation of the RAB system (HM Treasury, 2001c). The SDAs are no longer an obligation because they are considered as a burden by some departments. At the moment, HM Treasury is also conducting a review of the quality of the “Statement on Resources by Objectives” (Schedule 5).

Periodic evaluations and corrective measures have thus been taken in Australia as well as in the UK. These were positively perceived by the line departments and contributed to a more efficient and effective implementation of the reforms.

4.12. Co-operation among levels of government

In both countries, the different governmental levels consult each other on the different financial management reforms. In Australia, the Commonwealth and the states confer on the financial management reforms and agree on the introduction of accrual accounting and budgeting. Although the states are not obliged to follow the Commonwealth, the latter is in general a strengthening factor for the reforms in the states. That is why, for example, the state of Western Australia is now catching up with the accrual budgeting reform. The Commonwealth and the states agree on the general trends for reforming their financial management, but the actual working out may be different. The Commonwealth and Western Australia agree on the trend towards an output/outcome budget, but Western Australia opts for an output budget within an outcome framework, while the Commonwealth has chosen to appropriate for outcomes. Also the British central government acknowledges that to draw up the PSAs and the whole-of-government accounts, co-operation with local government is necessary.

Co-ordinating the financial management reforms at the different government levels is not an unimportant issue. By facilitating the consolidation of financial and non-financial data, it may for example avoid a lot of technical problems.

4.13. Overview

In Table 1, an overview is given of the different factors which are considered as critical for success or failure for implementation of the results-oriented financial management reforms in Australia and the UK.

Table 1. Critical success and failure factors for implementation of the Australian and British results-oriented financial management reforms (+ = success; – = failure)

	Australia	United Kingdom
Connection between the financial cycle and the policy and management cycle	+	–
Quality of data	–	–
Transparency	–	–
Persistent attention to cash information	+	+
A results-oriented culture	+	+
IT systems	–	–
Making line management responsible	+	+
Available resources	+	+
Expertise and know-how	–	–
Co-operation between and support of central actors	+	+
Periodic evaluations and adjustments	+	+
Co-ordinating the government levels	+	+

5. Conclusion

In this article, first the Australian and British results-oriented financial management reforms were described. Both countries have been very active in modernising their financial management by moving towards a performance-oriented budget and by introducing accrual budgeting and accounting. The effects of such modernisation on topics like parliamentary control, accountability and management were discussed in part three. Part four of the article described some critical success and failure factors which were identified when implementing the reforms.

When the effects of the results-oriented financial management reforms are examined, it can be stated that the reforms are not a panacea which will solve all financial management problems, but do generate positive as well as negative effects. Political primacy and accountability has increased. Also the financial control is guaranteed. The reforms have a great potential for increasing parliamentary control but, because of unfamiliarity, parliamentary control has currently diminished. The reforms have delivered the financial instruments to create a more efficient and effective internal management but, as is shown by the British example, it takes time to realise full potential. So far, there is also limited evidence that the performance is actively used in the political decision-making process. Only if there is

sufficient assurance that the performance information is reliable will the use increase.

It may be expected that the same critical success and failure factors will occur when other countries implement similar reforms. That is why such countries should keep those factors in mind so that they can be pro-active and implement the reforms in the most efficient and effective way. The task is to meet the critical success factors as much as possible and to avoid the critical failure factors before the start of and during implementation. One of the benefits of not being in the first wave of countries is the opportunity to learn from their experiences. And the experiences clearly show that the introduction of new systems and documents should be considered as a learning process for civil servants as well as for politicians.

This learning process can be accelerated by creating greater involvement with the reforms, for example by an active promotion policy with respect to the reforms. The potential of accrual-based information can be illustrated by means of documents. The promotion policy should try to avoid any lack of understanding by politicians of the accrual-based accounts (this is often the case in Australia and the UK), the consequence being that they fall back on cash information. This issue is certainly relevant for countries which move towards accrual accounting combined with a cash and commitments based budget. In that case, the chance of politicians going back to the information about the realisation of the budget instead of focusing on the accrual-based accounts is real.

The promotion policy should thus ensure broad involvement and support. Broad support for the reforms is necessary in order to ensure more efficient and effective implementation. Therefore, the reforms should not only be developed by the central actors, but line departments and agencies should also be involved. It may be interesting to create a consultative body like the ones in Australia and the UK. In such a consultative body the different parties can meet regularly to discuss accounting topics, among other things, as the accounting norms and standards are in continuous evolution.

In order to create a large commitment to the reforms and to diminish resistance, line departments and agencies should thus be involved in the development of the reforms, and a lot of information about the reforms should already be given during the formulation process, not only when the decisions have been taken.

The Australian and British examples also show that influential financial leadership in the departments and agencies is as important as the central financial leadership. There is thus an evolution from a very centralised or horizontal financial function towards an important decentralised or vertical

financial function. The importance of a similar chief financial officer function will most probably also have to increase in countries which implement more results-oriented financial management reforms. If this is not the case, government faces the risk that microeconomic information will get insufficient attention in internal management and that its potential will not be fully exploited.

The potential of the non-financial information is acknowledged in Australia and the UK, but the information is still insufficiently reliable to be able to influence the discourse fundamentally. In order to stimulate its use, it is important that the non-financial information be not only available, but also stable and reliable.

As seen from the two examined cases, the central actor responsible for the financial and budgetary policy and the supreme audit institution have an important role to play with respect to the implementation of financial management reforms. Therefore, it is advised to strive for good co-operation and co-ordination of the activities. A clear timetable may be drawn up with specific interim results which should be achieved. A good monitoring system is necessary in order to respect this timetable. All this has proved very valuable in the UK to facilitate the implementation of the accounting reforms which were introduced over a long time span. A necessary condition is that any lack of clarity is solved at the start so that the implementation can move forward rapidly.

The benefits of implementing a new financial system become visible in general only after a medium to long-term period. However, the costs of implementation are incurred in the short run; that is why it is important to reserve sufficient resources for implementation. Lack of finances should be avoided because this can lead to second-best solutions which may be harmful for the government in the long term. Sufficient attention should be given to education and training in order to improve the competencies of the personnel for implementation of the new financial system. Also the recruitment of new employees to fill up the knowledge deficit is a possibility to be considered.

To conclude, we refer to one of the success factors found in both countries: the periodic evaluations and adjustments if necessary. These should be done for each reform so that optimal results can be reached. No reform is perfect from the very first.

Notes

1. A Commonwealth authority is a corporate body that holds money on its own account and has been created by Parliament to perform specific functions. A Commonwealth company means a corporation law company in which the Commonwealth has a controlling interest (Office of Legislative Drafting, Attorney-General's Department, 1998a, p. 37).
2. The term agency comprises departments of state, departments of Parliament and prescribed agencies (Office of Legislative Drafting, Attorney-General's Department, 1998b, p. 2).
3. DELs are firm and fixed plans for departmental expenditure over a three-year period, reviewed on a biannual basis. Departments have certainty over these budgets and corresponding incentives to plan over the medium term. They have flexibility to allocate these resources as they see fit, subject to some restrictions.
4. AIMS is a software system which supports the accrual-based outcomes and outputs budgeting and reporting framework and through which the agencies have to supply budget information in order to draw up, update and follow up the Estimates.
5. The capital user charge was to be levied at a predetermined rate on the net assets employed by public sector agencies receiving appropriations. The capital employed by the agencies has an opportunity cost in that the funds could be spent on other government priorities or on other investments which may generate a higher return. The introduction of the charge would encourage improvements in asset management and resource decision making by government and agencies.

References

- Australian National Audit Office (2001), *Performance Information in Portfolio Budget Statements*, ANAO, Canberra.
- Australian National Audit Office (2002), *Performance Information in Portfolio Budget Statements: Better Practice Guide*, ANAO, Canberra.
- Australian National Audit Office (2003), *Control Structures as Part of the Audit of Financial Statements of Major Commonwealth Entities for the Year ending 30 June 2003*, ANAO, Canberra.

- Australian Public Service Commission (2002), *State of the Service Report 2001-2002*, Australian Public Service Commission, Canberra.
- Blöndal, J. R. (2003a), “Accrual Accounting and Budgeting: Key Issues and Recent Developments”, *OECD Journal on Budgeting*, 3(1): 43-59.
- Blöndal, J. R. (2003b), “Budget Reform in OECD Member Countries: Common Trends”, *OECD Journal on Budgeting*, 2(4): 7-25.
- Bouckaert, G. (1997), “Nieuwe politieke cultuur en nieuw overheidsmanagement” in R. Maes, *Democratie, Legitimiteit en Nieuwe Politieke Cultuur*, Acco, Leuven, Belgium, pp. 107-120.
- Chan, M., M. Nizette, L. La Rance, C. Broughton and D. Russell (2002), “Australia”, *OECD Journal on Budgeting*, 1(4): 35-69.
- Department of Finance and Administration (2000), *The Outcomes and Outputs Framework: Guidance Document, November 2000*, DOFA, Canberra.
- Department of the Parliamentary Library (2002), *The Commonwealth Budget: Process and Presentation*, Canberra.
- Department of the Prime Minister and Cabinet (2003), *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, Department of the Prime Minister and Cabinet, Canberra.
- Ellis, K. and S. Mitchell (2002), “Outcome-focused Management in the United Kingdom”, *OECD Journal on Budgeting*, 1(4): 111-128.
- Guthrie, J. (1998), *Application of Accrual Accounting in the Australian Public Sector – Rhetoric or Reality?*, Blackwell Publishers Ltd, Oxford, United Kingdom.
- Guthrie, J. and C. Humphrey (1996), “Public Sector Financial Management Developments in Australia and Britain: Trends and Contradictions” in J.L. Chan (ed.), *Research in Governmental and Nonprofit Accounting*, JAI Press Inc., Greenwich CT, United States, pp. 283-302.
- HM Treasury (2001a), *Better Management of Public Services: Resource Budgeting and the 2002 Spending Review*, HM Treasury, London.
- HM Treasury (2001b), *Managing Resources: Full Implementation of Resource Accounting and Budgeting*, HM Treasury, London.
- HM Treasury (2001c), *Managing Resources: How the Resource Accounting and Budgeting Project was Managed*, HM Treasury, London.
- HM Treasury (2003a), *Central Government Supply Estimates 2003-04: Main Supply Estimates*, HM Treasury, London.

- HM Treasury (2003b), *The Resource Accounting Manual 2002-2003*, HM Treasury, London.
- HM Treasury, Cabinet Office, National Audit Office, Audit Commission and Office for National Statistics (2001), *Choosing the Right FABRIC: A Framework for Performance Information*, HM Treasury, Cabinet Office, National Audit Office, Audit Commission, Office for National Statistics, London.
- IMF (International Monetary Fund) (2001), *Government Finance Statistics Manual*, Statistics Department, IMF, Washington DC.
- Martin, L. (2002), “Budgeting for Outcomes” in A.H.B.W. Khan, *Budget Theory in the Public Sector*, Quorum Books, London, pp. 246-260.
- Miley, F. (1999), *An Examination of Whole of Government Financial Reporting*, CPA Australia, Melbourne, Australia.
- National Audit Office (2001), *Measuring the Performance of Government Departments*, NAO, London.
- National Audit Office (2003), *Managing Resources to Deliver Better Public Services*, NAO, London.
- National Audit Office (2004), *Annual Report 2003: Helping the Nation Spend Wisely*, NAO, London.
- Neale, A. and B. Anderson (2000), “Performance Reporting for Accountability Purposes: Lessons, Issues, Future”, *International Public Management Journal*, 3(1): 93-106.
- Office of Legislative Drafting, Attorney-General's Department (1998a), *Commonwealth Authorities and Companies Act 1997*, 49 in vol. 153, Canberra.
- Office of Legislative Drafting, Attorney-General's Department (1998b), *Financial Management and Accountability Act 1997*, 65 in vol. 154, Canberra.
- OECD and World Bank (2003), *OECD/World Bank Budget Practices and Procedures Database* [Internet Page], accessed 19 November 2003, <http://ocde.dyndns.org/>.
- Pollitt, C. and G. Bouckaert (1999), *Public Management Reform: A Comparative Analysis*, Oxford University Press, Oxford, United Kingdom.
- Richards, D. and M.J. Smith (2002), *Governance and Public Policy in the United Kingdom*, Oxford University Press, Oxford, United Kingdom.

- Talbot, C. (1998), “Output and Performance Analysis: Time to Open up the Debate?”, *Public Money and Management* (3): 4-5.
- Wildavsky, A. (1978), “A Budget for All Seasons? Why the Traditional Budget Lasts”, *Public Administration Review* 38(6): 501-509.
- Wilkins, P. (2003), “The Use and Usefulness of Public Sector Performance Information: Have We Lost the Plot?”, *2020 Vision – Government for the Future*, Brisbane, Queensland, Australia.

Table of Contents

Accountability and Control of Public Spending in a Decentralised and Delegated Environment <i>by Joaquín Sevilla</i>	7
Fiscal Discipline between Levels of Government in Germany <i>by Astrid Lübke</i>	23
Fiscal Discipline in a Decentralised Administration: The Spanish Experience <i>by Miguel Miaja</i>	39
Accountability and Control in the Financing of Local Government in Denmark <i>by Jorgen Lotz</i>	55
Enhancing Public Accountability in the Netherlands <i>by Freek Hoek, Cor van Montfort and Cees Vermeer</i>	69
Performance Information in the Budget Process: Results of the OECD 2005 Questionnaire <i>by Teresa Curristine</i>	87
Lessons from Australian and British Reforms in Results-oriented Financial Management <i>by Bram Scheers, Miekatrien Sterck and Geert Bouckaert</i>	133