



# Annual reporting by an Australian government department: A critical longitudinal study of accounting and organisational change



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## ABSTRACT

The period from the Second World War through to the present has heralded change and reform in the Australian public sector, and the sector in other nations, in terms of models, modes and methods of administration and service delivery. While these changes have had significant flow-on effects for the annual reporting behaviours of Australian government departments, the literature has provided few accounts of this movement in terms of the format and content of annual reports, and a lack of piquant explanations for change that are embedded within societal, political and economic contexts. The purpose of this historical study is to identify and critically interpret changes to the annual reports of the Department of Social Services/Security by examining the layout and inclusions of selected, key reports from the 1940s through to the early 1990s, applying Lukács (1971) Marxian concept of reification.

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## 1. Introduction

Historically, the ethos of the Australian public sector (APS) was one of the rigid adherence to the status quo, succeeded by an equally persistent devotion to change. Shifts in management philosophy within the APS altered the accountability requirements of government departments, consequently changing annual reporting behaviours. However, there is a dearth of literature providing detailed analysis of the content of public sector annual reports, particularly over an extended period of time, and relatively few studies that do so from critical and theoretically informed perspectives. These issues are addressed by analysing the content of a selection of annual reports from 1941–1942 to 1991–1992 of the Department of Social Services and its successor, the Department of Social Security (both hereafter DSS).

The DSS was, and remains in its current guise of Centrelink (established 1997), under the control of the Department of Human Services (created 2004), significant within the APS, being one of the largest of all Commonwealth government departments in terms of budget and employee numbers, and with a unique role as the principal provider of state (tax payer) funded income support, pensions, and employment and social services. It is also one of the very few departments to have published an annual report since its establishment.

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In terms of why the format and content of APS organisational annual reports have shifted over time, the undercurrent of much of the literature, particularly government reviews (such as the JCPA, 1979, 1986, 1989; SSCFPA, 1989), is that change occurred to meet more expansive views of accountability arising through and commensurate with the application of the devolved public sector model embodied within the New Public Management (NPM). However, aspects of this interpretation are challenged in the current paper by adopting a critical perspective, applying a Marxist dialectic embedded in Lukács (1971) notion of reification. This longitudinal analysis and interpretation of public sector reporting also engages with calls for historical accounting research to consider issues connected with accounting change (see Gomes, 2008; Maltby, 1999; Napier, 2001). The role of such accounting histories is to “examine how and why accounting has changed”, with a “core mission ... to unravel and chronicle the nature and process of change itself – either how a single incident brought about accounting change or how a multiplicity of factors contributed to change” (Bisman, 2012, p. 16). In assessing this change, and the reasons underlying it, there are implications for current and future accounting thought, policy and practice, and for the ways in which annual report preparers and stakeholders apprehend the functions and usefulness of reports.

Sections 2 and 3 of this paper briefly overview changes to the ethos and management of the APS and related reporting regulation and Section 4 examines the scholarly literature concerning annual reporting behaviours of public sector institutions. An outline of the historical nature of the enquiry, key concepts of Marxian reification (Lukács, 1971) and discussion of methodologies are then provided (Section 5), followed by a descriptive analysis (Section 6) and then critical interpretations (Section 7) of the style and content of six key annual reports. In Section 8 of the paper, some concluding arguments and implications are offered.

## 2. The Australian public sector, 1941–1992

Prior to the 1970s, the APS was managed according to traditional bureaucratic methods, with key guiding principles derived from the tenets of Taylor's (1911) scientific management movement and Mayo's (1959) insights on human relations. A crucial element of this management style included centralised control of government departments resting with the Public Sector Board (PSB) – an independent body of elected government. The *Public Service Act 1922* provided clear chains of command and purported high levels of technical efficiency attained through continual refinement of procedures and the heavy use of rules, ranks and hierarchies (Funnell and Cooper, 1998; Guthrie et al., 2003; Hughes, 1998).

However, this approach to administration began to lose support under the Whitlam Government (1972–1975), and although this regime rose to power on a reformist platform, it discovered the APS was unresponsive to its reformist zeal (Funnell and Cooper, 1998). The government's reaction was to instigate the Royal Commission on Australian Government Administration (RCAGA). Key findings of this Commission that were implemented included politicians becoming more involved in running their departments, lower levels of management being given more power to make decisions and made more accountable for the successful delivery of outcomes, and central co-ordinating departments, such as the PSB, having greatly reduced power (RCAGA, 1976).

While the Fraser Government (1975–1983) instigated three reviews into public sector administration (the Reid, Lynch, and Bland Committees), it did not implement any major changes beyond staff freezes and clarifications of guidelines for governmental financial statements and annual reports (Carrick, 1982; Funnell and Cooper, 1998). In 1985, the Hawke Government (1983–1991) implemented the Financial Management Improvement Plan (FMIP) as the vehicle for executing its reforms, including cash limits for departments, the running costs system, and the use of efficiency dividends. Departments were required to develop performance measures of both efficiency and effectiveness to be reported to parliament in the form of corporate plans, annual reports, or explanatory notes (Guthrie, 1993). Significant downsizing of the number of APS employees occurred from 1987 to 1997, with the proportion of the workforce in the sector dropping from 30% to 22% (Meek, 2001).

According to the champions of these reforms, the APS changed from a bloated, rigid, unresponsive apparatus into a market driven, devolved, decentralised example of ‘corporate’ best practice. The changes adhered to the global phenomenon of the New Public Management (NPM). The NPM movement involved/s: the devolution of authority to lower levels of management; increased managerial accountability for outcomes; adoption of commercialised management practices such as performance based remuneration and outsourcing; fostering competition between departments; and, the frugal use of inputs. Each of these ideals was implemented, to some extent, within the APS during the 1980s and 1990s (Aulich et al., 2001).

## 3. Commonwealth departmental annual reporting 1941–1992

The history of annual reporting by Commonwealth government departments in Australia followed a similar pattern to the evolution of the APS as a whole. Prior to the RCAGA in 1976, departmental annual reporting was not robustly regulated, nor was reporting widespread. It is also acknowledged that reforms to public sector accounting and annual reporting practices in Australia did not occur within a vacuum, but have happened within the public sectors of most other OECD countries during the same period. For example, Coy et al. (2001) discuss the move towards the use of a ‘decision usefulness’ reporting framework in the United States, Hay (1992) provides an appraisal of changes to New Zealand public sector reporting, and Connolly and Hyndman (2006) discuss similar changes that occurred in the United Kingdom.

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