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**New development: Rethinking public sector accounting systems by
rediscovering their relational nature**

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Abstract

This paper emphasises the need to recognize explicitly the dual nature, technical and relational, of accounting systems, to explore in more depth and explicitly how they can reflect the plurality of societal values and expectations, and ensure citizens' participation and engagement. Public sector accounting systems should be legitimated both by their technical features and by the processes through which citizens are engaged in deciding "what counts", in measuring, reporting, communicating and using accounting information.

Keywords

Citizens' engagement; performance measurement; information use; co-assessment; public sector accountability

Introduction

Accounting systems in the public sector have been traditionally characterized as “monological” tools for producing information, usually in a centralized way, and for public sector organizations to discharge accountability towards citizens, often conceived as passive recipients of performance information. They have also been dominated by a focus on efficiency and financial values. Their main source of legitimacy would rest on the technical features of the information reported, such as its reliability and decision usefulness. These systems have increasingly come under scrutiny, due to their several limitations, encompassing very limited use by, and relevance for, users, insufficient improvements in transparency and decision making, narrow scope of measurement, and failure to ensure citizens’ engagement. All these limitations encourage the exploration of new forms of public sector accounting systems. One of the possible ways forward is to rethink such systems to reflect more closely the needs, competencies, expectations, interests and values of citizens and users. This requires not only to rethink their “technical” features, but also to engage more closely the stakeholders in the processes of measurement. More specifically, it implies recognizing that public sector accounting systems are not only legitimated by their technical features and the professional expertise they reflect, but also by the processes through which citizens are involved and engaged in deciding “what counts” in measuring, reporting, communicating and using the emerging accounting information.

In this paper, we highlight the need to recognize more explicitly the dual nature and source of legitimization, technical and relational, of accounting systems, to explore in more depth and explicitly how they can reflect the plurality of societal values and expectations, and ensure citizens’ participation and engagement. In doing so, despite not being our key focus, our study also contributes to connecting public value (Moore 1995, 2014) and public values literatures (Bozeman, 2007). As the latter has highlighted the heterogeneity of citizens’ expectations and interests, the former has enquired about how these can be translated into conceptions of what counts as public value, and who is legitimated to adjudicate on that, and through which processes (Moore, 2014). Yet, both literatures have been criticized for the lack of clear implications and concrete translations (see also Steccolini, 2019). A possible way out of this ambiguity may be represented by exploring the potential of accounting not only as technical systems, but also as relational ones, combining accounting literature, and accounting focusing on citizens’ engagement with the public sector. The paper proceeds as follows. The first part highlights the main limitations of the traditional model of accounting, as identified in the literature. The second part reflects on how a relational approach may overcome these limitations. In the concluding remarks, suggestions for further research are made that imply challenging the traditional legitimacy basis of accountability to embrace new forms of interaction.

In this contribution we refer to accounting systems as the bundle of calculative practices that will usually involve the measurement of financial and non-financial performance, to provide information relevant for decision making and accountability purposes (Carnegie and West, 2005; Hopwood and Miller, 1994). We thus consider accounting systems as all those practices, tools, mechanisms aimed at giving an account and measure ex-ante, ex-post, financial, and non-financial performance. Under this perspective, accounting is aimed at enhancing accountability, and includes performance measurement systems, i.e., the process of defining, collecting, observing measures or indicators (Van Dooren et al., 2015). It is worth noticing that the word “accounting” is more often used in accounting literature, while in public administration and management literature scholars may tend more often to refer to performance measurement systems, accountability systems. In addition, we use the term “citizens” for reasons of synthesis and abbreviation, to refer to a plurality of individuals (such as users, customers, constituents, non-political representatives including NGOs) and to a plural participation.

Traditional accounting: systems on the verge of a breakdown?

Under a traditional view of public sector accounting, typical of representative democracies, public sector organizations are required to “account” for the use of public resources and the results generated through such use (e.g., Saliterer *et al.*, 2018; Steccolini, 2022). The measurement of public services performance is the prerogative of public sector organizations, that “deliver” reports to be accountable towards the citizenry (often identified in generic terms), and more generally to anyone who is potentially interested in knowing about, and making decisions based on, financial or non-financial performance. The professional ethic of accountants, and forms of auditing, will be expected to ensure the reliability of accounts, and thus protect such stakeholders, who may otherwise find themselves in a condition of information asymmetry, lacking direct access to information, and often the time, resources and competencies to check the quality of reports.

This traditional model of accounting, which has emerged from more than three decades of “managerial” reforms, has often been the subject of critique, and is today seen potentially at risk of being outdated, from a plurality of perspectives, ranging from limited evidence about improved decision making, transparency or prevention of malpractice; scant relevance to users, and limited use of information; limited scope to address the pluralistic nature of societal and citizens’ expectations, and of public performance; and falling short of being an effective tool for citizens’ engagement.

Limited improvement to decision-making and transparency

Current public sector accounting systems have been criticised for not having necessarily prevented malpractice and frauds or contributed to fight corruption. Indeed, despite the implementation of several accounting-related measures, such as accrual accounting, performance measurement, and audit systems, corruption remains high in many countries (Transparency International, 2023). Some studies have even suggested that creating a symbolic appearance of enhanced accountability may in practice allow the perpetuation of corruption and fraud (Anessi-Pessina *et al.*, 2020; Bakre *et al.*, 2017).

Moreover, accounting systems have not prevented public sector organisations from ending up in financially distressed situations, or embarking in financially unwise choices. Indeed, the last three decades have put a strong emphasis on the introduction of accrual-based accounting and reporting, and the development of international public sector accounting standards. However, no final evidence has been identified to prove the claimed superiority of such systems and standards. On the contrary, their advantages are questioned theoretically (e.g., Anessi-Pessina and Steccolini, 2007; Guthrie, 1998), while empirical studies have provided mixed results on the consequences of the introduction of accrual accounting (Jagalla *et al.*, 2011; Liguori *et al.*, 2012; ter Bogt, 2008; for a review, see Bonollo, 2022), casting some shadows on the idea that accrual accounting is necessarily useful or provides better accountability. Along similar lines, the adoption of performance measurement and management systems has been found to increase administrative workload, but not always generated the availability of better-quality information (Diefenbach, 2009; for a synthesis, see Steccolini *et al.*, 2020).

Limited use

A further critical issue undermining the relevance of current accounting (and especially reporting and performance measurement) systems is the actual use of information. The limited interest in, or use of,

accounting information from potential users has largely been highlighted in the literature (e.g., Jones and Pendlebury, 2004; Liguori *et al.*, 2012; Steccolini, 2004; Van Helden, 2016). More recently, a body of behavioural literature has also looked at how performance information is processed by individual managers, politicians and citizens, showing how at the micro level this process is affected by a series of biases, including framing of information, priming and frames, prior beliefs, negativity bias (for a review, see Battaglio *et al.*, 2019). All in all, these studies highlight that the use of accounting information faces significant barriers, and, far from being neutral, is shaped by cognitive and contextual factors.

Limited focus

Existing accounting systems have also come under criticism for their limited focus (more attention on financial rather than non-financial aspects). As highlighted by the recent decades of austerity, they have often come to prioritize financial goals of balanced budgets and efficiency over the maintenance of services, the resilience against crises, social equity or environmental sustainability. Similarly, managerialist values appear to have encouraged a focus on competition and crowded out other values, such as collaboration and trust. Yet, accounting systems, indeed, play an important role in reflecting and shaping other values (Barbera *et al.*, 2020; Bracci *et al.*, 2021; Steccolini, 2019; Van Helden and Steccolini, 2023) such as government resilience, sustainability, collaboration and cooperation, social equity, inclusion and participation. Along these lines, Van Helden and Steccolini (2023) have called for making the values underlying public sector accounting systems more explicit, while raising awareness of the importance to recognize that accounting systems and related accountability mechanisms have a wider potential than simply focusing on efficiency, competition, or balanced budgets. This requires accepting the “fluid and mobile nature of accounting” (Miller, 1998, abstract) and adopting a view of accounting systems as calculative practices which can in certain contexts and at different times be shaped by different values, ideals, rationales.

Limited role in engaging citizens

Finally, the traditional approach of public sector accounting systems reflects a representative democracy model, in which citizens delegate decision-making authority to elected political representatives and express their participation through voting. However, this model has been put under scrutiny as a result of dissatisfaction with governmental action and policy, and new forms of direct citizen participation have spread, especially in many Western countries, with citizens changing their role from voters and mere recipients of services to active actors in several government activities (Nabatchi, 2012). The engagement of citizens is favoured also by the proliferation of new media and the acceleration of digitalization (Sorrentino *et al.*, 2018), which provide a large amount of real time data, easily accessible, shared and communicated. On the other hand, traditional reports have always appeared late and outdated (Agostino *et al.*, 2022).

In a nutshell, the developments described above highlight that several decades of reforms of accounting systems do not appear to have delivered better quality information, ensured higher relevance and understandability to users, or have brought about enhanced use of information, and yielded better decisions. They also appear to have focused attention only on certain values and performance dimensions, at the cost of others. Finally, they appear to have overlooked the importance of citizens and stakeholders’ engagement and their values and needs, not being able of reflecting what “counts” for them (see Figure 1).

This suggests that accounting systems may require a profound rethinking. While this may require plural interventions, this contribution will focus specifically on the need to more seriously recognize the relational and pluralistic nature of such systems, which may provide responses at least to some of the critical issues raised above.

Recovering from the breakdown: rediscovering the relational nature of accounting

The rise of interactive forms of accounting

The last few decades have witnessed an increasing attention towards citizen-state interactions. This has been reflected in the rise of participatory forms, and co-production, in the planning and delivery of services (Bovaird, 2007; Nabatchi *et al.*, 2017; Sicilia *et al.*, 2016). Interestingly, it has also translated into reflection on how citizens can be involved by public sector organizations (co-assessment), or take direct initiative (self-initiated assessment), in the assessment of public service performance.

In cases of *co-assessment*, citizens can be involved in the development of performance measures (Ammons and Madej, 2018; Ho and Coates, 2004); in data collection, such as the case of 'sidewalk auditing' (Hara *et al.*, 2013); or be engaged in analysing performance information, such as in the case of parents co-assessing schools' performance (Sicilia *et al.*, 2016) or of OpenCohesion experiences¹.

In *self-initiated assessments*, citizens take the initiative to hold public administrations accountable. In doing so, they will, for example, produce new accounts by collecting data and information themselves, such as, Ushahidi (Meijer and Potjer, 2018; Okolloh, 2009) – an open-source software application through which citizens can monitor and map, but also protest against, different types of services or events affecting their lives, and ask for problems' resolution. Often, these activities will be facilitated by third sector organizations. Transparency International, for example, facilitates civil society monitoring of specific public procurement projects, to check against the risks of fraud and corruption and in order to foster higher transparency and accountability. Monithon provides an online platform that supports citizens who wish to assess and monitor projects financed by public funds, allowing them to collect secondary and primary data concerning public projects, to report about them, and to share their results on social media. More extreme forms of reversed forms of surveillance ("sousveillance") have also been described in the literature, such as civic activism and public scrutiny against public policies (e.g., the refugee crisis case reported by Ojala *et al.*, 2018) or citizens controlling public services, such as the police, by taking photographs or video recordings (Mann, 2004).

Contrasting "interactive" vs "traditional" systems

An interactive approach to accounting differs with respect to a range of dimensions (see Table 1), helping to overcome some of the limits highlighted above for the traditional system (see Figure 1).

In the traditional system, accounting is a monologic practice, in which public sector reports are prepared by, and reflect the perspectives of, public sector organizations. Conversely, in the interactive approach, accounting becomes dialogical (see Brown and Dillard, 2015), with reports being prepared not only by governments, but also with or by other stakeholders. Governments are no longer the exclusive preparers of accounts, but can engage with citizens to produce them or receive reports generated by citizens in the form of counter- and external accounts (Stafford, 2023). Citizens shift from a passive to an active role, in line with increasing calls for direct forms of participation.

¹ See the website of OpenCohesion: https://www.ascuoladiopencoiesione.it/it/ASOCEU_videos.

In response to the limits of traditional systems, these evolutions create an additional form of control over the activities of public sector organizations, and may contribute to increase transparency, and offset the risk of malpractice, corruption and fraud (Brummel, 2021; Mulgan, 2014). Moreover, enhanced interactivity also allows the engagement of citizens to be strengthened, and to widen the scope and relevance of what is being measured and accounted for. Contrary to the traditional system, where “what counts” is defined by public sector organizations according to the logics and mechanisms typical of the democratic representative system and usually with a neo-liberalism regime, in the interactive system, the object of measurement is identified through dialogue with citizens, enabling a plurality of voices and perspectives to be heard, inspired by an agonist approach (Brown, 2009). Stronger engagement of citizens in deciding what needs to be accounted for, and in collecting and reporting data, is expected to enhance the relevance of measures for users, and may thus facilitate the use of data, ultimately supporting decisions, both on the citizens’ and the public administration’s sides, thus contributing to overcome issues of limited use and scant relevance of information.

Enhanced opportunities for a plurality of voices, interests and values to be heard and reflected in measures and accounts will also address the current limited scope of performance measurement systems, allowing to move from a narrow focus on efficiency and effectiveness, procedures and goal orientation to a wider spectrum of values and issues relevant to citizens.

Engagement of citizens may also contribute to strengthen current experiences of simplified reporting for citizens (so called “popular reporting”; see, for example, Cohen and Karatzimas, 2023), by making the information provided in such reports potentially more understandable or relevant to citizens.

As these new accounts are the results of a relational process between citizens and governments, their legitimacy will derive from two dimensions, encompassing a “measurement/calculative” and a “relational” one. In particular, with respect to the calculative side, legitimacy will rest on the ability of the new accounts to measure what they are meant to measure, responding to relevant needs of transparency and decision making. With respect to the relational side, their legitimacy will depend on the level of representation, participation and inclusion ensured by the underlying processes of interaction between citizens and public administrations.

[Please, add Table 1 about here]

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Conclusion

Starting with an analysis of the limitations of the traditional public sector accounting systems, this paper offers a new perspective aimed at re-imagining these frameworks by more explicitly considering the relational nature of accounting systems. This approach recognizes the importance and benefits of ensuring that citizens’ voices are heard, either through their taking direct initiative, or through public administrations engaging them in deciding what counts, measuring it, and accounting for it to provide inputs for decisions and enhance transparency and control.

A dialogue with citizens is at the core of the proposed interactive approach, as it may generate new, multidimensional and potentially transformative accounts. As such, the legitimacy of the renewed (dialogic) accounting systems (Brown, 2009; Tanimi *et al.*, 2024; Tregidga and Milne, 2022) comes from two dimensions: their ability to measuring what they are meant to measure; and the underlying

processes for ensuring representation, participation and inclusion of stakeholders and citizens (Steccolini, 2019).

As a plurality of experiences of interactive forms of accounting are emerging, there is a need to investigate them, and to identify empirically, in more detail, their pros and cons, conditions for success, and transformative potential. Also, obstacles to interactive accounting, starting from the difficulties to engage stakeholders, might deserve future attention.

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Table 1 – Traditional versus interactive accounting systems

	Traditional approach	Interactive approach
Logic	Monological - one-way communication - public sector accountable to citizens - centralized accounting	Dialogical - multiple-way communication - public sector accountable to citizens - citizens holding the public sector accountable - decentralized, interactive accounting
Role of government	- Being accountable to citizens - Preparers of accounts	- Actively engaging citizens in accounting - Open to inputs from citizens
Role of citizens	Passive recipients of accounts	Active producers of accounts
Who measures performance	Professional accountants	Professional accountants, intermediaries, citizens
What counts?	Predefined and taken for granted	Subject to dialogue, deliberation, conflict, discussion
Source of legitimization	Technical features of accounting systems (e.g., reliability, relevance) ensure their legitimization	Both technical (e.g., reliability, relevance) and relational (inclusion, participation, representation) features of accounting systems ensure their legitimization

Figure 1 – How interactive approaches to accounting can contribute to overcome some of the limits of traditional accounting systems

