

# **Transplanting the Western Approaches to Accounting Reforms in Emerging Economies: Implementing Accrual Basis International Public Sector Accounting Standards in Sri Lanka.**

**Chirath Jeewantha Gatawa Kandage**

**A thesis submitted for the degree of Doctor of Philosophy (Ph.D.) in  
Accounting and Finance**

**Essex Business School**

**University of Essex**

**October 2024**

## **Abstract**

Through three interrelated papers, this thesis investigates the adoption and implementation of accrual accounting and International Public Sector Accounting Standards (IPSAS) in Sri Lanka. Employing an evolving institutional theoretical framework, the research examines accounting reforms across different levels of government in a developing country context. The first paper employs neo-institutional theory and Oliver's strategic response model to analyse institutional pressures and actors' responses to accounting reforms in Sri Lanka. Findings reveal that international donor agencies (World Bank, IMF, ADB) exerted significant coercive pressure through funding arrangements. Organisational responses varied across sectors, with local governments, state universities, and state-owned enterprises demonstrating more favourable responses than central government organisations, ultimately resulting in institutional decoupling.

The second paper adopts an institutional logic perspective to examine actor-centric aspects of reform implementation at the central government level. The study identifies competing institutional logics—state bureaucratic, political, market, and professional—that created tensions in implementing accrual accounting and accrual-based IPSAS. Power dynamics between key actors, including the Ministry of Finance, the Institute of Chartered Accountants of Sri Lanka (ICASL), and the National Audit Office, hindered reform progress. At the same time, the normative pressures exerted by ICASL through professional logic proved significant compared to other developing countries.

The third paper explores IPSAS implementation at the local government level through institutional work and entrepreneurship concepts. This paper illustrates how actors' reflexive agency and power relations transformed public financial reporting in local governments. With support from political actors and strategic intervention from ICASL, civil servants disrupted a

40-year-old accounting system and created new institutional arrangements. The public sector wing of ICASL, government accountants, and operational staff emerged as institutional entrepreneurs by leveraging resources to facilitate institutional change.

These papers contribute to understanding the complex interplay of institutional pressures, strategic responses, competing logics, and entrepreneurial agency in public sector accounting reforms within developing economies. The findings highlight the importance of considering macro-institutional factors and micro-level actor dynamics when implementing accounting reforms in contexts with diverse stakeholders and institutional environments.

*Key words: Accounting reforms, accrual accounting, IPSAS, central government, local governments, ICASL*

## **Dedication**

I dedicate this work to all the taxpayers of my country who contributed to the continuation of the free education system that allowed me to become who I am today.

### **Acknowledgement**

I feel honoured to be supervised by two wonderful and talented individuals, Professor Pawan Adhikari and Professor Kelum Jayasinghe. Throughout this journey, I have always appreciated their guidance, comments, inspiration, and moral support. I must also enjoy all the support and guidance extended by the Postgraduate Research Education Team at the University of Essex and the staff of the Essex Business School.

I sincerely thank the AHEAD project for providing me with financial support and Professor (Mrs) Samarakoon's continuous support and leadership. I must also thank the Vice-Chancellor, Dean of the Faculty of Management and Finance, Head of the Department of Accountancy, and other staff members of my Department and the Faculty of the University of Ruhuna, Sri Lanka.

My heartfelt gratitude goes to my parents, siblings, Aunt Margaret, and my wife for their extended support throughout this journey. I am particularly grateful to my colleagues, Dr. Tissa, Mr. Manawansha, Dr. Anula, Samitha, Thushan, Aruni, Dr. Dushan, Dr. Jayampathi, Ms. Deepika, and Charlie, even some of whom provided me with financial support. I sincerely appreciate Dr. Chaminda and Dr. Teng for their encouragement and assistance. Special thanks to my cousin's sister, Dulani, for her inspiration and support. Also, to all my PhD colleagues at the Essex Business School.

Mr. Lal Samarasekara and Mrs. Chandani supported me in data collection. I am also profoundly grateful to all the participants in this research for their valuable insights and to Mrs. Sachini for her help proofreading my thesis. I must thank the British Accounting and Finance Association (BAFA) and Comparative International Governmental Accounting Research Network (CIGAR) for letting PhD students present their studies and fostering collaboration and discussion among scholars in the field.

I extend my heartfelt thanks to everyone, whether mentioned above or not, for their support and contributions to my academic journey and the successful completion of my PhD thesis.

## Table of Contents

<b>Abstract .....</b>	<b>i</b>
<b>Dedication .....</b>	<b>iii</b>
<b>Acknowledgement.....</b>	<b>iv</b>
<b>Table of Contents .....</b>	<b>v</b>
<b>Abbreviations .....</b>	<b>ix</b>
<b>List of Figure .....</b>	<b>x</b>
<b>List of Table.....</b>	<b>xi</b>
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>1.1 Chapter Introduction .....</b>	<b>1</b>
<b>1.2 Background of the Study .....</b>	<b>1</b>
<b>1.3 Research Gaps and Motivation for the Study.....</b>	<b>7</b>
<b>1.4 Study Context – Sri Lanka .....</b>	<b>14</b>
<b>1.5 Research Aims and Questions .....</b>	<b>17</b>
<b>1.6 Structure of the Thesis .....</b>	<b>22</b>
<b>CHAPTER TWO.....</b>	<b>26</b>
<b>PAPER ONE .....</b>	<b>26</b>
<b>Navigating institutional pressures: strategic responses and decoupling in the adoption of accrual basis IPSAS in Sri Lanka .....</b>	<b>26</b>
<b>Abstract .....</b>	<b>26</b>
<b>2.1 Introduction .....</b>	<b>28</b>
<b>2.2 Literature Review and Theoretical Lens.....</b>	<b>32</b>
<b>2.2.1 Public sector accounting reforms in emerging economies, including Sri Lanka .....</b>	<b>32</b>
<b>2.2.2 Neo-institutional theory and accounting reforms in the public sector .....</b>	<b>37</b>
<b>2.2.3 Institutional pressure and legitimacy as key-drives of IPSAS adoption .....</b>	<b>39</b>
<b>2.2.4 Strategic responses to institutional pressures.....</b>	<b>44</b>
<b>2.2.5 Research aims and questions. ....</b>	<b>46</b>
<b>2.3 Research Context and Research Method .....</b>	<b>48</b>
<b>2.3.1 Research context – Sri Lanka .....</b>	<b>48</b>
<b>2.3.2 Research methodology .....</b>	<b>50</b>
<b>2.4 Data Analysis .....</b>	<b>52</b>
<b>2.4.1 Accounting reforms and status of IPSAS adoption in Sri Lanka.....</b>	<b>54</b>
<b>2.4.2 Institutional pressures for IPSAS adoption in Sri Lanka.....</b>	<b>63</b>
<b>2.4.3 Strategic responses for the institutional pressures on IPSAS adoption .....</b>	<b>72</b>
<b>2.4.4 Institutional decoupling (fear of governments depriving).....</b>	<b>80</b>
<b>2.4.5 Future directions of IPSAS implementation in Sri Lanka .....</b>	<b>81</b>

2.5 Discussion .....	82
2.6 Conclusion, contribution and future direction .....	85
CHAPTER THREE .....	89
PAPER TWO.....	89
Roles and power dynamics of embedded agents in implementing accrual basis IPSAS in Sri Lanka: institutional logic perspective. ....	90
Abstract .....	89
3.1 Background.....	91
3.2 Literature Review and Theoretical Lens.....	96
3.2.1 Public sector accounting reforms in emerging economies. ....	96
3.2.2 Analytical framework – neo-institutional theory.....	98
3.2.3 Institutional logic perspective .....	99
3.2.4 Institutional Logic of accounting reforms adoption and implementation in emerging economies .....	102
3.2.5 Multiple and competing institutional logics in the reform implementation.....	105
3.2.6 Role and agency (actor-hood) of institutionally embedded actors .....	110
3.2.7 Agency and power dynamics of institutionally embedded actors .....	113
3.2.8 Professional power dynamic .....	115
3.2.9 The proposed conceptual model of the study.....	117
3.3 Research Methodology .....	121
3.3.1 The philosophical foundation of the proposed study .....	121
3.3.2 Qualitative methodology .....	123
3.3.3 Research strategy (Case study) .....	124
3.3.4 A case study in Sri Lanka .....	125
3.3.5 Data collection and analysis.....	126
3.4 Data Analysis .....	131
3.4.1 Overview of public sector accounting reforms in Sri Lanka .....	131
3.4.2 Transitioning from cash/modified cash accounting to accrual accounting: challenges and obstacles .....	136
3.4.3 Special project of MOF for standardised cash-based SLPSAS for the transition period. ....	164
3.4.4 Role, agentic Interplay and power dynamics between embedded agents .....	167
3.4.5 Efficiency improvement with ICT logic and digitalisation of public financial reporting in Sri Lanka.....	191
3.5 Discussion .....	194
3.5.1 Analysis of the delays, tensions and unintended consequences of accounting reform implementation. ....	194
3.5.2 Analysis of the influence of multiple institutional logics in shaping the actors' role in IPSAS implementation .....	197

3.5.3 Analysis of the influence of professional power dynamics on the reform implementation .....	208
3.5.4 Potentials of implementation of accrual accounting and SLPSAS with emerging logics .....	210
3.6 Conclusions, limitations and future research .....	212
CHAPTER FOUR .....	216
PAPER THREE .....	216
Implementation of accrual-basis IPSAS at the local governmental levels in Sri Lanka with institutional work support .....	216
Abstract .....	216
4.1 Introduction .....	218
4.1.1 Background of the study .....	218
4.1.2 Research objectives, questions and contribution .....	222
4.2 Literature Review on Public Sector Accounting Reforms .....	223
4.2.1 Accounting reform adoption and implementation .....	223
4.2.2 Accounting reforms at the local governments in emerging economies .....	226
4.3 Theoretical Lens of the Study .....	229
4.3.1 Institutional entrepreneurs .....	231
4.3.2 Institutional work .....	233
4.3.3 Implementation of accounting reforms from an institutional work lens .....	242
4.3.4 Actors, agentic behaviour and institutional work .....	244
4.3.5 Actor's agency (reflexivity, habitual and power relations) .....	246
4.3.6 Research gaps and proposed theoretical framework. ....	250
4.4 Methodology .....	252
4.5 Data Analysis .....	256
4.5.1 Overview of the local governments and local governments' accounting process of Sri Lanka .....	256
4.5.2 Disruption of institution .....	262
4.5.3 Creation of an institution .....	269
4.5.4 Role and power relations among reform creators, reform promoters and reform enforcers .....	285
4.5.4.1 <i>Role and reflexive agency of the Institute of Chartered Accountants of Sri Lanka, including APFASL</i> .....	287
4.5.5 Maintaining the new institution. ....	293
4.6 Discussion .....	306
4.6.1 Institutional work, agency and power relations .....	306
4.6.2 The emerged institutional entrepreneurs in this new institution .....	315
4.7 Conclusion, contribution and future research .....	320
CHAPTER FIVE .....	324



<b>CONCLUSION, CONTRIBUTIONS, LIMITATIONS, AND AVENUES FOR FURTHER RESEARCH .....</b>	<b>324</b>
<b>5.1 Introduction .....</b>	<b>324</b>
<b>5.2 Summary and Conclusions .....</b>	<b>326</b>
<b>5.3 Individual Study Contributions .....</b>	<b>331</b>
<b>5.4 Overall contributions of the thesis .....</b>	<b>335</b>
<b>5.5 Practical Implications of the Research .....</b>	<b>340</b>
<b>5.6 Limitations of the Study .....</b>	<b>341</b>
<b>5.7 Avenues for Further Studies .....</b>	<b>342</b>
<b>References .....</b>	<b>345</b>
<b>Appendix .....</b>	<b>382</b>

## Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
APFASL	Association of Public Financial Accountants of Sri Lanka
CIGARS	Computerised Integrated Government Accounting System
CIPFA	Chartered Institute of Public Finance and Accountancy
CPA	Certified Public Accountant
ICASL	The Institute of Chartered Accountants of Sri Lanka
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ITMIS	Integrated Treasury Management Information System
MOF	Ministry of Finance
NAO	National Audit Office
NPFM	New Public Financial Management
NPM	New Public Management
PSA	Public Sector Accounting
SAD	State Accounts Department
SLPSAS	Sri Lanka Public Sector Accounting Standards
UNDP	United Nations Development Programme
WB	The World Bank

## List of Figures

Figure 1.1 Study framework.....	25
Figure 2.1 Conceptual model of the study (Institutionalisation and strategic responses to IPASA adoption) .....	48
Figure 3.1 Identified key actors .....	109
Figure 3.2 Conceptual model.....	121
Figure 3.3 Data analysis process.....	132
Figure 4.1 Theoretical framework of the study.....	253
Figure 4.2 Accounting process of a local authority.....	261
Figure 4.3 Political administrative structure of Sri Lanka.....	262

## List of Tables

Table 2.1 Summary of IPSAS studies in Sri Lanka.....	35-36
Table 2.2 Literature support for the conceptual model.....	49
Table 2.3 Some of the key accounting reforms from 1980 to 2020 in Sri Lanka.....	55-56
Table 2.4 Adoption status of accrual basis IPSAS of Africa and South Asia.....	60-63
Table 2.5 Annual budget allocations for the accounting reforms.....	65-66
Table 2.6 Summary of strategic responses to the institutional pressures of IPSAS adoption .....	78-79
Table 3.1 Details of interviewees .....	128-129
Table 3.2 Budgeted ITMIS expenses .....	193
Table 4.1 Typology of forms of institutional work (creating, maintaining, and disrupting).....	240-242
Table 4.2 Interviewees' profile.....	255-256
Table 4.3 Forms of institutional work (creating, maintaining, and disrupting).....	308-311

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Chapter Introduction

This chapter provides an overview of this PhD research. This thesis consists of three papers discussing different aspects of public sector accounting reforms and the implementation of International Public Sector Accounting Standards (IPSAS)<sup>1</sup> at different government levels in Sri Lanka. Overall, this thesis aims to investigate adopting and implementing accrual basis IPSAS in an emerging South Asian economy. First, it describes the background of the study, shedding light on public sector accounting reforms in emerging economies in general. This is followed by highlighting the implementation of accrual-based IPSAS reforms across emerging economies, including Sri Lanka, in both the central and local governments. The research gaps and the motivation for the study are then outlined. Next, it provides a description of the study context of this research, Sri Lanka. In the penultimate section, each paper's objective(s) and the research questions addressed in each paper are presented. Finally, this section provides an outline of the chapters of this thesis.

#### 1.2 Background of the Study

To achieve sustainable financial management in the public sector, reliable financial information is required for effective decision making (Eulner and Waldbauer, 2022). Hence, scholars have identified the importance of replacing cash-based accounting with accrual accounting and harmonising accounting practices at government levels and across countries (Christiaens *et al.*, 2015). Sellami and Gafsi (2019) mentioned that accounting reforms

---

<sup>1</sup> The term "IPSAS" refers to a set of principle-based accounting standards developed by the International Public Sector Accounting Standards Committee (IPSASC) of the International Federation of Accountants (IFAC), to be used in the preparation of general-purpose financial reports by the public sector entities. Each IPSAS has developed with very detail providing objectives, scope, recognition, measurement and disclosures requirement. Currently there are 42 IPSAS have been issued.

involved a shift to accrual accounting and the international harmonisation of public financial reporting. Accrual accounting and adopting IPSAS are major accounting reforms introduced to emerging economies. On the other hand, the sovereign debt crisis, the global financial recession of 2007–2008, high levels of foreign debt, and government and budgetary instability catalysed higher demand for accounting reforms in the public sector of developing countries (Ball, Soare and Brewis, 2012). International financial institutions, including the World Bank and the IMF, notably often promote market-based development discourses, such as New Public Management (NPM) and related reforms. These have been subject to critical discussion and have captured the attention of global and local accounting policymakers, emphasising the importance of achieving social and economic development goals in emerging economies (Van Helden and Uddin, 2016). With sound governance principles, international organisations recommended and brought financial reporting and auditing reforms that are widespread in Western countries into their agenda, labelling them “best practices”. However, the debates on the need for accrual accounting and IPSAS in the public sector have persisted among academics and professionals for several decades, not least in emerging economies (Adhikari and Mellemvik, 2011; Adhikari and Gårseth-Nesbakk, 2016; Mbelwa, Adhikari and Shahadat, 2019).

Over the last 40 years, numerous neo-liberal ideologies have materialised in the public sector across countries under the New Public Management (NPM) label, and Sri Lanka is no exception. NPM imposes “quasi-competition” and “business-like” management models in the public sector (Andrew, Baker and Guthrie, 2021). The main intentions of such reform are to reduce the size and power of the government, encouraging public entities to manage and operate more as private enterprises (Robb and Newberry, 2007). As such, the development modes imposed on emerging economies shifted from state-led to market-led discourses during the 1980s, further emphasising the NPM reforms (Jayasinghe and Uddin, 2019).

Market-led development discourses were built on the free market, promoting privatisation and devolution of public services in emerging economies (Van Helden and Uddin, 2016). New Public Financial Management (NPFM), a part of NPM, has mainly focused on the public sector's financial management and accounting aspects (Guthrie, Olson and Humphrey, 2002). As such, NPFM attempts to achieve two-fold objectives of accountability and transparency in public entities through an efficient and transparent financial management system (Yapa and Ukwatte, 2015; Bakre, Lauwo and McCartney, 2017; Sellami and Gafsi, 2019). Adopting accrual accounting, performance-based reporting, performance-based auditing, participatory budgeting, and integrated financial management systems are the critical measures of NPFM (Guthrie, Olson and Humphrey, 1999, 2002). The main intention of the NPFM reforms is to introduce systems to recover the inefficient use of public resources, including public finance (De Silva Lokuwaduge and De Silva, 2020). The systematic adoption of NPFM reforms, including accrual accounting, started in the Anglophone countries comprising New Zealand (1992), the United Kingdom (1993), and Australia (1994–1995) (Barton, 2005; Lye, Perera and Rahman, 2005; Biondi, 2016). Even in developed countries such as New Zealand and the UK, it took several years to successfully transition to accrual accounting with the support of external consultants (Hyndman and Connolly, 2011; Azhar *et al.*, 2022). However, different scholarly views have been expressed about the ongoing accounting reforms in developed countries as well as in emerging economies.

In contrast to the rhetorical benefits of public sector accounting reforms, many scholars have argued that such neo-liberal ideas and NPFM measures have encountered challenges and rarely met their intended objectives of improving governance and accountability in many developing countries (Yapa and Ukwatte, 2015; Goddard *et al.*, 2016; Adhikari and Jayasinghe, 2017; Mbelwa, Adhikari and Shahadat, 2019; Adhikari *et al.*, 2021). However, international donor agencies have promoted these accounting reforms as “multi-purpose

answers” for the public sector’s need for information to achieve transparency and accountability (Polzer, Grossi and Reichard, 2022). Under the NPFM label, many countries have adopted accrual accounting and IPSAS to procure essential financial resources through loans and grants, although their implementation has continued to be questioned (Adhikari, Kuruppu and Matilal, 2013; Hopper, Lassou and Soobaroyen, 2016; Mbelwa, Adhikari and Shahadat, 2019; Adhikari and Jayasinghe, 2022; Liberato, 2024). Pina, Torres and Yetano (2009) highlighted that the real benefits of a cash-based accounting system have been limited to convenience, administrative decision making, and legal compliance. Hence, the public sector’s purely cash-based accounting system has been criticised widely. However, it is still the most widely used and dominant accounting framework that most public organisations adopt (Rompotis and Balios, 2023). Many countries are replacing the reporting framework of public sector entities from a cash basis to IPSAS (Botica Redmayne, Laswad and Ehalaiye, 2021). Cash-based accounting systems fail to measure the accurate performance of the public sector and generate reliable financial reports (Mnif and Gafsi, 2020). Meanwhile, some scholars delimited the drawbacks of accrual accounting due to technical ambiguity and the high cost of implementation (Hyndman and Liguori, 2018; Jayasinghe *et al.*, 2021), similar to other NPFM measures (Mbelwa, Adhikari and Shahadat, 2019). However, the emerging economies and less developed countries were pressured by the international donor agencies to adopt accrual accounting, as it was conditioned with the development grants and aids (Bietenhader and Bergmann, 2010; Adhikari, Kuruppu and Matilal, 2013) by promoting a “one-size-fits-all” approach. A combination of facts, including resources, political, technical, and cultural factors, has created significant delays in the transition to accrual accounting worldwide (Azhar *et al.*, 2022).

Meanwhile, there has been considerable debate during the last few years regarding the adoption of IPSAS into public sector organisations worldwide (Rompotis and Balios, 2023).



The IPSAS, based on the International Financial Reporting Standards (IFRS), has two forms: cash-based IPSAS and accrual-based IPSAS. IPSAS is a voluntary standard, and IFAC provides guidelines for jurisdictions to formulate or change their national accounting standards, demonstrating varying degrees of adherence to IPSAS. Many countries, including developed and developing countries and most international organisations (UN and WHO), are heading towards adopting IPSAS. International organisations, including donor agencies, have financed and directly promoted IPSAS among developing countries (Adhikari, Kuruppu and Matilal, 2013; Tawiah and Soobaroyen, 2024). Furthermore, the sovereign debt crisis headed by the financial crisis in 2008 increased the necessity for transparency and promoted the suitability of IPSAS on account of its ability to generate comparable and comprehensible accounting information (Brusca and Carlos Martínez, 2016; Rompotis and Balios, 2023). The negative relationship between the perceived level of corruption and how the adoption of IPSAS promotes transparency, especially by providing benefits for developing countries to reduce corruption, has been discussed in prior works (Hamed-Sidhom, Hkiri and Boussaidi, 2022; Tawiah, 2023). New Zealand is the first country to switch to IPSAS from IFRS in public sector organisations. According to the International Public Sector Financial Accountability Index<sup>2</sup>, by the end of 2020, 49 jurisdictions out of 165 (30% of the jurisdictions included in the 2020 Index) reported on accrual in their 2020 published financial statements. The report further disclosed that 28 (57%) use IPSAS in one of these three ways: 4 jurisdictions adopted IPSAS with no modifications, 8 modified IPSAS for the local context, and 16 referred to IPSAS to develop their national standards in 2020. Adapting accrual-based IPSAS provides more opportunities for local and global comparability (Sellami and Gafsi, 2019; Schmidhuber, Hilgers and Hofmann, 2022). Furthermore, accrual-based IPSAS works as a better measurement tool for measuring financial position and performance (ACCA, 2017)

---

<sup>2</sup> This 2021 status report has been issued by the CIPFA (The Chartered Institute of Public Finance & Accountancy) by the IFAC.

in the public sector while ensuring long-term fiscal sustainability in the public sector (Kartiko et al., 2018).

However, regarding IPSAS adaptation and implementation, there exists a significant variance across countries due to different economic, social, and political circumstances (Adhikari, Kuruppu and Matilal, 2013; Polzer *et al.*, 2023; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). Even though accrual accounting and IPSAS provide many benefits to the existing government accounting systems, some governments are reluctant to adopt IPSAS due to various reasons, including inadequate consideration of specific circumstances, the business-like nature of the public sector, and implementing issues (Oulasvirta, 2014; Bakre, Lauwo and McCartney, 2017). Some scholars argue that IPSAS is unsuitable for the public sector due to its business-style public financial reporting style (Robb and Newberry, 2007). The costs associated with the adoption of IPSAS, including training development, upgrade of accounting and other information systems, the lack of resources in terms of funding and equipment and inadequate institutional framework, and the reluctance to change are the major issues, especially for developing countries (Chytis *et al.*, 2020; Polzer, Gårseth-Nesbakk and Adhikari, 2020; Schmidhuber, Hilgers and Hofmann, 2022; Rompotis and Balios, 2023). On the other hand, there is a risk of misunderstanding and misinterpreting reports derived from accrual accounting in the public sector (Rompotis and Balios, 2023) because the majority are not using it and will not understand these financial reports. However, with the recent post-COVID-19 economic crisis, the high amount of government debt calls for more qualitative financial statements to be published by the public sector (Rompotis and Balios, 2023). It has opened up avenues for the continuation of the adoption of accrual accounting and IPSAS in developing countries. Even with these criticisms, issues, and challenges, developing countries, by themselves or with the intervention of donor agencies (e.g., WB, IMF, ADB, and AfDB), have not abandoned these accounting reforms and are trying to continue.

These donor agencies (e.g., WB, IMF, ADB, and AfDB) continue to play an influential role in emerging economies and have emphasised that IPSAS-based financial reports are crucial for ensuring quality public financial reporting and accountability in developing countries (Christiaens *et al.*, 2015; Sellami and Gafsi, 2019; Polzer, Gårseth-Nesbakk and Adhikari, 2020; Tawiah and Soobaroyen, 2024). With recent experience in some emerging economies, financial reports and statements based on accrual accounting and IPSAS have been integrated with credit ratings and linked to the loans and grants provided by these donor agencies. On the other hand, with these gradual embraces of accrual accounting and IPSAS (mix of rhetorical and symbolic, loosely coupled) by the emerging economies, research has become more global and critical and no longer centralised to the Anglophone countries or Europe. More recently, a great deal of research has attempted to cover the adoption and implementation of IPSAS from emerging economies, not only at the central governmental level but also at the state and local levels, and to continue the discussion on the unique experience of individual countries as well as comparative discussions. However, there are not many discussions as to whether Western-based public sector reforms such as accrual accounting and accrual-based IPSAS can seamlessly blend in or fit in the contexts of emerging economies (Adhikari and Gårseth-Nesbakk, 2016; Van Helden and Uddin, 2016; Mbelwa, Adhikari and Shahadat, 2019; Sellami and Gafsi, 2019; Polzer, Gårseth-Nesbakk and Adhikari, 2020; Tawiah and Soobaroyen, 2024). Hence, this thesis provides rich insights from an emerging economy, Sri Lanka, unfolding the adoption and implementation of accrual-based IPSAS from the central government to the local government level.

### **1.3 Research Gaps and Motivation for the Study**

International organisations, standard setters, and the accounting profession are advocating the view that normatively accrual-based IPSAS helps to give a more comprehensive picture of

the financial position and performance of public sector entities while recognising and measuring broader elements in the financial statements (Chytis *et al.*, 2020; Schmidhuber, Hilgers and Hofmann, 2022; Rompotis and Balios, 2023). On the other hand, claims have been made that IPSAS leads to the better utilisation of public resources and support for effective decision making, allowing a comparison of financial statements among countries (Cîrstea, 2014; Brusca and Carlos Martínez, 2016). Moreover, better fiscal discipline in the economy decreases borrowing costs. Some researchers found that those reforms have increased the legitimisation of public sector entities, transparency, and accountability (Opanyi, 2016; Abimbola, Kolawole and Olufunke, 2017; Muraina and Dandago, 2020; Schmidhuber, Hilgers and Hofmann, 2022). In contrast, the extant work is critical regarding implementing IPSASs in emerging economies. Rajib *et al.* (2019) mentioned that the efforts to introduce externally proposed accounting modifications, such as accrual accounting and IPSASs, have damaged public governance and accountability in emerging economies such as Nepal, Bangladesh, and Sri Lanka. Some researchers found that applying accrual accounting in sub-Saharan African countries brought more avenues for corruption (Goddard *et al.*, 2016; Bakre, Lauwo and McCartney, 2017). Furthermore, some scholars have revealed that those economies experienced unintended outcomes and failures of these reforms (Adhikari and Jayasinghe, 2017; Adhikari *et al.*, 2021). Even though international organisations continually encourage it, there is evidence that IPSAS adaptation is challenging and unsuitable for some developing countries (Schmidhuber, Hilgers and Hofmann, 2022). However, countries such as Sri Lanka are still trying to implement these reforms to attract much-needed international funding and other resources (De Silva Lokuwaduge and De Silva, 2020). As such, whether these reforms improve public financial reporting practices, especially in developing countries, remains inconclusive.

Scholarly attention on the international harmonisation of public sector accounting, including empirical evidence for the IPSAS adaptation, is lacking, and more research is needed to fill this gap (Sellami and Gafsi, 2019; Polzer, Gårseth-Nesbakk and Adhikari, 2020; Schmidhuber, Hilgers and Hofmann, 2022; Polzer, Adhikari and Phuong Nguyen, 2023; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). Furthermore, different countries have responded using diverse strategies, and various success and failure factors have been identified due to many structural differences among countries (Adhikari and Gårseth-Nesbakk, 2016; Manes-Rossi *et al.*, 2016). Some were more optimistic regarding these reforms, even among developing country cohorts, while others harbored a more cautious or hesitant stance. Hence, there are more avenues for country-specific research studies to provide a more comprehensive picture of these reforms (Van Helden and Uddin, 2016; Rajib *et al.*, 2019; Azhar *et al.*, 2022). On the other hand, wider research attention has been given to accrual accounting reforms in Anglo-Saxon countries, whereas more research on public sector accounting reforms could benefit from studies outside that realm (Bruno and Lapsley, 2018; Christensen, Greiling and Christiaens, 2018; Steccolini, 2019). However, the adaptation of accrual accounting and the introduction of IPSASs in emerging economies are relatively under-researched domains in public sector accounting (Polzer, Gårseth-Nesbakk and Adhikari, 2020; Adhikari *et al.*, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). Therefore, the primary motivation of this study is the lack of empirical evidence from the perspective of emerging economies, particularly using Sri Lanka as a case study. The first paper of the study was more focused on filling this lack of empirical evidence from the emerging economies perspective. Schmidhuber, Hilgers and Hofmann (2022) found a lack of research on the suitability and local use of specific standards, especially how these IPSAS could be used to recognise and measure certain assets and liabilities.

Further, in the public sector accounting literature, limited attention has been given to the in-depth analysis of the roles and influence of various stakeholders in the IPSAS implementation process. Additionally, there are several unexplored questions, including the roles of external auditors, external consultants, and the commitment of government civil servants, especially accountants. Further research into these areas could provide valuable insights into the effective implementation and enforcement of public sector accounting standards (Albu, Albu and Alexander, 2014; Hyndman and Liguori, 2018; De Silva Lokuwaduge and De Silva, 2020; Adhikari *et al.*, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023; Polzer, Adhikari and Phuong Nguyen, 2023). However, the role of actors relatively under-researched domains in public sector accounting, particularly in developing countries, especially the implementation phase that the second paper of this study focuses on (Polzer, Gårseth-Nesbakk and Adhikari, 2020; Adhikari *et al.*, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). In relation to public sector accounting, a specific meaning that has been socially constructed (Albu, Albu and Alexander, 2014) may be based on one's own cultural, linguistic, organisational, and contractual factors (Evans, 2004). Therefore, it is essential to study the process of constructing the local meaning of global standards, especially the positive influence of the local accounting practices of emerging economies (Jayasinghe *et al.*, 2021). Here, the role of individual and organisational actors in promoting accounting changes (Peda and Grossi, 2018; Polzer, Grossi and Reichard, 2022), particularly the implementation of IPSAS, their power dynamics and networks in the adaptation of global standards into local settings, require further investigation (Adhikari *et al.*, 2021; Grossi *et al.*, 2023). Furthermore, the impact of IPSAS on the improvement of trust and governance at the different institutional levels, especially the regional and local levels (Polzer *et al.*, 2023), needs to be studied; hence, third paper of this study was expanded to the local governmental level. Since the colonisation of Sri Lanka, well-established accounting practices have been in use in the state

sector. Tsunogaya and Patel (2020) highlighted that deinstitutionalising this deeply rooted accounting practice creates intense conflicts and struggles; hence, implementing IPSAS is more challenging (Krishnan and Krishnan, 2021) in countries like Sri Lanka. Hence, the political and social pressures that promote this deinstitutionalisation of existing accounting traditions need to be studied in depth (Tsunogaya and Patel, 2020). The legal system, state, and administrative structure in Sri Lanka can go forward with accrual accounting and IPSAS applications (De Silva Lokuwaduge and De Silva, 2020). A detailed study of the politicisation of public sector structures, the influence of bureaucracy, and sluggish attitudes (Nagirikandalage and Binsardi, 2015) in the implementation process of IPSAS in emerging economies need to be conducted (Adhikari *et al.*, 2021).

In some countries, the success of accounting reforms in the public sector has historically been rooted in the evolution of governance structures and quality (Cuadrado-Ballesteros and Bisogno, 2021). There are different logics involved, which could both enable and constrain the reform momentum, and sometimes these logics compete with each other in the implementation of these accounting reforms (Adhikari and Jayasinghe, 2017; Jayasinghe *et al.*, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). The investigation of these logics, which have been contextualised to emerging economies, is necessary since IPSAS adoption remains restrained or slow-moving in these emerging economies (Xu, Ji and Dellaportas, 2021; Polzer *et al.*, 2023; Tawiah and Soobaroyen, 2024). In some cases, particular actors and their agencies have evolved as institutional entrepreneurs in promoting and implementing these reforms by changing existing institutions (Aburous, 2019; Modell, 2022; Argento, Bartocci and Natalizi, 2024). Hence, calls have been made to extend our understanding of public sector accounting (PSA) in emerging economies, exploring the agentic role of these actors (Adhikari and Jayasinghe, 2022; Adhikari *et al.*, 2023) where the second paper of the study was more focused.

One of the main motivations of this study is to address the lack of empirical evidence on the perspectives of emerging economies, specifically focusing on Sri Lanka, while emphasising the importance of agency and the interplay between actors (Adhikari *et al.*, 2021; Polzer *et al.*, 2020). On the other hand, PSA possesses significant potential, serving as a medium for effectively capturing and accounting for public value and serving to represent and embody public values (Grossi *et al.*, 2023). Hence, PSA is still a crucial area to investigate (Adhikari and Jayasinghe, 2022) to pinpoint areas for improvement within public services. This is vital in enhancing the public value, particularly in developing countries. Moreover, in the post-pandemic economic scenario, a critical role that PSA could play is to address broader social issues, to enhance the public value of a country like Sri Lanka. This ongoing post-pandemic economic recession and cost-of-living crisis have a lasting impact on the global economy, which may take many years to recover fully. These broader approaches will be incorporated into PSA research to address development issues. The high level of government debt, lack of transparency in government transactions, and absence of explicit records regarding government assets and liabilities have raised public concerns and fuelled the curiosity of the general population, particularly in the context of anti-government protests and the ‘Aragalaya’<sup>3</sup> movement in Sri Lanka in 2022. These events highlight the urgent need for transparency and accountability in public financial management, as citizens demand greater visibility and assurances regarding public funds and resource management.

On the other hand, Sri Lanka has been grappling with fiscal indiscipline for a very long time due to political and economic instability of the country. Despite best practices in Public Financial Management (PFM) being the backbone of good governance and financial health, they have not been the country's strong suit. Following the recent economic crisis (post-

---

<sup>3</sup> “Aragalaya” is the Sinhala name for “struggle”, the series of mass protest that began in March 2022 against the Sri Lankan government. Thousands of people took to the streets over long power cuts, fuel, gas, food and medical shortage; and rising of prices.



COVID), the IMF recommended comprehensive PFM reforms to enhance fiscal discipline and strengthen debt management as part of a broader economic recovery program. These reforms aim to improve revenue mobilization, ensure effective debt restructuring, protect social and capital spending, and address structural challenges for long-term economic growth (IMF, 2022, 2023). The IMF's recommendations have stimulated renewed emphasis on implementing these proposed accounting reforms, specifically accrual accounting and IPSAS, while highlighting how cash-based accounting may have facilitated the economic crisis through decreased transparency and accountability in public financial reporting in Sri Lanka.

Sri Lanka's significant financial challenges, largely stemming from ineffective public financial management, culminated in an economic crisis that underscored the urgent need for improved financial systems (Dissanayake and Dellaportas, 2024). The proposed PFM<sup>4</sup> Bill addresses these issues by introducing more comprehensive budget coverage, stronger controls, and greater transparency, including the recommendation to adopt IPSAS-based accounting standards for public financial reporting. The IMF (2023) also highlighted critical shortcomings including weak legal frameworks, poor enforcement of existing laws, lack of transparency in financial processes, and incomplete budget coverage. Additionally, the proposed PFM bill clearly delineates the responsibilities of key officials, including the finance minister, secretary to the Treasury, and chief accounting officers in reporting and monitoring functions. These measures specifically target the limitations of the current PFM system, including the cash-based accounting practices in the public sector.

---

<sup>4</sup> The Public Financial Management (PFM) Bill is designed to significantly improve the transparency, accountability, and efficiency of managing public finances in Sri Lanka. It establishes a comprehensive framework that includes clear procedures for budgeting, revenue collection, expenditure management, and fiscal reporting. By setting stringent standards and requirements, the bill ensures that all financial activities are conducted with discipline and effectiveness, promoting better macroeconomic management and fiscal policy.

Therefore, an in-depth and evidence-based analysis of IPSAS implementation is required to provide a more comprehensive picture of these accounting reforms from the perspectives of emerging economies.

#### **1.4 Study Context – Sri Lanka**

Sri Lanka is a lower-middle-income country with a GDP per capita of USD 3354 (2022)<sup>5</sup> and a total population of 22.18 million (2022). With the post-COVID-19 economic crisis, the country faces an economic downturn, recording an annual GDP growth rate of -7.8% (2022). The economy of Sri Lanka is primarily based on the service sector, which contributes nearly 60% of the GDP. The public sector in Sri Lanka contributes around 60% of the national income to the country while handling essential services, such as education, health, water, electricity, and other welfare services. Even though the demand for government services is increasing alarmingly, public resources are limited. Hence, the government is crucial in delivering public services under different circumstances. Due to the COVID-19 global pandemic, the economy is facing unbearable challenges, including revenue reduction, the collapse of vital economic sectors including tourism and export, drastic reduction of foreign reserves, and increased public debt. Under these circumstances, managing public finance is a significant challenge and requires extensive professionalism to achieve economic outcomes.

The accounting and auditing regulatory system in Sri Lanka was constructed under the former British colonial tradition. With the establishment of the Institute of Chartered Accountants of Sri Lanka (ICASL) in 1959, the financial sector and accounting profession were well developed. In the public sector, the government accounting service was established in 1946 under the British Empire, and later it was further expanded with the independence of 1948. In Sri Lanka, the public sector comprises ministers, departments, constitutional bodies, non-

---

<sup>5</sup> <https://data.worldbank.org/country/sri-lanka>

revenue-earning statutory bodies, revenue-earning statutory bodies, and public enterprises. Except for revenue-earning statutory bodies and public enterprises, all other entities must report according to the Financial Regulations (1992) issued by the Public Finance Department of the Ministry of Finance. The revenue-earning, statutory bodies, and public enterprises should comply with the Sri Lankan Accounting and Auditing Standards Act (No. 15) 1995 requirements, where financial statements should be prepared in accordance with the Sri Lanka Accounting Standards (LKAS and SLFRS). Sri Lanka started the development of a local version of SLPSAS, establishing Sri Lanka PSA standards (SLPSASC) and publishing the first four standards in 2009 under the ICASL. After three years, the committee developed another six SLPSAS, published in 2012 under the Association of Public Finance Accountants of Sri Lanka (APFASL).<sup>6</sup>In 2018, the Sri Lanka PSA Standards Committee developed another ten SLPSAS. This third volume was formulated jointly with the Ministry of Finance and with the support of the Asian Development Bank, totalling the SLPSAS to 20.

For several reasons, such as economic uncertainty, high-level debts, and budgetary instability, emerging economies are under pressure to improve the quality of financial reporting. As an emerging economy, Sri Lanka is no exception. The role of the public sector in Sri Lanka is significant. The service sector, which holds many public entities, substantially contributes to the GDP. With the end of 30 years of civil war in 2009, international organisations prioritised implementing accounting reforms in Sri Lanka. Adhikari, Kuruppu and Matilal (2013) argued that Sri Lanka was far ahead in implementing reforms compared to many developing countries because of the well-developed accounting infrastructure and professional institutions established during the colonial period. Furthermore, the government has successfully implemented basic IPSAS compared with other South Asian countries (Rajib et

---

<sup>6</sup> APFASL was established in 2012 as the public sector wing of ICASL. The president of the APFASL held the chairmanship Public Sector Accounting Standards Committee during the development of second set of SLPSAS.

al., 2019). Due to limited political will and support, implementing IPSASs has become problematic, even though Sri Lanka had developed 20 accruals-based SLPSASs by 2018 (De Silva Lokuwaduge and De Silva, 2020).

Senarath Yapa and Ukwatte (2015) emphasised that adopting IPSAS in Sri Lanka may be more challenging than adopting IFRS. As Nagirikandalage and Binsardi (2015) have identified, the political influence of public sector structures, bureaucracy, and reluctance to change are prominent obstacles to implementing IPSASs in Sri Lanka. However, due to external pressure from donor agencies and excessive debt, Sri Lanka has not abandoned the adoption of IPSASs, unlike other developing countries in Asia and Africa. It is evident in prior work that inadequate concerns about local circumstances and implementation problems often cause PSA reforms to fail in emerging economies (Andrews, 2012; Adhikari, Kuruppu and Matilal, 2013; Yapa and Ukwatte, 2015; Rajib *et al.*, 2019).

A circular was issued by the director-general of the State Accounts Department (SAD) to the secretaries of the ministries and state departments regarding the adoption of accrual accounting on 24 June 2013. It states, “As a part of the migrating path to accrual accounting in the public sector, it is at this moment requested to make necessary arrangements to prepare the financial statements including the balance sheet [...] about your Ministry/Department from 2014 onwards” (SAD, 2013, as cited by De Silva Lokuwaduge and De Silva, 2020).

Furthermore, SAD introduced a computerised integrated government accounting system (CIGAS) to enhance the efficiency of accounting practice in public sector entities in 1995 with the support of the ADB. However, government authorities are under pressure with the recommendations of IFAC and ICASL (De Silva Lokuwaduge and De Silva, 2020).

## 1.5 Research Aims and Questions

Overall, this study explores the adaptation and implementation of accrual-based international accounting standards (IPSAS) from the perspective of emerging economies, particularly Sri Lanka. It investigates how accruals-based IPSAS have been institutionalised in developing countries, from macro-level institutions to micro-level perspectives. Three specific research objectives and questions related to the three papers have been formulated.

***Objective one (paper one):*** Explore the overview of PSA reforms and the status of institutional arrangements for adopting accrual-based IPSAS in emerging economies.

What is the current status of adopting and implementing accrual-based IPSASs in emerging economies, particularly in Sri Lanka? What are the institutional pressures for the adoption of accounting reforms, and how have actors responded to these pressures strategically?

***Objective two (paper two):*** Identify the challenges and issues in executing accounting reforms (IPSAS) at the central government of Sri Lanka, including the role of different institutionally embedded actors and their power dynamics in implementing accounting reforms.

When implementing accrual-based IPSAS in Sri Lanka, how do the roles and agencies of institutionally embedded actors shape and get shaped by different logic? Additionally, how do power dynamics among social actors exacerbate the delays and tensions encountered?

***Objective three (paper three):*** Investigate the agency of embedded actors to transform the existing institution into a new institutional arrangement for the successful implementation of IPSAS at the local government level in Sri Lanka.

How do embedded agents engage with institutional works (creation, maintenance, and disruption) while exercising their institutional entrepreneurship in the implementation of new accounting practices/changes at the local government level?

## 1.6 Summary of Each Paper

**Paper one:** The objective of this paper was to give an overview of IPSAS adoption in Sri Lanka with the support of neo-institutional theory and Oliver (1991) strategic response framework. This paper investigated the current status and institutional arrangements by exploring institutional pressures (institutional isomorphism) and strategic responses (Oliver's strategic response model) for adopting IPSAS at different institutional levels, while also providing insights into the level of adoption in other emerging economies in Asia and Africa. A qualitative interpretive case approach was employed as the research methodology, utilising documentary evidence from various sources to gain an in-depth understanding of PSA reforms in developing countries. The main data were collected by reviewing the official websites of government organisations and international financial institutions, including donor agencies such as WB, IMF, and ADB, and international and local accounting bodies. The results indicate that PSA reforms in Sri Lanka were primarily institutionalised under the coercive pressure exerted by international donor agencies, such as the WB, IMF, and ADB, through their funding arrangements at the macro-institutional level (Adhikari, Kuruppu and Matilal, 2013; Yapa and Ukwatte, 2015; Adhikari *et al.*, 2021). The Institute of Chartered Accountants of Sri Lanka (ICASL), as the leading professional accounting body, also played a significant role in providing normative pressure for the adoption and implementation process when compared to other emerging economies in the Asian and African or even Latin American region (Dissanayake and Dellaportas, 2024). At the provincial and local government levels, the central government's Treasury circulars exerted coercive pressure. Some institutions sought to emulate these best accounting practices and serve as role models for others. Institutional actors employed strategies of "compromise", "avoidance", and "defiance" in response to these institutional pressures, leading to institutional decoupling at the central and provincial government levels in Sri Lanka. However, some local governments

gave the green light and achieved “acquiescence” by taking the initiative to adopt and implement the simplified version of SLPSAS<sup>7</sup> for some local governments. This paper contributes to the current literature on PSA reforms by updating the status of adopting and implementing accrual-based IPSAS from the perspective of emerging economies. Furthermore, this study contributes to extending the discussion on neo-institutional theory by shedding light on the underlying reasons for adopting accounting reforms and by combining it with Oliver’s strategic response model. It provides avenues for further research on in-depth analysis of the international harmonisation of public financial reporting, extending beyond more country-specific studies. Further research could extend the study to the local government levels to give a more comprehensive picture of the adoption and implementation of a simplified version of SLPSAS in some of the local governments in Sri Lanka.

***Paper two:*** This paper explored the current issues and challenges of implementing SLPSAS at the central governmental level in Sri Lanka. The study was extended to investigate the role and power dynamic of embedded actors in this implementation process of SLPSAS. The study uses the institutional logic perspective as the theoretical lens of the paper. This study was mainly concerned with the role and agentic interplay between actors in the implementation process of accrual-based SLPSAS at the central government level. It examined the underlying logic behind the delays and unintended consequences of these accounting reforms from a developing country’s perspective. It also explored how power dynamics exacerbate delays and tensions. The empirical data were collected mainly through semi-structured interviews and supported by official documents. Data triangulation was performed by reviewing the official documents and websites of government organisations, international financial institutions, and accounting bodies. The study identified three main

---

<sup>7</sup> Simplified version of SLPSAS was developed by The Institute of Chartered Accountants of Sri Lanka with the request of Department of Local Governments of Sri Lanka. It’s a single standard which was developed including most important sections of the 20 SLPSAS match with the requirements of local government financial reporting requirement.

actors—MOF, NAO, and ICASL—as key players behind the reform implementation as reform creators, promoters, and enforcers. Twenty-eight semi-structured interviews were conducted with representatives from these three institutions, and the remaining represented were government accountants. Data were analysed using thematic analysis methodology following open coding to axial coding; later, themes were developed and presented with the support of an institutional logic perspective. First, the study supported the previous findings that accounting reform implementation at the central government level created delay and tension among key actors, particularly government accountants (Yapa and Ukwatte, 2015; De Silva Lokuwaduge and De Silva, 2020; Adhikari *et al.*, 2021). Issues with the legal identity of SLPSAS, high political involvement and bureaucracy, lack of technical capacity of government accountants, resistance to change, and issues with the leadership of reform creators and enforcers were the main barriers to successful implementation. In addition, the power dynamic between the main actors, particularly MOF and NAO, created extra tension and unintended consequences for reform implementation. State and market logic were the main drivers behind these reforms, and later, they added significant force by professional logic with the establishment of APFASL of ICASL. However, the reform implementation still needed to be completed due to the overinfluence of state bureaucratic structures in public sector organisations. The normative association of ICASL with public sector organisations needs to be legitimised to gain greater acceptance from the public sector community, especially from government accountants. It provides opportunities for adopting more ICT, mainly digital technology and social media, to stimulate the implementation and accrual of accounting and IPSAS. This research contributed to the institutional logic discussion by adding multiple logics that often compete, leading to delays and tensions in the implementation of reforms in emerging economies. This paper provided a unique contribution to the existing PSA literature through its country-specific findings, adding valuable insights to



the discussion of institutional logics. Furthermore, this study contributed to the literature on how the power dynamics between actors created extra tension and delays in reform implementation. This study was limited to the central government level and needs to expand to explore the situation of provincial and local governments. Also, the study will be extended to compare with other developing countries to assess the contextual logics that constrain or stimulate reform implementation.

***Paper three:*** This paper extended the discussion on the adoption and implementation of accrual basis IPSAS to the local governmental level. In this study, I explored the implementation of a simplified version of SLPSAS by the local governments of the North Central Province and the Western Province in Sri Lanka. The agency of embedded actors and institutional capacity development for implementation were mainly explored in institutional work and entrepreneurship support. It highlighted how the embedded actors use their power relations to translate the individual agency into a collective agency to successfully implement these accounting reforms. Furthermore, this study investigated how some actors manage to perform the role of institutional entrepreneurs in this transformation of accounting change at the local governments in Sri Lanka. This study utilised a qualitative case study approach by selecting the local governments of two provincial councils in Sri Lanka. We analysed data collected through 24 interviews with individual and organisational actors who are directly involved with implementing these accounting reforms at the local governmental level. Furthermore, the study used the documents and reports issued by relevant organisations as secondary sources and verified the triangulation approach. The study employed the ideas of institutional work (creation, maintenance, and disruption) to arrange the study's data analysis of the paper (Lawrence and Suddaby, 2006). The rationale behind the implementation of a simplified version of SLPSAS was framed based on the main three components of the institutional work: disruption, creation, and maintenance of the institution. Mainly, we

explained the reflexive agency of actors and how they exercise their power relations in carrying out institutional work (creation of institutions) to transform the existing institution (Modell, Vinnari and Lukka, 2017; Aleksandrov, Bourmistrov and Grossi, 2018; Modell, 2022). The study found that actors took initiatives to disrupt the existing accounting system at the local governments, which was stable for more than 40 years. To create a new institutional arrangement, civil servants could receive support from political actors through the strategic intervention of the ICASL professional association. The reflexive agency of the ICASL was significant in creating a new institution of public financial reporting in local governments (Dissanayake and Dellaportas, 2024). However, the study found that the maintenance of the newly established institution (new accounting change) is challenging due to the structural limitations of the country's local government system. In this case, it was observed that some civil servants and operational-level staff performed their roles as institutional entrepreneurs in this transformation with their ability to leverage resources (Dimaggio, 1988; Maguire, Hardy and Lawrence, 2004). This study contributes by exploring the reflexive agency of actors and how they use their power relations to shape the institutional work to implement accounting reforms in developing countries. This research extended the discussion on neo-institutional theory by exploring institutional work and institutional entrepreneurship concepts by providing empirical evidence from emerging economies' perspectives related to local governments. Furthermore, it provided practical implications for developing policies and strategies related to accounting reforms in developing countries since it provided empirical evidence from more rural local governments.

## 1.6 Structure of the Thesis

This thesis is comprised of five chapters.

*Chapter One* is the introductory chapter. It explains the study's background, including research gaps and motivation. It presents a brief description of the research context of this

study, Sri Lanka. Furthermore, Chapter One discusses the research aims and questions. In the end, it draws the connection between the three studies and how it connects with the overall objective of this PhD thesis.

**Chapter Two** of this thesis comprises the first paper of this PhD thesis. It delineates the background of the paper, its objectives, and research questions. Additionally, it delves into the theoretical framework of the study, encompassing neo-institutional theory and the strategic response model, as well as detailing the research methodology. The chapter also encompasses data analysis and a discussion of the paper. Finally, it concludes with the findings of the paper.

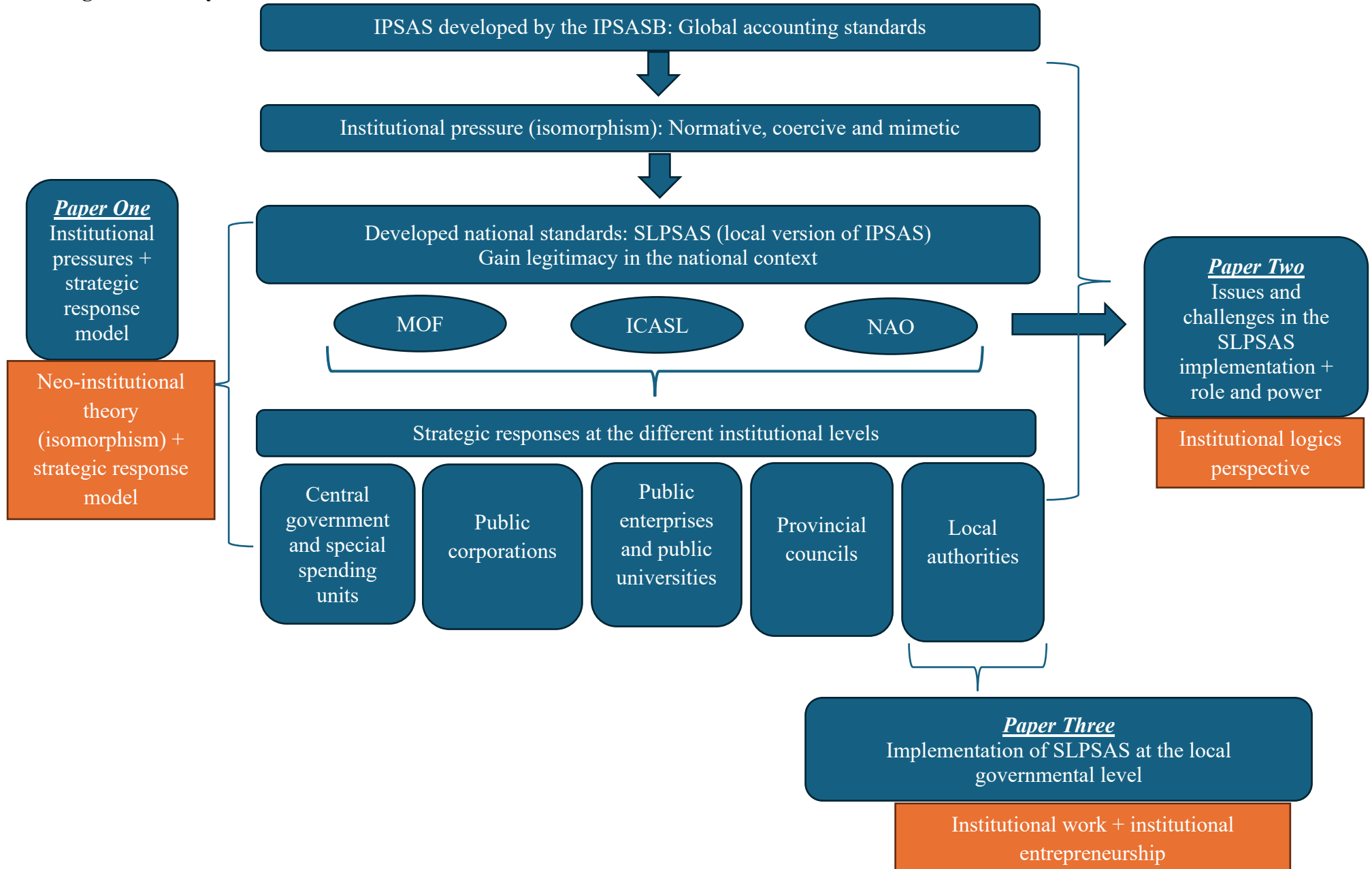
**Chapter Three** of this thesis introduces the second paper of the study. It begins by outlining the background, objectives, and research questions of the paper. Furthermore, it extends the discussion to include the theoretical framework of the study, focusing on the institutional logic perspective. The subsequent section details the research methodology employed in the paper. Following this, the chapter presents the data analysis and discussion of the study. In the final section of the chapter, it presents the conclusions and contributions of the second paper.

**Chapter Four** encompasses the third paper of my three-paper doctoral thesis. At the beginning of the chapter, it offers a study background, including research objectives. The second part of the paper delves into the literature section, aligning with the theoretical framework of the study, which encompasses institutional work and institutional entrepreneurship. In the subsequent section, it elucidates the research methodology employed in this paper. Following this, the chapter presents the data analysis and discussion of the study. Finally, at the conclusion of the chapter, it presents the findings and contributions of the third paper.

*Chapter Five*, the final chapter, summarises the findings and conclusion. It presents an overview of the thesis, a summary of the findings, and the contribution and implications of this research. In addition, this chapter expresses how this study's findings contribute to policy development in relation to streamlining the public financial reporting of the country. Finally, the limitations of the study and suggestions for further studies are also reflected on and discussed.

The following diagram shows the link between the three papers in this thesis.

Figure 1.1 Study framework



## **CHAPTER TWO**

### **PAPER ONE**

#### **Navigating institutional pressures: strategic responses and decoupling in the adoption of accrual basis IPSAS in Sri Lanka**

##### **Abstract**

The study aims to explore the adoption of accrual-based public sector accounting reforms in emerging economies, mainly the Sri Lankan context. It uses neo-institutional theory (NIT) and Oliver's (1991) model of strategic responses to examine how institutional pressures influence the decision to adopt accrual accounting and accrual-based international public sector accounting standards (IPSAS) at different government levels. The study, moreover, delves into how these institutional pressures are met by the individual and organizational actors.

The study utilized a qualitative interpretive case methodology to provide a comprehensive knowledge of accounting changes in developing nations by utilizing documentary data from several sources. Data triangulation was performed by reviewing official websites of government organizations, international financial institutions, and accounting bodies.

The results indicate that public sector accounting reforms in Sri Lanka were primarily institutionalized under the coercive pressure exerted by international donor agencies such as the World Bank, IMF, and ADB through their funding arrangements at the macro-institutional level. The Institute of Chartered Accountants of Sri Lanka (ICASL), as the leading professional accounting body, also played a significant role in exerting normative pressure for the adoption and implementation process when compared to other countries in the region. At the provincial and local government levels, the central government's Treasury circulars have

served as coercive pressure. Some institutions sought to emulate these so-called 'best accounting practices' and present themselves as role models for others. Agents at different institutional levels employed strategies of "compromise," "avoidance," and "defiance" in response to these institutional pressures, leading to institutional decoupling.

This study contributes to the public sector accounting literature by bringing fresh perspectives by exploring institutional pressures while effectively contextualising the strategic responses of the institutions for the accounting reforms in emerging economies. This study showed the diverse responses made by different public sector organizations within the institutional dynamics and power structures of actors.

***Keywords: Public sector accounting, Sri Lanka, neo-institutional theory, international public sector accounting standards, strategic responses***

## 2.1 Introduction

The COVID-19 pandemic, much the financial crisis of 2008, has underscored the vital role of government in safeguarding the well-being of its citizens on a global scale. This unprecedented health crisis has served as a poignant reminder of the significance of governmental intervention in addressing societal needs and ensuring the welfare of individuals (Van Helden, Adhikari and Kuruppu, 2021). However, the escalation of public expenditure poses a significant challenge to the government, as it imposes constraints on their ability to fulfil the diverse needs of their citizens. These circumstances create doubt about the sustainability of public financial management in many developing countries, and they are strongly concerned about the public sector's financial health, particularly in developing nations (World Bank., 2020; Van Helden, Adhikari and Kuruppu, 2021). Meanwhile, some countries have tried to increase the efficiency and effectiveness of public financial management by implementing business-like practices in the public sector. It would be more obvious to say due to the inadequate production of relevant information in the cash accounting system, most countries could not demonstrate satisfactory transparency in public financial management (Christensen and Parker, 2010; Hyndman and Liguori, 2018; Azhar *et al.*, 2022). Concurrently, the United Nations (UN), the International Monetary Fund (IMF) and the World Bank (WB), as international donor agencies, demanded that most developing countries switch to the accrual accounting, and the World Bank has reckoned it to be the best accounting practice. In these countries, international financial institutions and professional accounting bodies have appeared to be the key facilitators in revolutionizing public-sector accounting (Adhikari, Kuruppu and Matilal, 2013; Jayasinghe *et al.*, 2021).

As a result of the recent global economic and political turmoil, there has been an increased discussion regarding the implementation of an advanced accounting system to achieve transparency in public financial reporting, which is a subset of broader term, 'New Public



management' (NPM). Market-led development discourse, accompanied by NPM tools such as accrual accounting and international accounting standards, has dominated major public sector accounting reforms in developing countries (Van Helden and Uddin, 2016; Jayasinghe and Uddin, 2019; Van Helden, Adhikari and Kuruppu, 2021). Several benefits of such reforms are propagated to the developing countries, ranging from good governance to improved accountability to economic growth (IFAC, 2021; Brusca and Martínez, 2016; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). Simultaneously, international donor agencies have offered a comprehensive range of financial products and technical assistance for development projects in many developing countries. However, these loans and financial aids have been contingent upon implementing specific economic austerity policies, including the adoption of market-led NPM reforms in the public sector of emerging economies (Bietenhader and Bergmann, 2010; Simpson, 2012; Jayasinghe and Uddin, 2019; Adhikari and Jayasinghe, 2022). Moreover, given the technical nature of these reforms, international organizations have engaged Western consultants, particularly professional accountants and accountancy firms, to facilitate the dissemination and implementation of reform changes in developing economies (Adhikari and Jayasinghe, 2017). However, it is important to note that the literature highlights the transplantation of accounting reforms from developed countries to developing countries without fully considering the specific needs and contexts of the latter (Adhikari and Jayasinghe, 2017, 2022; Tetteh *et al.*, 2021). Many public financial management literatures have focused on how donor agencies disseminate reform ideas to developing nations (Adhikari and Mellembvik, 2010; Hopper, Lassou and Soobaroyen, 2017). However, there are varied perspectives on the adaptability of accounting reforms for developing countries.

The adoption of international standards, such as the International Public Sector Accounting Standards (IPSAS), implies that organizations adhere to culturally appropriate practices,

thereby enhancing their legitimacy and ensuring their long-term viability within their respective contexts (Dillard, Rigsby and Goodman, 2004). Most developing countries in Asia and Africa have adopted IPSAS due to coercive pressures stemming from regulatory requirements imposed by international donor agencies (Adhikari, Kuruppu and Matilal, 2013; Senarath Yapa and Ukwatte, 2015; Hopper, Lassou and Soobaroyen, 2016; Adhikari and Jayasinghe, 2017, 2022). International professional accounting bodies exert normative and mimetic pressures for the developing countries (Mizruchi and Fein, 1999; Zeghal and Mhedhbi, 2006; Sellami and Gafsi, 2019). However, some scholars argue that the adoption of international standards has symbolic benefits, leading to their widespread adoption in most developing countries. It is important to note that organizations could respond positively or negatively to institutional pressures (Oliver, 1991), and any response cannot be taken for granted (Tetteh *et al.*, 2023). Therefore, in emerging economies, institutional pressures will significantly shape the decisions to adopt IPSAS at different governmental levels, exerting pressure on the country to legitimize these international norms often referred to as 'best practices.' This study aims to examine the institutional pressures behind the adoption of international public sector accounting reforms, particularly accrual accounting and IPSAS, in emerging economies. Additionally, this paper examines the strategic responses of social actors at various government levels within emerging economies to these institutional pressures.

The assessment of institutional pressures on accounting reforms was conducted using the lens of institutional isomorphism (Meyer and Rowan, 1977; DiMaggio and Powell, 1983) within the framework of Neo-Institutional Theory (NIT). Additionally, Oliver (1991) framework was employed to explore the interactions between emerging economies and external institutional pressures, as well as their responses to such pressures. Consequently, this study provides novel insights into the fields of neo-institutional sociology and public-sector accounting

research from the unique perspectives of emerging economies. Scholars have widely acknowledged the significance of neo-institutional sociology, as expounded by Meyer and Rowan (1977) and DiMaggio and Powell (1983), as an essential theoretical lens for examining externally proposed accounting reforms and studies on accountability within emerging economies (Timoshenko and Adhikari, 2010; Hyndman and Connolly, 2011; Adhikari, Kuruppu and Matilal, 2013; Mbelwa, Adhikari and Shahadat, 2019; Rajib *et al.*, 2019; Tetteh *et al.*, 2021; Van Helden, Adhikari and Kuruppu, 2021; Cordery and Hay, 2022).

Limited scholarly attention has been given to international harmonization of public sector accounting, including empirical evidence on the adoption and implementation of IPSAS, highlighting the need for further research to fill this gap (Sellami and Gafsi, 2019; Polzer, Gårseth-Nesbakk and Adhikari, 2020; Schmidhuber, Hilgers and Hofmann, 2022; Polzer, Adhikari and Phuong Nguyen, 2023). Additionally, different countries have exhibited varied responses to these reforms, and factors contributing to success or failure have been identified. Consequently, this opens up avenues for country-specific research studies to provide a more comprehensive understanding of these reforms (Van Helden and Uddin, 2016; Rajib *et al.*, 2019). Furthermore, while accrual accounting reforms in Western countries have received significant research attention (Bruno and Lapsley, 2018; Christensen, Greiling and Christiaens, 2018; Hyndman and Liguori, 2018; Steccolini, 2019), the adoption of accrual accounting and the introduction of IPSASs in emerging economies, particularly in developing countries, remain relatively under-researched areas within the field of public sector accounting (Adhikari *et al.*, 2021). Therefore, this study is primarily motivated by the lack of empirical evidence from the perspective of emerging economies, with a specific focus on Sri Lanka as an emerging economy. Additionally, the strategic response model introduced by Oliver (1991) has been used in accounting studies but limitedly to explore accounting regulations, accounting standards and, recently, sustainability reporting (Albu *et al.*, 2014;

Wijethilake, Munir and Appuhami, 2017; Esteban-Arrea Garcia-Torea, 2022; Andrades, Martinez-Martinez and Larrán, 2024) However, scant attention has been given to investigating the institutional-level responses to the pressures exerted by external and internal sources on individual institutions. Hence, this study contributes to the exploration and sharing of experiences in the Sri Lankan context and extends its findings to other emerging economies (Tetteh *et al.*, 2021).

This paper is organized as follows: The second section provides a literature review and theoretical lens for the investigation, presenting previous empirical findings and theoretical perspectives. Section three outlines the research context and methodology. Section four discusses an overview of public sector accounting in the central government of Sri Lanka, institutional pressures, and strategic responses to these proposed reforms. Section five covers the discussion of the research findings. Finally, section six contains, concluding remarks that highlighted the substantial contribution of the study together suggesting avenues for future research.

## **2.2 Literature Review and Theoretical Lens**

### **2.2.1 Public sector accounting reforms in emerging economies, including Sri Lanka**

Pina, Torres and Yetano (2009) showed the real benefits of a cash-based accounting system have been limited to convenience, administrative decision-making, and legal compliance. Further, the cash-based accounting system failed to measure the accurate performance of the public sector and generate reliable financial reports (Mnif and Gafsi, 2020). Some accounting academic support accrual accounting (Bergmann, 2012; Brusca and Carlos Martínez, 2016) while some researchers studied the limitations (Adhikari and Mellemvik, 2011; Mbelwa, Adhikari and Shahadat, 2019; Azhar *et al.*, 2022). These constraints provide opportunities for

the reform promoters to encourage the basis of IPSAS as an intermediate step to enhance the quality of public financial reporting (Adhikari *et al.*, 2015).

De Silva Lokuwaduge and De Silva (2020) argue that the implementation of accrual-based IPSAS serves as a mechanism to ensure the efficient utilisation of public finance and promote the transparency. The adoption of IPSAS by the European countries encourages the increased trust, comparability, and the enhanced quality of public financial reporting, following the financial crisis in 2008 (Brusca and Martínez, 2016). For example, in Portugal, the financial crisis catalyzed improving accounting and reporting practices within the country (Gomes *et al.*, 2015). Rompotis and Balios (2023) emphasised the significant advantages associated with the adoption of IPSAS, including enhanced quality of financial information, effective decision-making processes, and the rebuilding of trust in public finances. IPSAS provides users with comparable and comprehensible accounting information while increasing public financial transparency (Brusca and Carlos Martínez, 2016; ACCA, 2017). Cîrstea (2014) argued that IPSAS promotes the harmonization of financial statements internationally while providing reliable status about the financial position and performance of governments. Standard setters and the accounting profession emphasize that IPSAS adoption offers more opportunities for greater comparability of financial statements locally and globally (Sellami and Gafsi, 2019; Schmidhuber, Hilgers and Hofmann, 2022).

Accrual-based IPSAS is a better measurement tool for identifying the public sector's financial position and performance (ACCA, 2017) while ensuring long-term fiscal sustainability (Kartiko *et al.*, 2018). Presently, approximately 80 countries, including international organizations, claim to have fully or partially adopted IPSAS (Schmidhuber, Hilgers and Hofmann, 2022). However, the extent of IPSAS adoption varies significantly across countries due to diverse economic, social, and political circumstances. Variations can be observed in

terms of the level of adoption (full or partial), the number of standards implemented (fully or modified), and the application at different levels of government (central and local) or on a cash basis versus accrual basis. The usefulness of IPSAS in enhancing public financial reporting remains a subject of controversy, with several scholars questioning its efficacy (Schmidhuber, Hilgers and Hofmann, 2022). Consequently, in some emerging economies, the adoption of IPSAS in the public sector may be perceived as superficial changes aimed at securing legitimacy rather than driving internal efficiencies (Hoque, 2005). Despite continuous encouragement from international organizations, evidence suggests that IPSAS implementation can be problematic and unsuitable for certain developing countries (Schmidhuber, Hilgers and Hofmann, 2022). Nevertheless, countries like Sri Lanka continue to pursue these reforms to attract much-needed international funding and maintain legitimacy (Meyer and Rowan, 1977; Dimaggio and Powell, 1983; Powell and Dimaggio, 1993).

Lack of awareness regarding local circumstances, disinterest, and unintended consequences are the primary barriers to the failure of accrual accounting in emerging economies (Hopper, Lassou and Soobaroyen, 2016; Van Helden and Uddin, 2016). Inadequate consideration of the political dynamics in emerging economies further exacerbates the challenges. In many developing countries, symbolic compliance with IPSAS is pursued merely to satisfy funders and governing bodies, without reaping the actual benefits of international harmonization (Van Helden, Adhikari and Kuruppu, 2021). The primary motive behind accounting reforms in these countries, particularly in emerging economies, is to ensure the continued flow of grants and loans and to gain legitimacy (Van Helden, Adhikari and Kuruppu, 2021). However, empirical evidence suggests that the utilization of these reforms to enhance transparency and accountability remains low in the context of developing countries due to a lack of willingness among politicians and relevant authorities (Hopper, Lassou and Soobaroyen, 2016; Van Helden and Uddin, 2016). In recent years, the literature on public financial management

reform in the public sector has predominantly focused on how donor agencies disseminate reform ideas to developing nations (Adhikari and Mellemvik, 2010; Hopper, Lassou and Soobaroyen, 2016). However, these studies present mixed views on the suitability of accounting reforms for developing countries. Implementing accounting reforms in emerging economies becomes complex unless the contextual support conditions are met. Further, Krishnan (2023) argued that bureaucracy delays are a critical reason for the differences between reform plans and actual implementation.

**Table 2.1: Summary of IPSAS studies in Sri Lanka**

Author/s year	Method	Theoretical support	Findings
(Adhikari and Mellemvik, 2010)	Document review	Institutional Theory	They are considered all South Asian countries to explore the role and contribution of international financial institutions.
(Adhikari, Kuruppu and Matilal, 2013)	Qualitative case study. Unstructured interviews and document analysis	Neo-institutional Theory	Explore the external environmental factors in disseminating government accounting reforms and the level of success in reforms.
(Senarath Yapa and Ukwatte, 2015)	Qualitative case study. Interviews and document analysis	Globalization	The IPSAS board and the World Bank have greatly influenced accounting reforms.
(Adhikari <i>et al.</i> , 2021)	Qualitative case study. Semi-structured interviews and	Diffusion theory	This study compares three countries, Nepal, Egypt, and Sri Lanka, regarding

	document analysis		the diffusion trajectory of accrual accounting.
(De Silva Lokuwaduge and De Silva, 2020)	Qualitative case study. Documentary review	Organizational contingency theory	Limited institutional capacity, high political involvement, and bureaucracy in decision-making are significant determinants of accounting reforms in Sri Lanka.
(Dissanayake, Dellaportas and Yapa, 2021)	Qualitative structured interviews and document analysis	Diffusion of innovation theory	Evaluate the implementation of accrual accounting among two layers of government in Sri Lanka.
(Dissanayake and Dellaportas, 2024)	Qualitative structured interviews and document analysis	Actor-network theory	Study the role of CA Sri Lanka in building networks of organizational actors in the diffusion of Sri Lanka Public Sector Accounting Standards (SLPSAS).

---

Source: Author's construct

De Silva Lokuwaduge and De Silva (2020) demonstrate that Sri Lanka is gradually transitioning from a cash-based to an accrual-based system, with authorities recognizing the potential benefits of these reforms in attracting international funds and resources. Dissanayake, Dellaportas and Yapa (2021) the adoption of accrual accounting at the local government level in Sri Lanka is more effective than at the central government level. Additionally, Sri Lanka has shared its successful experiences in implementing cash-based IPSAS with other countries in the region (Rajib *et al.*, 2019). Yapa and Ukwatte (2015)



emphasize that, given the state sector's nature; adopting IPSAS in Sri Lanka may present greater challenges than adopting IFRS. Nagirikandalage and Binsardi (2015) identify political influence within public sector structures, bureaucracy, and resistance to change as prominent obstacles to implementing IPSAS in Sri Lanka. Despite these challenges, Sri Lanka has not abandoned the adoption of IPSAS, unlike other developing countries in Asia and Africa, due to external pressure from donor agencies and its high levels of debt. The conflicting interests between two key actors, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Ministry of Finance, Sri Lanka (MOF), have also impacted the accounting reforms in the country (Adhikari *et al.*, 2021). Moreover, limited political support, a scarcity of qualified staff in the public sector, and resistance to change has been identified as significant barriers (Adhikari *et al.*, 2015; Senarath Yapa and Ukwatte, 2015). In addition, to enhance accounting practices in public sector entities, the State Accounts Department of Sri Lanka (SAD) has implemented a computerized integrated government accounting system (CIGAS) with the support of the Asian Development Bank (ADB, 2018).

### **2.2.2 Neo-institutional theory and accounting reforms in the public sector**

Public sector accounting researchers have adopted different economic and social theories to gain a comprehensive understanding of the phenomena under this present study. Neo-institutional sociology has served as a prominent theoretical foundation in public-sector accounting research (Adhikari, Kuruppu and Matilal, 2013; Goddard *et al.*, 2016; Baskerville and Grossi, 2019; Mbelwa, Adhikari and Shahadat, 2019; Rajib *et al.*, 2019; Rincón-Soto and Villegas, 2021). In this study, the neo-institutional theory (Meyer and Rowan, 1977; DiMaggio and Powell, 1983), one of the most influential schools of thought, is used to explore the adoption of public sector accounting reforms in Sri Lanka. Lichtenstein (1996) defined an institution as “a set of rules that governs human behaviours and shapes social relations”. Hence, institutions are generative of appropriate practice models;

institutionalization is the process by which practices are developed and taught (Dillard, Rigsby and Goodman, 2004). The neo-institutional theory explains that external institutional factors are essential for organisational change (Jacobs, 2012; Rajib *et al.*, 2019). The birth of neo-institutional theory was remarked on by the publication by Meyer and Rowan (1977) and Zucker (1977). Later, DiMaggio and Powell (1983) contributed to this classic body of work by introducing the concept of isomorphism. The fundamental idea behind these papers is that "organizations adopt innovations not only because they are effective or efficient but also because they confer a sense of legitimacy to the organization. Neo-institutional sociology encompasses three mechanisms: isomorphism, decoupling, and loose coupling (DiMaggio and Powell, 1983). This macro-oriented theory focuses on the organizational field level, which becomes more structured. The concept of isomorphism introduced by DiMaggio and Powell (1983) concerns the similarity of organizational structures and procedures that are socially accepted.

Adhikari, Kuruppu and Matilal (2013) conducted a comprehensive study to examine public sector accounting reforms in Nepal and Sri Lanka using institutional isomorphism as a framework. Their research highlighted the resistance to implementing these reforms in both countries. Harun, Van Peursem and Eggleton (2012) evaluated the institutionalization of the accrual accounting system in Indonesian public sector municipalities and found that the system was successfully internalized. Goddard *et al.* (2016) explored different arrangements for legitimacy behavior among central and local governments as well as non-governmental entities, in response to pressure from international financial institutions. The concepts of legitimacy, loose coupling, and isomorphism were instrumental in understanding accounting practices in African countries. However, in countries with complex cultural and political settings and post-colonial ideologies, institutional theory alone may not provide a comprehensive understanding (Goddard *et al.*, 2016). However, when a particular country has

complex cultural and political settings with post-colonial ideologies, institutional theory is insufficient to get a deeper understanding (Goddard *et al.*, 2016). Mbelwa, Adhikari and Shahadat (2019) investigated influential factors affecting the implementation of accrual accounting in the Tanzanian public sector. Their findings revealed that inadequate political support, insufficient training and development, and poor financial reporting and auditing have adversely impacted managerial accountability in Tanzania. Rajib et al. (2019) investigated the adoption of cash-based IPSAS in the central government of Bangladesh with the neo-institutional theory. They concluded that the adoption of cash-based IPSAS in Bangladesh remains more rhetorical than a reflection of the actual situation in the country. Baskerville and Grossi (2019) highlighted the concept of glocalization, which explains the retention of identity and legitimacy processes during the diffusion of standards, using neo-institutional theory. Gómez-Villegas, Brusca and Bergmann (2020) studied public financial management reforms and the implementation of public sector accounting standards in Latin American countries.

### **2.2.3 Institutional pressure and legitimacy as key-drives of IPSAS adoption**

This empirical review contributes to the institutional theory literature by adding critical insights into dynamic processes and outcomes of IPSAS institutionalization of developing countries' perspectives, particularly in Sri Lanka. Institutionalism, which emphasizes the role of institutions, has been widely recognized as a multidisciplinary theoretical approach that links socio-political structures to organizational strategies (DiMaggio and Powell, 1983; Suddaby, 2015). According to Lichtenstein (1996, p. 244), an institution is defined as "a set of rules that governs human behavior and shapes social relations." Therefore, institutions generate appropriate practice models, and institutionalization is the process through which these practices are developed and taught (Dillard, Rigsby and Goodman, 2004). Holm (1995), defines institutionalization as the interaction of human actors with technologies, processes,

and structures to reshape reality and embed values and norms within a specific context (Sillince and Barker, 2012). Neo-institutionalism, the modern version of institutional theory, emphasizes that formal and informal social interactions among stakeholders give rise to distinct institutional environments. The fundamental assumption of neo-institutionalism is that organizations are shaped by rational myths and socially constructed realities within their institutional settings, which confer legitimacy on specific behaviors and strategies in each domain of activity (DiMaggio and Powell, 1983; Obayi and Ebrahimi, 2021). However, Oliver (1992) contends that institutional theorists often focus on legitimation processes, leading to a tendency for institutionalized organizational structures and procedures to be taken for granted.

In the literature on public sector accounting and institutional theory, much attention has been given to studying the interaction between institutionalized values, systems, and the individuals involved in accounting systems (Modell, 2015; Harun, Eggleton and Locke, 2021). However, there has been a shift towards examining the dynamics and fragmentation of institutional requirements within institutional theory (Scott, 2008; Guerreiro, Lima Rodrigues and Craig, 2021). This shift has led accounting scholars to utilize institutional theory to explore the concept of agency and the impact of institutional logic. The institutionalization of accrual-based International Public Sector Accounting Standards (IPSAS) involves the adoption and implementation of accrual accounting and IPSAS for the preparation of financial statements and other relevant reports, which introduces new ideas and discourses (Guerreiro, Lima Rodrigues and Craig, 2021). When a country adopts international standards, significant changes are required in its national accounting and financial reporting system.

The concepts of “institutionalization” and “isomorphism” emerged with the prominent work of DiMaggio and Powell (1983) as the two main elements of the neo-institutional theory. The

main objective of neo-institutionalists is to gain insight into how organizations seek legitimacy to survive and become accepted and established in their environment (Deephouse and Suchman, 2008). Isomorphism refers to the constraining process that compels organizations to resemble others facing similar environmental conditions (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). The core of isomorphism is that organizations compete to gain political power, legitimacy, and economic fitness apart from profit and customers. Institutional pressures come from coercive, normative, and mimetic forces on top management (DiMaggio and Powell, 1983). Due to pressures from different institutional norms, organizations' practices have become homogeneous (Kim, 2016). Top management and leadership play a crucial role as human agents in translating institutional pressures into actions, restructuring organizations, and formulating policies based on institutional norms and beliefs (Liang *et al.*, 2007; Hassandoust, Subasinghage and Allen C Johnston, 2022). Organizations often adopt the best practices of other organizations, leading to isomorphism with different entities. The previous institutional theory failed to adequately explain how organizations create value through institutionalization processes, paving the way for the development of the neo-institutional theory. Consequently, institutional isomorphism emphasizes the influence of social and political factors as drivers of organizational change (Alsharari, 2020).

Coercive or (regulatory) isomorphism creates political influence while aiming at legitimacy (DiMaggio and Powell, 1983). Homogenization “results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function” (DiMaggio and Powell, 1983, p. 150). Further, Kholeif (2010) stated that “coercive isomorphism is primarily related to the political influence exerted by institutions on which organizations depend for critical resources and long-term survival, such as the State laws and regulations.” Influential

players of society, like governments, create formal and informal structures and internal processes to coercive pressure over individuals and organizations from the legal, cultural, and societal contexts in which they operate (DiMaggio and Powell, 1983; Scott, 2004; Rana *et al.*, 2022). On the other hand, with resource dependency, coercion can be exercised directly but indirectly by making accessibility to desired resources (Beckert, 2010). In that case, international donor agencies approached developing countries through the most needed financial aid and pressured them to implement these accounting reforms (Adhikari, Kuruppu and Matilal, 2013; Adhikari and Jayasinghe, 2017; Rajib *et al.*, 2019). With the conditions of loans and grants, the World Bank and IMF directly influenced the adoption of accrual accounting and IPSAS for developing countries. External parties like the World Bank and IMF impose accounting changes in the public sector due to asymmetric power relations (Nurunnabi, 2015). On the other hand, similar coercive pressure could be exercised internally by the supreme audit institutions over their audit reports (Boolaky, Mirosea and Omoteso, 2020). In summary, the greater the economic, political, and regulatory pressures are the quicker the adoption of IPSAS.

Normative isomorphism originated from higher education, professionalization, social norms and values (DiMaggio and Powell, 1983). Mantzari, Sigalas and Hines (2017) stated that normative isomorphism occurs “when an organization is motivated to respect social obligations and participates in professional organizations to provide a cognitive base, diffuse shared organizational practices, and legitimize its activities.” Further, Kholeif (2010) explored that “normative isomorphism is the institutionalization of social practices as a result of professionalization using professional groups such as accounting associations.” Hence, standardized professional education, professional accounting bureaucrats, and the growth of professional associations create the background for the shared social norms and values leading to the professional behaviors of actors (Carpenter and Feroz, 2001). Sellami and

Gafsi (2019) highlighted that the education level of the country, as well as the influence of professional accounting bodies, are essential pillars of supporting accounting development. Further, Hassan (2008) emphasized the critical role played by universities, professional associations, and professional regulatory bodies in strengthening and standardizing social practices.

Mimetic or cultural-cognitive isomorphism occurs when organizations respond to environmental uncertainties by recognizing the best course of action (DiMaggio and Powell, 1983; Carpenter and Feroz, 2001). Within this form of isomorphism, organizations aim to adopt innovations that enhance their legitimacy within a particular organizational field (Powell and DiMaggio, 1993; Beckert, 2010). As a result, organizations are more likely to imitate and emulate the practices of role models or icons seen as successful and legitimate in their field, leading to a homogenization effect (Mizruchi and Fein, 1999). Social actors try to imitate each other's best practices, which are witnessed as (so-called) best practices (Judge, Li and Pinsker, 2010; Nurunnabi, 2015). Carpenter and Feroz (2001) emphasized that organizations may choose the actions, structures, processes and symbolic displays practiced by the prominent and successful entities in their institutional environment. With globalization and open economy policies, external mimetic pressures arise, prompting organizations to adopt international "best practices," including the adoption of global accounting standards such as IPSAS (Judge, Li and Pinsker, 2010). Further, adopting IPSAS is considered an organizational innovation (Carpenter and Feroz, 2001).

Prior research on institutional theory has been criticized for failing to insufficiently handle social and economic pressures for the institutional change (Harun, Eggleton and Locke, 2021). Some researchers argue that institutional theory mainly explains the passive response of organizations to institutional pressures, lacking a focus on self-interest and active agency

(Oliver, 1991; Mamat, Nik Ahmad and Mohd Said, 2021; Wijethilake, Munir and Appuhami, 2017). To address these constraints, the study combines the strategic response model developed by Oliver (1991) with the neo-institutional approach. By incorporating the model of Oliver, provides, a clearer picture of the institutionalization process in public sector accounting reforms can be obtained. The strategic response model encompasses a range of responses, from passive conformity to active resistance, including acquiescence, compromise, avoidance, defiance, and manipulation (Oliver, 1991). This model acknowledges the active agency of organizations and provides a more nuanced analysis of the relationship between institutional pressures, such as IPSAS adoption, and strategic responses. Although neo-institutionalism tends to encourage homogeneity in accounting reforms, it is essential to recognize that there can be heterogeneity in the adoption and implementation of accounting reforms in emerging economies. Integrating Oliver's strategic response model allows for a more complex analysis that goes beyond the standard approach of neo-institutionalism. However, use of the model of Oliver in accounting and auditing regulation research has been limited (Harber *et al.*, 2023; Tetteh *et al.*, 2023; Noha *et al.*, 2024; Wijethilake, Munir and Appuhami, 2017; Canning and O'Dwyer, 2013), notably in the public sector accounting.

#### **2.2.4 Strategic responses to institutional pressures**

To understand institutional actors' different institutional responses to external pressures regarding IPSAS adoption in emerging economies, neo-institutionalism has been integrated with Oliver (1991) strategic response model. According to Oliver (1991) model, this study identifies the strategic responses exercised by the different institutional levels (central, provincial, and local governmental levels) to adopt IPSAS. In her findings, Oliver (1991) concluded five strategic responses to institutional pressures: acquiescence, compromise, avoidance, defiance and manipulation. Each type of strategic response further includes three



tactics. Some scholars propose strategic responses to institutional pressure as proactive, passive, and defensive (Child and Tsai, 2005; Peng and Chen, 2011), defiance, camouflage, negotiation, and compliance (Tan and Wang, 2011). Clemens and Douglas (2005) considered acquiescence a passive strategy, while the other four were increasingly active responses. Organizations can adhere to all requirements of institutional demands without hostility, which is labelled as “acquiescence” and represents a higher level of conformity using the tactics of habit, imitation, and compliance tactics. This has been recognized as “coupling” with institutional pressure, which gains legitimacy and social acceptance (Boxenbaum and Jonsson, 2017). Second, institutions can “compromise”, which means partly fulfilling the requirements of institutional pressures (Oliver, 1991) by utilizing the tactics of balance, pacifying, and bargaining. If there is a conflicting institutional demand or inconsistencies between actors’ response and institutional demand, “compromise” is recognized (Oliver, 1991). Organizations can comply partly with the requirements of institutional pressures, which detach technical activities related to regulatory compliance.

Under “avoidance”, the third strategy, actors dismiss compliance with requirements and strategically avoid institutional pressures. Under that, the practices of social actors are essentially ceremonial and symbolically follow institutional demands (Mamat, Nik Ahmad and Mohd Said, 2021). According to Oliver’s strategic response model, “avoidance” may be called institutional decoupling. In decoupling, organizations try to achieve legitimacy through the adopted structure but stay stable by continuing actual (existing) actions/practices for survival. Decoupling was the reaction because of contradictions between institutional pressure and internal organizational efficiency and inconsistencies with different institutional pressures. Concealment, buffering and escape are the three tactics of avoidance (Oliver, 1991). The following strategy of Oliver’s model is “defiance” to resist institutional demands by rejecting or challenging existing standards, regulations and norms (Oliver, 1991). Finally,

“manipulation” is the most active strategic response that organizations could exercise (Oliver, 1991; Mamat, Nik Ahmad and Mohd Said, 2021). It goes beyond resistance to change and influences these institutional demands. The last three (negative) strategic responses have been labelled loose coupling. According to Oliver (1991), the first two responses (acquiescence and compromise) involve the institutionalization of changes, whereas the last three responses (avoidance, defiance and manipulation) do not. Based on Greenwood et al. (2017), it has been argued that responses of organization to institutional pressures are not always blind, and they diverge from passive conformity to proactive manipulation. Based on the above considerations, researcher assumes that institutional actors may exercise different strategic responses to the external isomorphism pressures when adopting accounting reforms in emerging economies at different institutional levels. Hence, this study focuses on the strategic responses for the accounting reform pressures at the central governmental level to local governments in Sri Lanka.

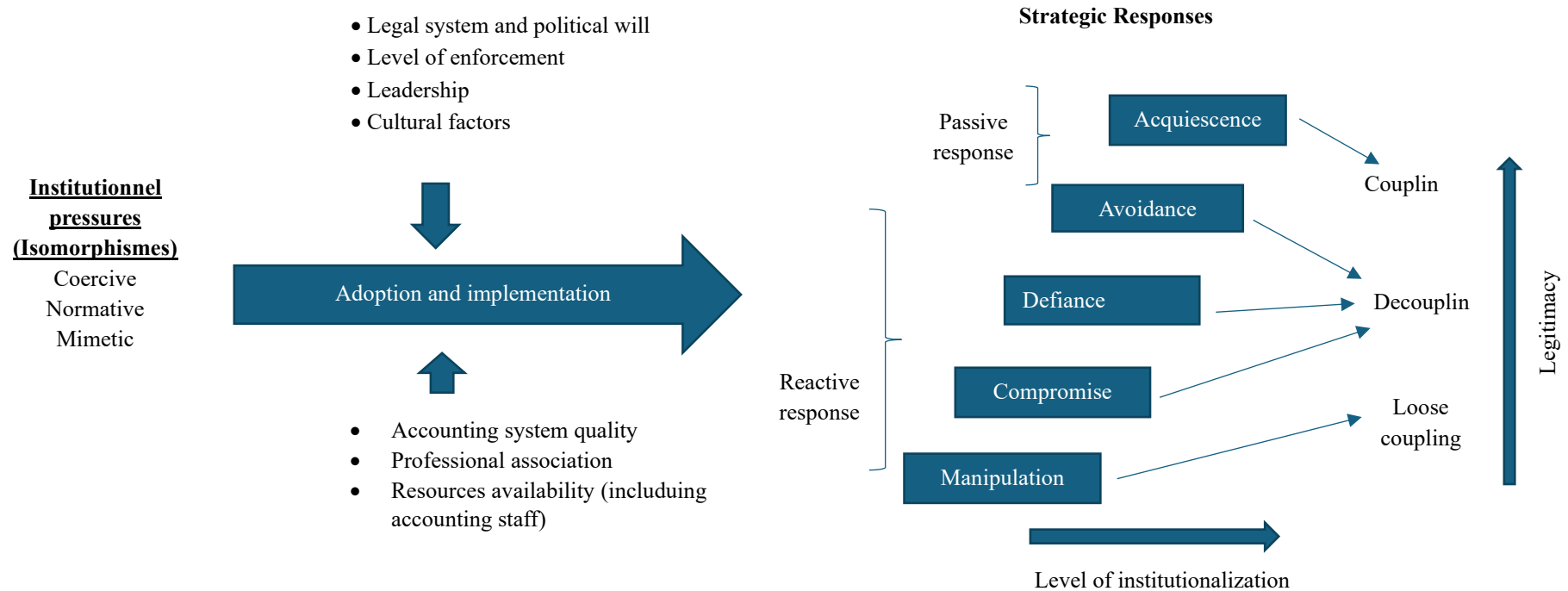
### **2.2.5 Research aims and questions.**

The main objective of this study is to explore the overview of public sector accounting reforms and the status of institutional arrangements for the adoption of accrual-based IPSAS in emerging economies. Hence the following research question was drawn,

What is the present state of adoption and implementation of accrual-based IPSASs in emerging economies, particularly Sri Lanka? (What are the institutional pressures for adoption accounting reforms, and how have actors strategically responded to these forces)?

According to the findings of the literature, the following model was developed.

**Figure 2.1 Conceptual model of the study (Institutionalization and strategic responses to IPASA adoption)**



Source: Author's construct

**Table 2.2 Literature support for the conceptual model (Figure 2.1)**

<b>Institutionnel pressures (Isomorphismes)</b> <ul style="list-style-type: none"> <li>• Coercive</li> <li>• Normative</li> <li>• Mimetic</li> </ul>	Meyer and Rowan (1977); DiMaggio and Powell (1983); Adhikari, Kuruppu and Matilal (2013); Baskerville and Grossi (2019); Mbelwa, Adhikari and Shahadat (2019); Gómez-Villegas, Brusca and Bergmann (2020); Guerreiro, Lima Rodrigues and Craig (2021)
<b>Determinants of Adoption and Implementation</b> <ul style="list-style-type: none"> <li>• Legal system and political will</li> <li>• Level of enforcement</li> <li>• Leadership</li> <li>• Cultural factors</li> <li>• Accounting system quality</li> <li>• Professional association</li> <li>• Resources (Including accounting staff)</li> </ul>	Liberato, Choban de Sousa Paiva and Serrasqueiro (2023); Chatti et al. (2024); De Silva Lokuwaduge and De Silva (2020); Ahikari et al. (2021); Jayasinghe et al. (2021); Dissanayake and Dellaportas (2024), Mbelwa et al. (2019); Rajib et al. (2019)
<b>Strategic Responses</b> <ul style="list-style-type: none"> <li>• Acquiescence</li> <li>• Avoidance</li> <li>• Defiance</li> <li>• Compromise</li> <li>• Manipulation</li> </ul>	Oliver (1991); Harber et al. (2023); Tetteh et al. (2023); Noha et al. (2024); Wijethilake, Munir and Appuhami (2017); Canning and O'Dwyer (2013)

## 2.3 Research Context and Research Method

### 2.3.1 Research context – Sri Lanka

In 2020, Sri Lanka faced unprecedented challenges due to the global economic crisis triggered by the COVID-19 pandemic. The pandemic caused a contraction of 3.6% in the Sri Lankan economy, impacting the socioeconomic spectrum of the society (Annual report of

MOF, 2020). The government swiftly implemented fiscal and monetary policy measures to mitigate the impact on vulnerable groups, households, and entrepreneurs. As a result, the economy regained momentum in the third and fourth quarters of 2020, with growth rates of 1.3% each, despite the economic contraction in the second quarter due to health measures such as lockdowns and social distancing. Additionally, the Sri Lankan rupee depreciated by 2.6% against the US dollar in 2020. Sri Lanka is a lower-middle-income country with a GDP per capita of USD 3679 (Central Bank of Sri Lanka, 2020) and a population of 21.8 million in 2021. The economy relies heavily upon the service sector, which contributes nearly 60% of the GDP. The public sector in Sri Lanka plays a vital role, contributing around 60% of the national income and providing essential services such as education, health, water, electricity, and welfare services. However, the demand for government services is increasing while public resources remain limited.

The accounting and auditing regulatory system in Sri Lanka was constructed under the former British colonial legacy. With the establishment of The Institute of Chartered Accountants of Sri Lanka (ICASL) in 1959, the financial sector and accounting profession were well developed. In the public sector, the government accounting service was established in 1946 under the British Empire, and later, it was further expanded with the independence of 1948. In Sri Lanka, the public sector comprises ministers, departments, constitutional bodies, non-revenue-earning statutory bodies, revenue-earning statutory bodies, and public enterprises. Except revenue-earning statutory bodies and public enterprises, all other entities must report by the Financial Regulations (1992) issued by the Public Finance Department of the Ministry of Finance, Sri Lanka. Sri Lankan Accounting and Auditing Standards Act No. 15 of 1995 require revenue-earning statutory bodies and public enterprises to prepare financial statement in accordance with the Sri Lanka Accounting Standards (LKAS and

SLFRS). For several reasons, such as economic uncertainty, high-level debts, and budgetary instability, emerging economies are under pressure to improve the quality of financial reporting. As an emerging economy, Sri Lanka is no exception. The role of the public sector in Sri Lanka is significant. The service sector, which holds many public entities, substantially contributes to the GDP. After 30 years of civil war in 2009, international organizations, particularly donor agencies like the World Bank and IMF, prioritized implementing accounting reforms in Sri Lanka. As a result of the challenges faced, the Institute of Chartered Accountants of Sri Lanka (ICASL) established the Sri Lanka Public Sector Accounting Standards Committee and issued the Sri Lanka Public Sector Accounting Standards (SLPSAS), which is the local version of IPSAS, with permission from the International Federation of Accountants (IFAC). Adhikari, Kuruppu and Matilal (2013) argued that Sri Lanka was far ahead in implementing reforms compared to many developing countries because of the well-developed accounting infrastructure and professional institutions established during the colonial period. Further, the government has successfully implemented the basic IPSAS among South Asian countries (Adhikari *et al.*, 2015). Due to limited political will and support, implementing SLPSASs has become problematic even though Sri Lanka has developed twenty accruals-based SLPSASs by 2018 (De Silva Lokuwaduge and De Silva, 2020).

### **2.3.2 Research methodology**

This study assumed that socially constructed multiple realities exist in this world. Hence, an interpretive research perspective was applied. In general, interpretivism is associated with the qualitative methodology with various methods, including case studies, grounded theory, ethnography, phenomenology, and focus groups (Trumbull and Watson, 2010). This research used a qualitative case study approach to enable and construct the reality in charge of the adoption and implementation of accrual-basis IPSAS in Sri Lanka. The case study approach

is more suitable for studying the phenomena and understanding the factors. In the past two decades, many empirical studies on public sector accounting have been conducted as case studies. Van Helden (2005) argued, the most important research methods are case and field studies. Further, Nabiha (2010) asserts that case studies provide an opportunity for researchers to retain the holistic and meaningful characteristics of real-life events. Since the purpose of the research is to answer questions starts with “how” and “what”, the case study method is more suitable (Yin, 2013). The source of data collection for this study was the review of archived documents issued by national and international organizations. The term “document” refers to any text included in books, newspaper articles, academic journal articles, and institutional reports (Patton, 2015), as well as visual sources (Merriam and Tisdell, 2015). Qualitative document analysis is recognized as an underused research approach (Merriam and Tisdell, 2015; Morgan, 2022).

Hence, the primary data collection method of this present study is document analysis. Different documents, reports, articles, Acts, and circulars issued by the government of Sri Lanka, international donor agencies including the World Bank, IMF and ADB, and global professional accounting bodies (IFCA, ACCA, E & Y, PwC, etc.) as well as ICASL were used. In addition, the previous findings of studies were used to support the empirical findings of this study. The researcher thoroughly analyzed the published annual reports, action plans, and performance reports of the government of Sri Lanka, the National Audit Office, and the Institute of Chartered Accountants of Sri Lanka. Further, audited annual reports of the Sri Lankan government and other published reports of international organizations, including the World Bank, IMF, ADB, IFAC, and ACCA, were reviewed. In addition, Acts, Cabinet minutes and circulars issued by the central government of Sri Lanka and the Provincial Governments have been investigated to find empirical evidence. National and international news and reports published on public-sector accounting were studied, and the websites of

vital national organizations (Ministry of Finance, ICASL, World Bank and IMF etc.) and international accounting organizations such as IFAC, ACCA, etc., were reviewed. Terms of ‘public financial management reforms in Sri Lanka’, ‘accounting reforms in developing countries/Sri Lanka’, ‘cash-based accounting in Sri Lanka’, ‘accrual accounting in Sri Lanka’, ‘IPSAS adoption in Sri Lanka’, ‘SLPSAS’, ‘SLPSAS and CA Sri Lanka’ are some of the principal terms used to find data in the reviewed documents.

Data was reviewed during the study and important themes were discovered. The first part of the analysis focused on identifying different external isomorphic pressures of the accounting reforms, particularly accrual accounting and IPSAS adoption. The second part of the analysis involved figuring out strategic responses for identified institutional pressures. The major themes that emerged were accounting reforms, institutional pressures, strategic responses, institutional decoupling, and the future direction of IPSAS implementation. These emerging themes were used to structure the discussion of the study by responding to the research questions and theoretical framework. Prior research studies were used to support study findings as needed.

## **2.4 Data Analysis**

The data analysis process employed in this study was firmly grounded in social constructionism, recognizing that meaning is negotiated through interactions within institutional contexts. I conducted a rigorous qualitative document analysis using secondary data sources, including government publications, policy documents, official reports of international financial institutions, and public statements related to public financial management reforms. The analytical approach deliberately balanced both deductive and inductive elements. Deductively, neo-institutional theory (institutional isomorphism) (DiMaggio and Powell, 1983) provided analytical categories to identify institutional



pressures; coercive, mimetic, and normative pressures influencing Sri Lanka's IPSAS adoption journey. Concurrently, Oliver's (1991) strategic response framework served as a theoretical lens through which to interpret organizational strategic responses to these pressures. However, I did not merely apply these theories mechanistically. Instead, I employed an inductive approach alongside the deductive framework, allowing unexpected patterns and contextual nuances specific to Sri Lanka's institutional environment to emerge from the documents themselves. This dual approach involved iterative coding cycles where I first conducted open coding to capture emerging concepts, followed by focused coding that incorporated theoretical constructs while remaining sensitive to data that might extend or challenge existing theoretical understandings. Through constant comparative analysis, moving recursively between institutional theory and data, I identified thematic patterns that illuminated how Sri Lankan public sector entities at different governmental levels navigated institutional pressures. The analytical process involved multiple readings of documents, systematic coding using both predetermined theoretical codes and emerging inductive codes, rigorous comparison across data sources, and theoretical integration. To ensure analytical rigor, I employed triangulation across multiple document sources, negative case analysis to examine contradictory evidence. This comprehensive analytical approach enabled the identification of patterns in how Sri Lankan public sector organizations strategically responded to institutional pressures in their IPSAS adoption process, revealing both substantive reform efforts and instances of ceremonial adoption or decoupling that could not have been captured through deductive analysis alone.

Five major themes were identified based on the study's empirical findings. These themes were framed following the theoretical lens of the study: institutional isomorphism and strategic responses. These central themes are as follows.

- a. Accounting reforms, the status of IPSAS adoption in Sri Lanka.

- b. Institutional pressure for accounting reforms and IPSAS adoption.
  - Influence of international organisations
  - Technical leadership of CA Sri Lanka
- c. Strategic responses for institutional pressures
- d. Institutional decoupling and,
- e. Future of IPSAS adoption and implementation in Sri Lanka

## **2.4.1 Accounting reforms and status of IPSAS adoption in Sri Lanka**

### ***2.4.1.1 Accounting reform history in Sri Lanka briefly***

Sri Lanka inherited its political and administrative structures from the British, who ruled the country for nearly one hundred and 150 years. Hence, the accounting practice in the public sector of Sri Lanka was structured in the form of the Western accounting system. However, with independence, Sri Lanka became a dominion in the British Commonwealth in 1948. The country passed its first constitution in 1972 and became a republic when Mrs. Sirimao Bandaranayke was the prime minister. From 1948 to 1977, the republic followed a centralized administrative system that directed the government to cash accounting (Senarath Yapa and Ukwatte, 2015). However, most governments worldwide started to promote the involvement of the private sector in the economic decision-making process in late 1970 (Harpor and Leslie, 1993; Maghyereh, 2004). With a landslide victory, Mr. J.R. Jayawardhane became the prime minister of the country, passed another constitution, and created avenues to change the country's socio-political structures. Mr J.R. Jayawardhane became the first executive president in Sri Lanka and introduced the market-oriented open economy policy. These liberal economic policies and programmes were implemented by the country with the support of international donor agencies, notably the World Bank and IMF (Adhikari, Kuruppu and Matilal, 2013).

In 1980, initial discussions were conducted to transform the public accounting system towards an accrual basis (Central Bank, 2002; Government of Sri Lanka, 1987). In 1987, a special presidential committee was appointed to create the regulatory environment for privatization. However, mainly due to the ethnic conflict during that period, the committee could not achieve the desired objectives. As a significant landmark of public sector accounting history, the government implemented a computerized accounting system (CIGAS) for public entities with ADB's financial and technical assistance in 1995 (ADB, 2018). Further, the Sri Lankan government introduced cash-based IPSAS to prepare consolidated financial statements in 2003 as a starting point of the accrual transformation process (State Accounts Department). Table 2.3 presents the critical accounting (public financial management) reforms the Sri Lankan government underwent during the last four decades.

**Table 2.3 Some of the key accounting reforms from 1980 to 2020 in Sri Lanka**

<b>Year</b>	<b>Reform strategy</b>	<b>Major theme</b>	<b>Closest reason for reforms</b>
1987	Appoint the Presidential Committee on Privatization, which comprises corporatized and privatized government entities.	Privatization and commercialization	To reduce government public debt and to respond to international pressure.
1995	Computerized Integrated Government Accounting System	Effective and efficient public sector	ADB granted financial assistance and technical support to computerize the government accounting system
2003	Accrual accounting and cash-based IPSAS	Transparency and accountability	To respond to pressure exercised by international funding agencies and professional accounting bodies

2009	Established the public sector accounting standards committee	Transparency and accountability	Established the public sector accounting standards committee in ICASL under the leadership of Auditor General
2013	Adaptation of accrual-based IPSAS	Achieving transparency and accountability	To respond to pressure exercised by international funding agencies and professional accounting bodies
2018	Expansion of accrual-based IPSAS	Transparency, accountability and good governance	To respond to pressure exercised by international funding agencies and professional accounting bodies
2018	National Audit Act, No. 19 of 2018	Transparency, accountability and good governance	Enhance its capacity beyond the financial and performance audit while establishing the National Audit Office and Sri Lanka State Audit Service

---

Source: Author constructed

In the budget proposal for 2018, the Sri Lankan government presented a 10-year plan for accrual accounting transformation from modified cash accounting. Cabinet approval was granted for the proposal on 02nd October 2018 to implement the accrual accounting action plan. The summary of the Cabinet is presented in the following section. The quoted budget speech as:

*“We will shift into accrual accounting in preparing the financial statements from the existing modified cash accounting methodology within the next ten years. This will improve the country’s balance sheet, ensuring better accountability and transparency”* (Budget speech - 2018: Section 254, P. 45).

*“Instead of the method of preparation of the financial statements on the modified cash basis, it has been planned to convert them to the accrual basis gradually in stages. As such, the Cabinet approved the proposal made by Hon. Mangala Samaraweera, the Minister of Finance and Mass Media at that time, to prepare the Financial Statements of Sri Lanka on an accrual basis to comply with the internationally acclaimed accounting standards.”* (Press briefing of Cabinet Decision taken on 2018-10-02, accessed at the 10 January 2022)

However, it has been reported in the Audit Report on Government Financial Statements (2020) that the State Accounts Department amended the 'road map for accrual accounting' without proper cabinet approval. The government audit report highlighted that the amended road map lacked a detailed time framework. Additionally, it was agreed that the progress of accrual accounting and International Public Sector Accounting Standards (IPSAS) implementation should be reported to the cabinet annually, but such reporting has not taken place. Given the recent economic crisis in Sri Lanka, there have been increased discussions on the importance of achieving transparency and enhancing fiscal credibility through an advanced accounting system. By adopting internationally accepted accounting standards such as the International Financial Reporting Standards (IFRS) and IPSAS, the government can contribute to improving the credit ratings of the country and attracting more investments. This would support the overall goal of public financial reporting and strengthen the country's financial position. Following statement was found in the IMF country report No. 23/408.

*“Sri Lanka has been facing tremendous economic and social challenges with a severe recession amid high inflation, depleted reserves, an unsustainable public debt, and heightened financial sector vulnerabilities. Institutions and governance frameworks require deep reforms [...]* (Ms. Kristalina Georgieva, Managing Director – IMF, 2022).

To significantly enhance Sri Lanka's weak Public Financial Management (PFM) framework, the successful implementation of proposed reforms is necessary, including the enactment of a new public financial management law. Sri Lanka, as a developing country, heavily relies on international aid and loans to support its development efforts. Historical factors such as colonization, ethnic and political conflicts, and intermittent armed conflicts have contributed to this reliance. Consequently, Sri Lanka has accumulated significant external debt, primarily due to its dependence on financial assistance from international donor agencies like the IMF and the World Bank. Post-COVID financial crises often serve as catalysts for substantial changes within the public administration systems of developing countries (Liberato et al., 2023), and Sri Lanka is no exception. Given the financial distress and limited resources faced by developing countries, including Sri Lanka, particularly during economic crises, there is an urgent need for reliable information to effectively manage public finances. Therefore, accounting reforms, specifically the adoption of accrual accounting and International Public Sector Accounting Standards (IPSAS), have been advocated by donor agencies and standard setters (ACCA, 2017; Mbelwa, Adhikari, and Shahadat, 2019). These reforms aim to achieve good governance in the public sector, promote transparency and accountability, and address the challenges faced by developing countries.

#### ***2.4.1.2 Status of IPSAS adoption***

According to recent statistical data, 49 jurisdictions out of 165 worldwide (nearly 30%) have reported on an accrual basis in their published financial statements compared with 39 jurisdictions in 2018 (International Public Sector Financial Accountability Index Status Report, 2021, p. 2). Based on that report, 40% of the countries already have been labelled in the index as 'Partial Accrual' while 30% of jurisdictions still report cash accounting in their financial statements. IFAC (2021) mentioned that the adoption of IPSAS has intensified since 2018. Further, the report noted that 28 (57%) jurisdictions out of 49 that reported accrual

basis use IPSAS in their public financial reporting. IPSAS adoption may, with no modifications, be modified to match the local context or national standards concerning IPSAS. Apart from these countries, there is a significant trend to adopt IPSAS by increased numbers of international organizations, including the European Commission, IFAC, INTERPOL, NATO, OECD, and the 26 United Nations System organizations (International Public Sector Financial Accountability Index Status Report, 2021).

According to IFAC (2021) statistics, the accrual accounting adoption was labelled ‘Partial Accrual’. According to the index, Sri Lanka expects to achieve the status of ‘adopted’ to the accrual accounting by 2025. By 2025, 61 (73%) jurisdictions will likely use IPSAS for public financial reporting, and Sri Lanka will fully adopt accrual-based national standards concerning IPSAS. However, that will be a challenging task for Sri Lanka with the limited political support, inadequate technical knowledge of accounting staff, lack of infrastructure facilities as well as other socio-economic circumstances, including the COVID-19 pandemic (Yapa and Ukwatte, 2015; Adhikari *et al.*, 2021). The increased use of accrual accounting and the adaptation of IPSAS implies that financial information is produced consistently across public sector entities and is more accessible and comparable. These lead to improving asset management in the public sector and improving the quality of public service delivery. It provides information that helps manage government debt and achieve government objectives without burdening future generations—sustainable management of its financial position. Further, identifying contingent liabilities will sustainably impact the public sector balance sheet while mitigating risk. However, Sri Lanka has successfully implemented some of SLPSAS under the cash-based system to prepare government financial statements for decades (Rajib *et al.*, 2019; Adhikari *et al.*, 2021). Sri Lanka is far ahead of other countries in South Asia. Table 2.4 presents the present status of IPSAS adoption in some identified South Asian and African countries.

**Table 2.4 Adoption status of accrual basis IPSAS in some of Africa and South Asia**

<b>Country</b>	<b>Adoption status</b>	<b>IPSAS Adoption</b>	<b>Source</b>
Bangladesh	Not adopted	IPSAS have not been adopted in Bangladesh. However, the Government has declared a commitment to move from cash accounting to cash-basis IPSAS as an intermediate step before adopting accrual-basis IPSAS. The timeline for implementing cash-basis IPSAS is unknown at the time of this report.	IFAC, 2021 <a href="https://www.ifac.org/about-ifac/membership/country/bangladesh">https://www.ifac.org/about-ifac/membership/country/bangladesh</a> , 12 <sup>th</sup> November 2021
India	Partially Adopted	The Institute of Chartered Accountants of India (ICAI) reports that for the GASAB to adopt accrual-based standards eventually, it has also developed Indian Government Financial Reporting Standards (IGFRS), which were developed using IPSAS as a reference. Five IGFRS are being considered for adoption by the Government of India.	IFAC, 2021 <a href="https://www.ifac.org/about-ifac/membership/country/india">https://www.ifac.org/about-ifac/membership/country/india</a> , 12 <sup>th</sup> November 2021
Nepal	Not Adopted	Under the Nepal Chartered Accountants Act 1997, as amended in 2004, the Accounting Standards Board (ASB) is responsible for developing public sector accounting standards. Since 2009, the ASB has been working to develop Nepal Public Sector Accounting Standards (NPSAS) based on cash-basis IPSAS and is reportedly using the 2007 version of IPSAS	IFAC, 2021 <a href="https://www.ifac.org/about-ifac/membership/country/nepal">https://www.ifac.org/about-ifac/membership/country/nepal</a> , 12 <sup>th</sup> November 2021



Pakistan	Not Adopted	According to the Institute of Chartered Accountants of Pakistan (ICAP), the government of Pakistan has established an objective to converge with IPSAS. It plans to revise national public sector accounting standards to eliminate differences with the IPSAS. However, a timeline has not been established.	IFAC, 2021 <a href="https://www.ifac.org/about-ifac/membership/country/pakistan">https://www.ifac.org/about-ifac/membership/country/pakistan</a> , 12 <sup>th</sup> November 2021
Sri Lanka	Partially Adopted	Since 2016, 20 IPSAS have been adopted as SLPSAS. Minor modifications have been made to IPSAS, including changing the name to SLPSAS and deleting paragraphs not applicable to Sri Lanka. However, CA Sri Lanka reports that no material modifications were made.	IFAC, 2021 <a href="https://www.ifac.org/about-ifac/membership/country/sri-lanka">https://www.ifac.org/about-ifac/membership/country/sri-lanka</a> , 12 <sup>th</sup> November 2021
Ghana	Partially Adopted	Considering new funding from the Swiss government, ICAG reports that the roadmap has been re-launched, and the new goal for complete implementation is 2023.	IFAC, 2021 <a href="https://www.ifac.org/about-ifac/membership/country/ghana">https://www.ifac.org/about-ifac/membership/country/ghana</a> , 12 <sup>th</sup> November 2021
Nigeria	Adopted	The Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) report that accrual-basis IPSAS, issued directly by IPSASB, are adopted and applicable for all public sector entities. The <u>2016 government financial statements</u> were the first to comply with IPSAS (IFAC, CIPFA 2020).	IFAC, 2021 <a href="https://www.ifac.org/about-ifac/membership/country/nigeria">https://www.ifac.org/about-ifac/membership/country/nigeria</a> , 12 <sup>th</sup> November 2021

South Africa	Partially Adopted	The ASB has adopted the Generally Recognized Accounting Practice (GRAP), which mostly aligns with accrual-basis IPSAS; however, in practice, most government departments are applying a modified cash basis of accounting while the National Treasury is developing a roadmap to implement accrual accounting across all departments ( <u>IFAC, CIPFA 2020</u> ).	IFAC, 2021  <a href="https://www.ifac.org/about-ifac/membership/country/south-africa">https://www.ifac.org/about-ifac/membership/country/south-africa</a> , 12 <sup>th</sup> November 2021
Tanzania	Adopted	The government issued a pronouncement in 2004 adopting accrual-basis IPSAS for both central and local governments and began applying accrual-basis IPSAS in 2012-13. ( <u>IFAC, CIPFA 2020</u> ).	IFAC, 2021  <a href="https://www.ifac.org/about-ifac/membership/country/tanzania-united-republic">https://www.ifac.org/about-ifac/membership/country/tanzania-united-republic</a> , 12 <sup>th</sup> November 2021
Zambia	Partially Adopted	Zambia Institute of Chartered Accountants (ZiCA) reports that cash-basis IPSAS are being used and that the adoption of full accrual IPSAS is expected by 2024.	IFAC, 2021  <a href="https://www.ifac.org/about-ifac/membership/country/zambia">https://www.ifac.org/about-ifac/membership/country/zambia</a> , 12 <sup>th</sup> November 2021
Zimbabwe	Partially Adopted	According to the Institute of Chartered Accountants of Zimbabwe, some public sector entities, such as local government authorities, have started using IPSAS through a phased implementation process. However, full implementation of accrual-basis IPSAS is not expected until 2025.	IFAC, 2021  <a href="https://www.ifac.org/about-ifac/membership/country/zimbabwe">https://www.ifac.org/about-ifac/membership/country/zimbabwe</a> , 12 <sup>th</sup> November 2021

## **2.4.2 Institutional pressures for IPSAS adoption in Sri Lanka**

### ***2.4.2.1 Coercive pressure from regulations***

The Public Financial Management Act, No. 44 of 2024, was passed in 2024, revolutionizing public financial reporting in Sri Lanka. The Act is designed to significantly improve the transparency, accountability, and efficiency of managing public finances in Sri Lanka. Part XI of the Act (section 47) requires financial statements to "be prepared in compliance with standards to be developed based on the International Public Sector Accounting Standards. The Secretary of each Ministry acts as chief accounting officer and is responsible for the accounting and financial reporting of the ministry or department. Further, the head of the department acts as an accounting officer (Financial Regulation 1992, p.45). In 2009, the Public Sector Accounting Standards Committee of ICASL developed the first volume of public sector accounting standards, including four SLPSAS, with the support of MOF and the Auditor General covering four IPSAS. The second volume of public sector accounting standards was released in 2012, adding six IPSAS. In 2018, the third volume of SLPSAS was released, with ten more new accounting standards. The government has issued relevant circulars to adopt and implement accrual accounting and IPSAS. The Director-General of the State Accounts Department (SAD) issued circular No: SA/AS/AA dated 24/07/2013 to the secretaries of the ministries and state departments regarding the adaptation of accrual accounting on 24 June 2013. In 2018, SAD issued 'State Accounts Circular No: 267/2018' to adopt standards issued in the third volume as the premier accounting body in Sri Lanka. As a member of IFAC, ICASL appointed a committee to develop public sector accounting standards in Sri Lanka. However, initially, the committee had no authority to adopt and implement IPSAS in Sri Lanka. By amending the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 on 06<sup>th</sup> March 2019, CA Sri Lanka was empowered. The press briefing of the cabinet decision is quoted as:

*“- By the provisions of the Sri Lanka Accounting and Auditing Standards Act, No.15 of 1995, the functions have been carried out for more than a period of 20 years, up to the present day and as of now, the necessity of amending same to suite the present trends have been observed. Accordingly, the proposal made by Hon. Mangala Samaraweera, the Minister of Finance, to instruct the Legal Draftsman to amend the Act by incorporating the necessary provisions to make regulations for a proper regulatory system for certifying the public sector accounting standards, safeguarding the qualitative aspect of the operation of the audit firms, and for strengthening of the Sri Lanka Accounting and Auditing Monitoring Board etc., was approved by the Cabinet.”* (Press briefing of Cabinet Decision taken on 2019-03-06, accessed at 10 January 2022)

The circulars have been issued to revoke 59 Public Finance circulars, 11 Treasury Operations circulars and 10 State Accounts circulars and introduce two new circulars to facilitate current systems and processes of public financial management in Sri Lanka (Annual Report of MOF, 2020). Hence, public sector organizations are going through a change in Sri Lanka with the simplification of systems that provide improved discretion for decision-making and greater empowerment of the decision-makers. Audit Act No. 19 of 2018 pays special attention to conducting Audit and Management Committees (AMCs) to extend support for CAOs to perform their functions more efficiently. The amended Audit Act No. 19 of 2018 (Section 06 d) has clearly mentioned that Government Financial Statements should be prepared following applicable financial reporting standards. Hence, it provides coercive pressure for government organizations to follow accounting standards when preparing financial statements for the relevant government organization. Under that provision, the Auditor General has given a qualified audit opinion on government financial statements due to non-compliance with Laws, Rules, Regulations, etc., matters related to reporting government debt, valuation of financial and non-financial assets, leasing assets, and coding and classification of assets and

liabilities (Audit Report of Government Financial Statements, 2020). On the other hand, to respond to institutional pressures, the country requires adequate physical and human resources to respond to these coercive isomorphisms strategically (Tetteh *et al.*, 2023). The Sri Lankan government has approved necessary budget allocations via parliament over the last few years. Even though a proper regulatory background has been established, more steps must be performed to comply with the rules and regulations established in this accrual transformation and IPSAS adoption. Table 2.5 shows the government budget allocations to continue the proposed accounting reforms in Sri Lanka.

**Table 2.5 Annual budget allocations for the accounting reforms**

<b>Year</b>	<b>Goal</b>	<b>Amount LKR ‘000</b>
2024	Process of transforming Government Accounting System from Modified Cash basis to Accrual basis	44,971
2024	Assist to value and account Land & Building possessed by the Central Government	31,302
2022	Process of transforming Government Accounting System from Modified Cash basis to Accrual basis	17,300
2021	Process of transforming Government Accounting System from Modified Cash basis to Accrual basis	15,000
2021	Assist to value and account Land & Building possessed by the Central Government	997
2021	Training, Continuous Development & Implementation of New CIGAS Programme	3,322
2020	Process of transforming Government Accounting System from Modified Cash basis to Accrual basis	25,000

Source: Action plans of SAD (2020, 2021, 2022 and 2024)

#### ***2.4.2.2 Coercive pressure from international financial institutions***

International financial organisations, including donor agencies and professional accounting bodies, play a crucial role in implementing accounting reforms in Sri Lanka, as is the case in many other developing countries. The World Bank, IMF and ADB are the key players that have provided financial assistance for development initiatives in Sri Lanka over the last few decades. Recently, UNDP has been actively involved in the social and economic development of the local governmental levels in Sri Lanka. However, these funding agencies have systematically investigated major structural reforms in Sri Lanka, including accounting reforms (Yapa and Ukwatte, 2015). The World Bank's country partnership framework supports Sri Lanka to be an upper middle-income country. Recently, under the Extended Fund Facility (EFF), the World Bank further extended financial assistance for government accounting reforms. According to the World Bank Report (2022) on Sri Lankan Development Updates, the World Bank approved a USD 100 million Development Policy Financing (DPF) operation. One of the objectives of this facility is to enhance transparency in public financial management in Sri Lanka, which implies coercive pressure for transparency and accountability in public financial reporting. The IMF authorities are working with the World Bank on a new Public Financial Management Act to enhance the budget process and manage public-private partnerships (PPPs) (IMF Country Report of Sri Lanka, May 2019). Under the IMF's EFF-supported program and capacity development, a new Information System (ITMIS) was developed in 2014 to replace the existing CIGAS system. The new system was implemented as a pilot project in MOF and the Ministry of Health. Sri Lanka was on the list of the top 10 recipients of technical assistance from the IMF based on five-year data (2016-2020) (IMF Annual Report, 2020). IMF's effort to enhance the fiscal transparency was highlighted in the Country Report, May 2019 as follows:

*“Supported by IMF technical assistance [....] and obtained cabinet approval in October 2018 of a strategy with a clear timetable to transition to accrual-based accounting for the general government, with support from IMF TA and other external consultants [....].”*

As part of infrastructure development efforts, several measures have been taken to enhance the capabilities of the Computerized Integrated Government Accounting System (CIGAS) package. Specifically, with technical assistance from the ADB, the functions of CIGAS have been modified to include the recording of non-financial assets. This modification aims to improve the overall functionality and effectiveness of the system. ADB granted financial and technical assistance to develop a third volume of public sector accounting standards in Sri Lanka. Further, various training and capacity development programmes were conducted regarding accrual accounting systems during the last few years with the support of ADB (Yapa and Ukwatte, 2015). Recently, the UNDP has played a significant role in supporting the streamlining of public financial reporting at local governmental levels in Sri Lanka. As part of their efforts, they have provided financial assistance specifically for the implementation of the Local Government Diploma Programme in four selected provinces. The primary objective of this program was to enhance public financial literacy among elected members and officers of local governments. Under this diploma programme, special consideration has been given to the implementation of a simplified version of SLPSAS by the local authorities. The above empirical evidence demonstrates the coercive pressure the international donor agencies are still exercising to enhance transparency and accountability through public financial reforms in Sri Lanka. The involvement of these agencies, such as the World Bank, IMF, ADB, and UNDP, in providing financial assistance, technical expertise, and support for structural reforms demonstrates their commitment to driving positive changes in Sri Lanka's financial management systems.

#### ***2.4.2.3 Normative pressure through technical leadership of The Institute of Chartered Accountants of Sri Lanka***

In Sri Lanka, “The Institute of Chartered Accountants of Sri Lanka” (ICASL), as a member of IFAC, is obliged to follow the policies and procedures of the principal organization, which is IFAC and its mission of developing public sector accounting standards to achieve accountability and transparency. Hence, ICASL, a professional accounting body in Sri Lanka, has committed to achieving the objectives of IFAC by developing and implementing accrual-based accounting practices, including IPSAS, in Sri Lanka. This is a unique feature compared to other developing countries. It provides the opportunity to exercise the normative pressures of ICASL against the public sector accounting profession in Sri Lanka. The World Bank (2007) mentioned that Sri Lanka is progressing well in accrual accounting and harmonizing government accounting practices.

The Association of Public Finance Accountants of Sri Lanka (APFASL) has emerged as a public sector wing of ICASL launched the professional qualification “Chartered Public Finance Accountancy” (CPFA) for public sector accountants, auditors and assessors with the assistance of CIPFA London. Moreover, ICASL signed an MOU with CIPFA (London) to grant CIPFA membership to ICASL members with five or more years of senior-level experience in Government or the Public Sector. CA Sri Lanka has taken steps to conduct seminars, workshops, and training program for public sector employees to increase their knowledge of SLPSAS and public financial management principles. A training pool was established with consultation from the Chartered Institute of Public Finance and Accountancy UK (CIPFA). The APFASL took the initiative to encourage public sector entities by placing the Best Annual Report Award Competition among public sector institutions. It helps public sector organizations enhance the quality of financial reporting and accounting to achieve



transparency and accountability (CAPA, 2021). In the recent Best Annual Report and Accounts Awards 2019, nine public sector entities excelled for their high-quality financial reporting. It includes universities, ministries, statutory bodies and local government institutions.

The president of APFASL, V. Kanagasabapathy, mentioned in the annual award ceremony:

*“In our capacity as the public sector wing of the Institute of Chartered Accountants of Sri Lanka, APFASL’s main objective is to strengthen public financial management practices in the country through professionalizing public financial management personnel in line with international best practices.”*

One significant indication of the commitment to ensuring objectivity, independence, and integrity in accounting practices is the existence of the Accounting and Auditing Standards Act No. 15 of 1995 in Sri Lanka. This Act has granted the authority to formulate accounting standards to the Institute of Chartered Accountants of Sri Lanka. In the history of many governments around the world, public sector standards were formulated by the Ministry of Finance. In Sri Lanka, a separate committee was established under the ICASL, and relevant accounting regulations were amended timely to create a favourable legal background. In many governments, professional accounting organizations have become essential influencers and advisors. Extending its role of ICASL to the public sector has been justified through the following statement of the Chief Executive Office of CAPA.

*“The reasons why a PAO should consider extending its activities into the public sector are as valid today as they have been for several years. However, the COVID-19 pandemic has given this new impetus, as governments have spent considerably on protecting and stimulating economies and societies. Citizens are deeply interested in spending, decision-making and long-term impacts. The accountancy profession must be involved as a matter of public interest.” (Brian Blood, CAPA Chief Executive).*

Donors and development partners are essential for the strategies and actions taken by professional accounting bodies. This has been observed in Sri Lanka, where the World Bank granted financial assistance to expand its activities, including initiatives in the public sector ([https://www.casrilanka.com/casl/index.php?option=com\\_content&id=353:world-bank-boost-for-ca-sri-lanka](https://www.casrilanka.com/casl/index.php?option=com_content&id=353:world-bank-boost-for-ca-sri-lanka)).

There are limited professionally qualified chartered accounts in the governments of Sri Lanka. Hence, ICASL must play an essential role in providing the necessary knowledge and technical skills to professionalize public sector accounting in Sri Lanka (Yapa and Ukwatte, 2015). Patrick Kabuya, the Senior Governance Specialist at the World Bank, have highlighted this:

*“The accountancy profession should increasingly partner with government to build capable and effective public sector institutions which would increase trust in government and support enhanced service delivery to citizens”.*

On the other hand, the entry requirements and highly standardized entrance exams help to select the most suitable persons for the government accountant position. It creates the necessary institutional setting to successfully adopt and implement accounting reform strategies. Knowledge, skills and proficiency may significantly impact the adoption of IPSAS in Sri Lanka. In addition to capacity development programmes organized by ICASL, the SAD has sufficient annual budget allocations for the training and professional development of government accountants aimed at accounting transformation (Action Plans of SAD, 2020, 2021, 2022 and 2024). As highlighted by Dissanayake and Dellaportas (2024), the involvement of ICASL with the guidance of MOFP gained acceptance for the implementation of accrual accounting. In the SLPSAS publications made by the ICASL in 2009, 2012 and

2018, significant contributions were made in this direction while giving a professional flavor to government accounting.

#### ***2.4.2.4 Mimetic pressures***

As a leading country in public financial reporting in South Asia (Adhikari, Kuruppu and Matilal, 2013; Rajib et al., 2019), Sri Lanka is trying to mimic the best practices of Anglo-Sanction countries to be a role model in the region. Hence, mimetic isomorphism was discovered when accrual accounting and IPSAS were adopted in Sri Lanka. On the other hand, Sri Lanka has become a prosperous country in adopting and implementing IFRS since 2012. As emphasized by the many leading positions and experienced government accountants, Sri Lanka wants to follow New Zealand's public sector model as the most successful. Whether performance is or ought to be a priority was the subject of a debate over applying the New Zealand version of NPM (New Zealand was a market leader in the early days of NPM). Bale and Dale (1998), as advocates, argued that the New Zealand reforms were relevant to developing countries because they were developed from a broad, system-wide perspective that focused on the causes, not the symptoms, of dysfunctionality [....]" (the World Bank, 2013). The country is trying to imitate prosperous countries' structures and processes, believing these countries are championing the adoption and successful implementation of accounting reforms (Sellami and Gafsi, 2019). The tendency to emulate the practices of successful institutions arises from the necessity to acquire legitimacy within their surroundings. The present study has identified the critical influence of mimetic isomorphism on structural changes in public financial reporting in developing countries like Sri Lanka.

### **2.4.3 Strategic responses for the institutional pressures on IPSAS adoption**

Based on the empirical data on accrual accounting and IPSAS adoption in Sri Lanka, we have identified several strategic responses at the different institutional levels. The authors assessed the pressures exerted by the different isomorphisms and the perceived level of institutional pressure. Then, these strategies were labelled appropriately based on the strategic response framework of Oliver (1991) to provide a comprehensive picture. We have identified that these responses have been limited to the middle three categories of the model (“compromise”, “avoidance”, and “defiance”) (Oliver, 1991).

#### ***2.4.3.1 Strategic responses at the central government level***

This section explains the responses of different institutional actors at various institutional levels to the isomorphism pressures for the adoption of public sector accounting reforms, specifically accrual-based IPSAS, in Sri Lanka. Based on empirical evidence, this study found that strategic responses ranged from acceptance or compromise to defiance, following Oliver's (1991) model. Currently, the central government, special spending units, government departments, and government ministries in Sri Lanka utilize a modified cash accounting system and generally accepted accounting principles (GAAP) to prepare their financial statements. This implies that the central governmental ministries, departments, and special spending units have not adopted SLPSAS for financial statement preparation. However, the central government has applied certain sections of SLPSAS 01: PRESENTATION OF FINANCIAL STATEMENTS, specifically section 21 - "Components of the Financial Statements," to prepare annual financial statements. This aligns with the provisions of State Accounts Circular No: 267/2018, which mandates the inclusion of a statement of financial performance, a statement of financial position, and a cash flow statement as the main components of government financial statements, similarly to the requirements of SLPSAS 01. Furthermore, Section 15(3) of the National Audit Act No.19 of 2018 also recognizes the

"financial statement of the Government" in a similar manner. At the central government level, which includes ministries, departments, special spending units, and divisional secretariats, actors have adopted a "compromise" strategic response to the coercive pressure. They have ensured that the structure of their financial statements complies with the requirements outlined in Section 21 of SLPSAS 01. However, the content of the financial statements remains cash-based and prepared following generally accepted accounting principles (GAAP) (Government annual report, 2022). This compromise is made to satisfy financial donor agencies and encourage them to continue providing loans for legitimacy purposes. On the other hand, the response of the government to the coercive pressure from regulatory requirements can be labelled as "defiance" because it has failed to comply with these requirements. The audited government financial statements for the year 2020 highlight that financial statements at the central government level have not adopted accrual accounting or accrual-based SLPSAS.

According to the report of the Auditor's General the government financial statements, a new format for financial statements was introduced in 2005. The process of preparing these financial statements began, and in line with budget proposal 254 of 2018, it was decided to convert the method of using a modified cash basis, which is still in use for financial statement preparation, to an accrual basis within a period of ten years. However, in the last few years, a combination of two bases was used to prepare the financial statements. Revenue and expenses were reported on a cash basis, while assets and liabilities were reported on a modified cash basis. Furthermore, the government audit report continuously pointed out that there is no direct link between the statement of financial performance and the statement of financial position. The introduction of these financial statement formats by the State Accounts Department can be seen as a strategic approach aimed at gaining acceptance and

legitimacy within the context of public sector accounting reforms, rather than solely focusing on accountability.

Some organizational actors, such as state-owned enterprises and government universities, are responding to coercive regulatory pressures, and these strategies are positioned as “acquiescence” strategies and “compromise” (Oliver, 1991). For universities, the University Grant Commission adopted the financial circular on 02/2018, similarly to the State Accounts Circular 265/2018, with effect from 01 January 2018. Hence, state universities have prepared their financial statements following accrual-based IPSAS since the 01<sup>st</sup> of January 2018. In addition, most state-owned enterprises are preparing their financial statements accrual-based IPSAS following State Accounts Circular 265/2018. Applying the “acquiescence” strategy means the institution has agreed to the pressure and fulfilled the requirements (passive conformity). In some instances, the officials must compromise or come to negotiation as a tactic to avoid or delay coercive pressures.

However, the MOF and provincial treasuries must take immediate action to respond to the coercive pressures brought by the newly passed Public Financial Management Act. To comply with the requirements of Part XI of the Act (section 47), they must use SLPSAS for the preparation of financial statements. They must respond using "acquiescence" strategies or "compromise" (Oliver, 1991) to address this legal requirement as soon as possible.

#### ***2.4.3.2 Strategic responses for the accounting reform pressures at the provincial government levels.***

Provincial Councils are established by Article 154 A (1), which was added to the Constitution of the Democratic Socialist Republic of Sri Lanka by the 13th Constitutional Amendment passed by the Parliament in 1987. There are nine provincial councils in Sri Lanka. These are Western, Wayamba, Uva, Sabaragamuwa, Central, East, Southern, North Central, and

Northern. Regarding the preparation of financial statements of the provincial councils of Sri Lanka, the following statement was quoted from the Annual Report (2022) of the National Audit Office. However, it is worth noting that the adoption and active implementation of these accounting reforms have not been widely observed at the Provincial Council levels in Sri Lanka. This indicates a significant gap or limited progress in the diffusion and assimilation of these reforms across the country's provincial-level structure.

*“It was also observed that the provincial councils used different bases such as accrual basis, cash basis or improved cash basis while preparing the financial statements. Furthermore, some provincial councils prepared financial statements according to generally accepted accounting principles, and others did so according to public sector accounting standards (SLPSAS). Accordingly, comparative use of financial statements was impossible.”.*

At the provincial governmental levels, two provinces are trying to implement accrual accounting and IPSAS at the provincial levels to a certain extent. The Northern Province issued the “PF/AP/07/2017 circular for the preparation of the annual financial statement (accrual basis) as well as the North Central Province’s provincial treasury circulars related to accrual accounting and IPSAS adoption at the provincial levels (e.g., North Central Provincial Treasure Circular 2022/10 and 2022/12). Hence, some council try to respond to the coercive pressures at the provincial government level by adopting IPSAS for public financial reforms (“compromise” strategy). Other provincial councils are following “avoidance” or “defiance” strategies.

Provincial governments must also respond to the coercive pressure from the newly passed Public Financial Management Act (No. 44 of 2024) regarding the preparation of financial statements using accounting standards developed based on International Public Sector

Accounting Standards. They should employ "acquiescence" or "compromise" strategies (Oliver, 1991) to address this legal requirement as soon as possible.

#### ***2.4.3.3 Strategic responses on accounting reform pressures at the local government level***

Sri Lanka has 341 local authorities, including 24 Municipal Councils established under the provisions of the Municipal Council Ordinance of No. 29 of 1947 (Chapter 252), 41 Urban Councils established under the provisions of the Urban Council Ordinance of No. 61 of 1939 (Chapter 255) and 276 Pradeshiya Sabha established under the provisions of the Pradeshiya Sabha Act No. 15 of 1987.

According to empirical evidence, certain local governments (Western Province, Northern Province and North Central Province) are attempting to legitimize themselves by implementing IPSAS (e.g. Local government circular 01/2019 issued by the North Central Province, Sri Lanka). However, according to state accounts circular 265/2018, all the local authorities are liable (coercive pressure) to prepare their financial statements on an accrual basis and adopt a simplified version of IPSAS issued by the CA Sri Lanka. In practice, most local government organizations do not follow the above requirements. Government audit report (2022) provides evidence of non-compliance with accrual accounting and SLPSAS at the local governmental levels (e.g., Colombo Municipal Council financial statements).

Regarding the local governmental level, certain local councils are trying to accept pressure, and most local councils are avoiding the required regulatory requirements claiming lack of resources. On the other hand, accepting the training requirements and capacity-building programs organized by the CA Sri Lanka under the UDNP indicates that these actors are responding to normative institutional pressure successfully and are recognized as



“acquiescence.” However, most local governments follow the “avoidance” or “defiance” strategic responses to institutional pressures.

**Table 2.6 Summary of strategic responses to the institutional pressures of IPSAS adoption**

<b>Institutions</b>	<b>Institutional pressure</b>	<b>Perceived level of institutional pressure</b>	<b>Status</b>	<b>Strategic response</b>	<b>Significant characteristics of the strategic response</b>
Central government departments, ministries, special spending units and divisional secretaries	Coercive, Normative and Mimetic	High coercive pressure with the budget proposal 254 of 2018 and National Audit Act No. 19 of 2018.  High normative pressure with ICASL interfere.	Not adopted	Defiance	Appear to comply but intentionally conceal certain aspects of the requirements. Some organizations ignore the requirements and continue doing business as usual.
State-owned enterprises	Coercive, Normative	High coercive pressure with the state accounts circular 265/2018.	Partially Adopted	Avoidance	Partially confirm the required procedures that are the most important to the regulators.
State Universities	Coercive, Normative	High coercive pressure with Finance Circular Letter No. 02/2018.	Adopted	Compromise or Acquiescence	Determine the most essential elements for the regulators and agree to comply.
Provincial governments	Coercive, Normative	Medium	Not adopted	Defiance	Ignore the requirements and continue doing business as usual.

	and Mimetic				
Local governments	Coercive, Normative and Mimetic	High coercive pressure with the state accounts circular 265/2018.	Partially Adopted	Compromise or Acquiescence	Partially confirm the required procedures that are the most important to the regulators.  Most local governments ignore the requirements and continue doing business as usual.
All level of governments	Coercive	High level of coercive pressure form Public Financial Management Act No. 44 of 2024	Not Adopted	Should response by "acquiescence" or "compromise"	All level of government should response for the requirement of this Public Financial Management Act No. 44 of 2024, requirement of usage of IPSAS based standards for the preparation of financial statements of the government entities.

---

Source: authors constructed

#### **2.4.4 Institutional decoupling (fear of governments depriving)**

Government financial reporting would be more complicated with the bureaucratic administrative structure—the unwillingness of politicians and higher authorities since IPSAS adoption is linked with many complex activities. Public sector staff will face political inferences and resource dependency when implementing accounting reforms, leading to the decoupling strategies in response to institutional pressures (Tetteh *et al.*, 2023). Organizations abide only superficially by institutional pressures and adopt new structures and practices without necessarily implementing the related practices (Boxenbaum and Jonsson, 2008; Silva and Avrichir, 2023). Hence, the formal structure was decoupled by actual practice (Meyer and Rowan, 1977). Managing the national interest and international requirements (demand of international organizations), national actors may adopt compromise, avoidance, and defiance of strategic responses. When managing the national interest and global requirements, social actors may use different strategies to respond to these pressures (Oliver, 1991). If these strategies have been classified into “compromise”, “avoidance”, and “defiance”, can have labelled them as institutional decoupling (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Oliver, 1991), which is the second dimension of institutional theory. In decoupling, organizations try to achieve legitimacy through the adopted structure but stay stable by continuing actual (existing) actions/practices for survival. If the organization faces solid coercive pressure to implement new reforms (Seidman, 1983), most organizations practice decoupling by having a ceremonial adaptation of institutional change (Silva and Avrichir, 2023). Decoupling was the reaction because of contradictions between institutional pressure and internal organizational efficiency and inconsistencies with different institutional pressures. Organizations are superficially adopting structures and new practices and trying to maintain institutionalized myths for legitimization (Hernes, 2005; Eva Boxenbaum and Stefan Jonsson, 2008).

With the empirical findings, the adoption and adaptation of IPSAS are also categorized as institutional decoupling since organizations are not at the too extreme ends (acquiescence and manipulation) of the strategic response model. As we perceived by this study, all responses ranged between “compromise”, “avoidance”, and “defiance”. Formal structures have been legitimised socially and institutionally in public sector organizations, particularly in developing countries. Hence, these structures and practices are taken for granted, not for efficiency (Meyer and Rowan, 1977; Hernes, 2005). It was observed that decoupling brought unintended consequences of institutional change because of violation of rules, implementation of proposed/agreed change, and unexpected implementation results (Meyer and Rowan, 1977). This was experienced in Sri Lanka at the different institutional levels when adopting and implementing IPSAS. Sri Lanka has adopted these formal structures and processes just for legitimacy purposes but not for efficiency purposes. Since the country’s institutional environment is fragile and unstable, referees (institutions and individuals) must be more active in this process. One of the most fascinating findings of the study is inter-organizational decoupling, particularly reform implementation at the central, provincial and local levels.

#### **2.4.5 Future directions of IPSAS implementation in Sri Lanka**

Numerous economic, social, and political factors will complicate the future of accrual accounting and IPSAS adaptation in Sri Lanka. The Sri Lankan government faces severe financial difficulties due to the high government debt and the COVID-19 pandemic. However, relevant authorities from MOF have mentioned the accrual accounting plan in their annual report.

By the Cabinet decision to prepare the government accounts on an accrual basis within ten years, an accounting framework and fifteen (15) standards selected from public sector

accounting standards were developed which are to be adopted for the interim period instead of currently used generally accepted accounting principles until the preparation of accounts on an accrual basis. It is expected to adopt these standards and framework to prepare financial statements for the year 2021 after obtaining the approval of the Institute of Chartered Accountants of Sri Lanka and the Auditor General. In developing the above accounting framework, areas were included, such as the purpose of financial reporting, qualitative characteristics of financial information, definition, recognition and measurement of revenue, expenditure, assets, and liabilities, which are the basis of Financial Statements (W.A. Samantha Upananda, Director General Department of State Accounts, Sri Lanka).

## **2.5 Discussion**

The neo-institutional framework of sociology used in this study to explore institutional pressures explains the connection between institutions and society and its actors, including individuals and organizations (Guerreiro, Lima Rodrigues and Craig, 2021). Institutions are broadly accepted structures within a society (Scott, 1987) that eventually induce how individuals' and organizations' behaviour change (DiMaggio and Powell, 1983). Institutional pressures for adopting IPSAS emerged from coercive, normative, and mimetic isomorphisms in different capacities. It explored the regulative background, impact of international financial institutions, and the reaction of the local actors to the reforms utilising Oliver's (1991) strategic response model. Review of the documents revealed that adopting accounting reforms is still problematic and challenging for developing countries, as highlighted by many researchers (Adhikari, Kuruppu and Matilal, 2013; Senarath Yapa and Ukwatte, 2015; Adhikari and Jayasinghe, 2017). Institutional theories mainly assume that the institutional environment can strongly influence the development of organizational structures and processes to gain legitimacy within an institutional setting. As DiMaggio and Powell (1983) mentioned, the net effect of these institutional isomorphism pressures is to enhance the

homogeneity of the institutional structures and processes. However, most institutional researchers experienced organizational heterogeneity and practical differences in different government settings when adopting these pressures, including international accounting standards (Albu, Albu and Alexander, 2014).

According to the research model and empirical evidence at the central governmental level, the country was pressured by mainly coercive isomorphism from international donor agencies to streamline public financial management practices (Adhikari, Kuruppu and Matilal, 2013; Senarath Yapa and Ukwatte, 2015). That has intensified with the recent economic crisis and increased government debt, creating more avenues to re-think the transparency and good governance of public financial management. With the Covid 19 pandemic, the country faced its worst economic crisis in seven decades. It allowed international donor agencies like the World Bank and IMF to exercise their coercive pressure more strongly with the conditions of these funding arrangements. Further, the Sri Lankan government provides necessary budget allocations through the annual budget for capacity-building programmes. It increases the accounting infrastructure in the public sector (further developing the CIGAS and ITMIS systems). There is more significant normative pressure from CA Sri Lanka to professionalize the government accounting practices in Sri Lanka by establishing APFASL (the public sector wing of CA Sri Lanka). Further, evidence supports the theoretical assertion that countries may mimic the best practices of developed countries, especially those in the Anglosphere.

At the provincial governmental level, coercive pressure from the central government is the primary key to adopting accrual accounting and accrual-based IPSAS. Some provincial councils are trying to mimic the best accounting practices and be a model for others. At the local governmental levels, UNDP is pushing coercive institutional pressure for the capacity development of local governments, including accounting staff, in the four selected provinces

in Sri Lanka. At the central government level, CA Sri Lanka gives normative isomorphism to these selected local government organizations to enhance the technical knowledge of the accounting staff. In institutionalization, rationalized myths may not be the efficient structures for the organization and competing and mutually inconsistent structures may exist. Hence, organizations decouple their practices (Meyer and Rowan, 1977). The pressure on developing countries to adopt international accounting standards often confronts individual countries' political-economic and ideological forces that encourage or restrain the adoption (Hopper, Lassou and Soobaroyen, 2017).

Based on the empirical findings of strategic responses for the IPSAS adoption at different institutional levels in Sri Lanka, all reactions ranged from the middle three categories of Oliver (1991) model. Most scholars labelled these three responses as institutional decoupling (Oliver, 1991; Lebelhuber *et al.*, 2022). For accrual accounting, SAD has developed an appropriate ten-year action plan, which was tabled to the cabinet and received the cabinet approval. However, the central government (SAD) has changed this plan without proper permission and valid reasons and justifications. At the central government level, actors followed a defiance strategy due to structural limitations such as inadequate legal framework, political influence and lack of technical knowledge of government accountants mainly (Adhikari *et al.*, 2013, 2021; Polzer *et al.*, 2023; Yapa and Ukwatte, 2015). Some institutions, such as state universities and state-owned enterprises, are making a successful effort to adopt and implement accrual-based IPSAS compared with other organizations in the public sector labelled under the compromise or acquiescence of Oliver's model. Proper guidance, strong leadership, qualified employees, and accrual-based computer accounting systems are reasons for these institutions' acquiescence and compromise strategies. On the other hand, these universities and state-owned enterprises are under pressure from the institutional environment especially due to the legal framework to follow a proactive approach due to the nature of their



operations. When it comes to provincial government level, it all depends on the central government funding and instructions. Even though these governments are independent, they are not trying to act actively to implement these reforms except for a few provincial and local governments—minimal coercive pressure from donor agencies and international organizations for the provincial and local governmental levels. Due to the normative association between the ICASL and the donor agencies such as UNDP, certain local governments have taken attempts to provide “compromise or acquiescence”, by implementing simplified versions of SLPSAS, some success. Still, among the South Asian countries, Sri Lanka appears to be the best performer in adopting accrual accounting and IPSAS implementation compared with other countries. This study tried to answer how the accrual basis IPSAS has been institutionalized at different governmental levels in the public sector context of Sri Lanka in that way, making a critical contribution to IPSAS adoption literature.

## **2.6 Conclusion, contribution and future direction**

Based on one of the emerging economies, Sri Lanka, this research provides exceptional avenues for disentangling the IPSAS adoption from the enforcement effects, making a critical contribution to the IPSAS adoption literature. The incapability of a cash-based system to address the need for transparency and good governance in the public sector in Sri Lanka brought the discussion to consider accrual-based accounting standards (Adhikari, Kuruppu and Matilal, 2013). This transformation was highly supported by international financial institutions, contributed financial and technical assistance, and created a supportive environment for accounting reforms (Senarath Yapa and Ukwatte, 2015). Hence, Sri Lanka is still under pressure from international donor agencies such as the World Bank, IMF and ADB to gain transparency and good governance (Adhikari, Kuruppu and Matilal, 2013; Senarath Yapa and Ukwatte, 2015). The high foreign debt (De Silva Lokuwaduge and De Silva, 2020)

and the financial crisis enhanced the institutional pressure to reconsider public financial reforms. ICASL, as the premier accounting body in Sri Lanka and a member of IFAC, with the support of the Ministry of Finance, is contributing significantly to the professional development of government accountants (Dissanayake and Dellaportas, 2024) . In addition, actions have been taken to categorize SLPSAS into a regulatory system of Sri Lanka by altering the Sri Lanka Accounting & Auditing Standards Act, No. 15 of 1995. With this amendment, ICASL has been empowered to issue SLPSAS applicable to all non-commercial public corporations, including local authorities.

In Sri Lanka as an emerging economy, a lack of trained accountants and professionals, as well as lower accounting infrastructures, including information systems, are the significant barriers to the successful implementation of accrual accounting (Senarath Yapa and Ukwatte, 2015; Polzer, Gårseth-Nesbakk and Adhikari, 2020; Adhikari *et al.*, 2021). Nonetheless, Sri Lanka's public sector accounting profession has struggled to establish itself as a standardized setup. The efforts to professionalize the accounting practice in Sri Lanka failed due to political, economic and institutional barriers. ICASL exercised its authority and dominance in the accounting profession. ICASL, the experts in setting SLPSASs, does not have the power to issue and enforce them in the public sector. The Ministry of Finance and Treasury, empowered to issue and implement SLPSASs, does not have experts in the field. Hence, there should be proper coordination between these two actors to reflect the “acquiescence or resistance” strategy to couple with the accounting reforms (Noha *et al.*, 2024). Based on the qualitative empirical data, we found that most institutions could not respond to these reform pressures successfully. It created more avenues for the institutional decoupling. At the developing country level, full conformity with these institutional pressures is not expected in institutional settings, and decoupling is inherent. It had been a surface contribution to the decoupling and making avenues for a deeper understanding of the context.

The coercive isomorphism from government intervention and resource providers brings substantial pressure on the public sector accounting reforms in Sri Lanka. The country has a solid legal and administrative structure with a colonial legacy. Further funding agencies, mainly the World Bank, IMF and ADB, provide much-needed financial and technical assistance for development initiatives. Hence, it brings coercive solid pressure to implement reforms in Sri Lanka. International donor agencies continuously offer financial aid and look for opportunities and loopholes to exercise power over developing countries, including Sri Lanka. In the Sri Lankan context, professional imitation has become a significant contribution of CA Sri Lanka to the accounting reforms in Sri Lanka. The power of normative pressure from CA Sri Lanka over accounting reforms is substantial compared with other countries like Bangladesh (Rajib *et al.*, 2019). Mimetic isomorphism also influences certain levels of the adoption and implementation of IPSAS in Sri Lanka. On an accrual basis, IPSAS is already on board in Sri Lanka; the country cannot reverse the journey. Hence, authorities should be taken an immediate action to find reasons for unintended delays in the implementation and take remedial actions.

This study advances neo-institutional theory by demonstrating how isomorphic pressures manifest distinctively in post-colonial emerging economies with fragile financial systems. While existing literature suggests normative pressures typically drive public sector accounting reforms in developed contexts (DiMaggio and Powell, 1983; Carpenter and Feroz, 2001), Sri Lanka's case reveals overwhelming dominance of coercive pressures through international financial institutions during economic crises. Building on Adhikari and Mellemvik's (2010) work, this research identifies "legitimized coercion" where IMF conditionalities are domestically reframed as necessary solutions to internal governance failures, alongside extensive normative pressure from professional associations creating a

unique dual-pressure environment. This hybridized mechanism extends beyond traditional coercive-normative-mimetic classifications (Scott, 2014) by showing how external coercion becomes internally legitimized through crisis narratives. The research significantly extends Oliver's (1991) strategic response framework by identifying contextually-specific resistance patterns in hierarchical bureaucratic systems, particularly within institutional complexity (Harber *et al.*, 2023; Tetteh *et al.*, 2023; Noha *et al.*, 2024; Wijethilake, Munir and Appuhami, 2017; Greenwood *et al.*, 2011). Unlike Oliver's singular strategic responses, this study reveals multi-layered patterns where central-government entities display acquiescence while provincial and local governments engage in avoidance and defiance strategies. This "cascading decoupling" demonstrates how symbolic adoption at policy levels translates into substantive resistance at implementation levels, extending Boxenbaum and Jonsson's (2017) work, while "strategic temporizing" shows how organizations deliberately slow implementation while maintaining ceremonial compliance, adding a temporal dimension to Meyer and Rowan's (1977) foundational work.

Therefore, future research should explore different actors' role and power relations or dynamics in this adoption and implementation process exploring more agentic perspective. Researchers argued that contextual and other institutional factors, including culture, technology, politics, administration, and nepotism, significantly influence public sector accounting practices in emerging economies (Mbelwa, Adhikari and Shahadat, 2019). Hence, future research should be focused on the impact of contextual and other institutional factors for the successful implementation of accounting reforms.

## CHAPTER THREE

### PAPER TWO

#### **Roles and power dynamics of embedded agents in the implementation of accrual basis IPSAS in Sri Lanka: institutional logic perspective.**

##### **Abstract**

This study explores the implementation of accrual accounting and IPSAS in Sri Lanka at the central government level drawing on institutional logic perspectives. This study mainly concerns the role and agentic interplay between actors in this implementation process. It examines the underlying logic behind the delays and unintended consequences of accounting reforms in developing countries setting using Sri Lanka as an example and further explores how the power dynamics exacerbate the delay and tensions.

The empirical data were collected mainly through semi-structured interviews and supported with official documents. The study identified three main actors, MOF, NAO, and ICASL, as the key players behind the reform implementation as: reform creators, promoters, and enforcers. Twenty-eight semi-structured interviews were conducted with representatives from these three institutions as well as government accountants. The collected data were analysed using thematic analysis methodology following open coding to axial coding; later, themes were developed and presented with the support of an institutional logic perspective.

First, the study supported the previous findings that accounting reform implementation at the central government level is often delayed and tends to emanate tension among the key actors, particularly government accountants. Issues relating to the legal identity of SLPSAS, a lack of technical capacity of government accountants, resistance to change, and inadequate

leadership were the main barriers to the successful implementation. In addition, the power dynamic between the main actors, particularly MOF and NAO, created extra tension and unintended consequences for the reform implementation. State and market logic were the main drivers behind these reforms, and later, it added professional logic with the establishment of APFASL of ICASL. However, the political logic delayed the reform implementation created more tension and unintended consequences. It provides opportunities for adopting more ICT, mainly digital technology and social media, to stimulate the implementation and accrual of accounting and IPSAS.

This study contributes to the literature on how the power dynamics between actors created tension and delays in reform implementation. This study was limited to the central government level and needs to expand to explore the situation of provincial and local governments. In addition, the study will be extended to include comparisons with other developing countries in order to determine whether contextual logics hinder or stimulate the implementations of reforms.

***Keywords: accounting reforms, accrual accounting, IPSAS, institutional logic, actors***

### 3.1 Background

The study aims to investigate the implementation of accrual-basis IPSAS in developing countries, particularly Sri Lanka, by employing institutional logic and emphasizing the involvement of important actors (Thornton and Ocasio, 2008; Thornton, Ocasio and Lounsbury, 2012). It also addresses the substantial power dynamics among key actors and the logic that drives their agency in implementing accounting reforms. International financial institutions, including donor agencies such as the World Bank and IMF, promoted and guided emerging economies to adopt neo-liberal ideologies under the broader label of NPM in their public financial management (Adhikari, Kuruppu and Matilal, 2013; Hopper, Lassou and Soobaroyen, 2016; Jayasinghe *et al.*, 2021). These private sector practices are perceived as so-called 'best practices' and are followed by public sector institutions primarily in developed countries, including New Zealand and Australia (Rozenfeld and Scapens, 2021). With New Public Management (NPM), new logics were introduced to the public sector institutions that aimed to replace traditional administrative or management functions in the public sector institutions. However, the widely accepted truth is that these neo-liberal reforms in public financial management in most developing countries have already created delays and unintended consequences in most countries (Senarath Yapa and Ukwatte, 2015; Adhikari *et al.*, 2021; Jayasinghe *et al.*, 2021). On the other hand, these neo-liberal reforms have increased the complexity of institutions in most developing countries in the Asian and African context (Rozenfeld and Scapens, 2021).

However, reliable financial information is required for effective decision-making to achieve sustainable financial management in the public sector (Eulner and Waldbauer, 2022). Hence, scholars have identified the importance of replacing cash-based accounting in public sector organisations with accrual accounting to harmonise accounting practices at government levels and across countries (Christiaens *et al.*, 2015) to create innovative government accounting

systems. Sellami and Gafsi (2019) mentioned that accounting reforms involved radical changes, including a shift to accrual accounting and international harmonisation of public financial reporting. Accrual accounting and adaptation of International Public Sector Accounting Standards (IPSAS) are the major accounting reforms introduced to public sector entities in developed and developing countries during the last few decades under the label of NPM. On the other hand, the financial crisis of 2007-2008, high levels of foreign debt, and government and budgetary instability catalysed higher demand for accounting reforms in the public sector of developing countries (Ball, Soare and Brewis, 2012; Bergmann, 2012). However, the debates on the need for accrual accounting and IPSAS in the public sector have persisted among the academia and professionals for several decades, not least in emerging economies (Adhikari and Mellemvik, 2011; Adhikari and Gårseth-Nesbakk, 2016; Mbelwa, Adhikari and Shahadat, 2019). Changes in fiscal responsibility regulations, accrual accounting, and accounting standards have been the essential components of the reforms (NPM) in many countries for several decades (Christiaens *et al.*, 2015; Brusca and Martínez, 2016; Aquino and Batley, 2022). To identify the actual costs and accurately recognise and measure public assets as liabilities, scholars and practitioners have recognised the importance of accrual accounting to effective public financial management (Aquino and Batley, 2022). Meanwhile, several scholars delineate the drawbacks of accrual accounting due to technical ambiguity and high cost to implement (Hyndman and Liguori, 2018; Jayasinghe *et al.*, 2021) similar to other New Public Financial Management (NPFM) measures (Mbelwa, Adhikari and Shahadat, 2019).

However, accrual accounting (Guthrie, 1998) has been introduced as an accounting innovation in emerging economies as a response to the pressure given by international donor organisations as a condition for granting financial aid (Bietenhader and Bergmann, 2010; Adhikari, Kuruppu and Matilal, 2013). In emerging economies, a need for more trained



accountants and professionals and lower accounting infrastructures, including information systems, are significant barriers to successfully implementing accrual accounting (Mbelwa, Adhikari and Shahadat, 2019). Even though adaptation has been done, the implementation has been delayed or incomplete or has unintended consequences in varying degrees for different reasons, not only limited to developing countries but also developed countries (Oulasvirta and Bailey, 2016; Adhikari *et al.*, 2021; Aquino and Batley, 2022). Apparent complexity in new accounting practices (Warren, 2015), cultural differences among countries (Brusca and Martínez, 2016), lack of enforcement and political and bureaucratic restrictions (Corbett, 2010). Some notable barriers to successfully implementing proposed accounting reforms are as follows: various reasons, ranging from cultural factors to resource limitations (e.g., software), have been identified for non-compliance, failed implementation or incomplete reforms (Brusca and Martínez, 2016; de Azevedo *et al.*, 2020). Furthermore, the present study is crucial concerning implementing IPSASs in emerging economies. Rajib *et al.* (2019) mentioned that efforts to introduce externally proposed accounting modifications such as accrual accounting and IPSASs have damaged public governance and accountability in emerging economies such as Nepal, Bangladesh and Sri Lanka. Some scholars found that the application of accrual accounting in Sub-Saharan African countries brought more avenues for corruption (Goddard *et al.*, 2016; Bakre, Lauwo and McCartney, 2017; Bakre, McCartney and Fayemi, 2022). As Yapa and Ukwatte (2015) mentioned, IPSAS does not enhance transparency and accountability, while Grossi and Steccolini (2015) presented similar findings. The primary argument revolves around the notion that the institutional arrangements for adopting IPSAS are primarily incompatible in developing countries.

Despite evidence indicating that adopting IPSAS could be problematic and unsuitable for some developing countries, international organisations continue to encourage implementing these accounting changes (Jayasinghe *et al.*, 2021; Schmidhuber, Hilgers and Hofmann,

2022). Meanwhile, countries such as Sri Lanka are still making efforts to pursue these reforms to attract much-needed international funding and other resources while maintaining legitimacy (De Silva Lokuwaduge and De Silva, 2020). However, whether these reforms truly enhance the quality of public financial reporting practices remains inconclusive and requires further investigation (Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). Further, the International Public Sector Accounting Standards Board (IPSASB) aims to improve public financial reporting worldwide. It has gained strong acceptance from international organisations such as the World Bank, IMF, and the United Nations (Tawiah, 2023). On the other hand, the recent economic crisis with the post-covid has compelled countries to revolutionise public financial reporting due to the increased need for greater transparency and accountability (Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). These internal and external pressures have been the main driving factors for developing countries to adopt accounting changes in the public sector.

This paper uses the institutional logic perspective as the theoretical lens which explains as “the socially constructed patterns of symbols and material practices, assumptions, values, beliefs, and rules by which individuals and organizations produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton and Ocasio, 1999, p. 804). Actors might be individuals or organisations with social actions who exercise the agency (Maier and Simsa, 2021). Several studies have emphasised the need for a deeper comprehension of agency and actors within institutional theory (Hwang and Colyvas, 2020). In particular a need to understand how institutions are managed/changed by the intentional actions of actors embedded in them is particularly emphasised (Maier and Simsa, 2021). Institutions play a crucial role in shaping actors, as all actors are situated within these environments that facilitate their emergence and provide frameworks for their actions (Maier and Simsa, 2021). This phenomenon has been called 'embedded agency' (Battilana

and D'Aunno, 2009). The role and agency of institutionally embedded actors and their social identities are crucial in understanding the implementation of any proposed reform for institutional change. Through their engagement in everyday organisational activities, social actors operationalise and put into practice different logics that guide their actions. Logics, in this context, serve as a form of institutional substance that conveys the essence of institutions through actors' decisions, choices, and conduct (Aquino and Batley, 2022). Institutional logic can emerge broadly at the institutional level, organisational field level, organisational level, or even the governmental level. Widely accepted and recognised logic at the societal level includes family, religion, state, market, profession, and corporation (Aquino and Batley, 2022). These logics influence and shape the behaviours and practices of individuals and organisations within a particular social context. The literature provides insights into the challenging behaviour of business logic concerning pre-existing professional and governance logic (Aquino and Batley, 2022). Understanding the role and agency of institutionally embedded actors and the agentic interplay among the actors is essential for comprehending the implementation of accounting reforms in emerging economies. It sheds light on the complexities and dynamics of institutional change and how social identities shape actors' behaviours and responses to reforms.

This study intends to contribute to the literature of the public sector accounting and institutional studies, giving empirical evidence on how the actors interact and their agency in the process of implementing public sector accounting reforms. This study also contributes to the institutional theory in organisational studies by the dominant application of the institutional logic perspective by exploring how the different logics create tension and emanate unintended consequences in reform implementation in emerging countries. It provides process-centric narratives in order to give a holistic picture, as well as actor-centric narratives by going deeper insight into their agency aiming to enhance the reforms strategies

in emerging economies. Further empirically, it expands the current debate on public sector accounting literature related to the issues and challenges of implementing of accrual accounting and IPSAS.

### **3.2 Literature Review and Theoretical Lens**

#### **3.2.1 Public sector accounting reforms in emerging economies.**

IPSAS leads to the better utilisation of public resources and support for effective decision making allowing the comparability of financial statements among countries (Cîrstea, 2014). Moreover, better fiscal discipline in the economy decreases borrowing costs (PwC, 2013). Certain studies discovered that those reforms have increased transparency and accountability in public sector entities (Opanyi, 2016; Muraina and Dandago, 2020; Schmidhuber, Hilgers and Hofmann, 2022). However, majority of these research in developing countries have focused on countries like Africa, using quantitative data with limited sample size. Some scholars identified the technical issues of IPSAS due to a lack of knowledge and training of staff and also due to lack of professionals. (Biondi and Boisseau-Sierra, 2017; Mbelwa, Adhikari and Shahadat, 2019; Rajib *et al.*, 2019). Schmidhuber, Hilgers and Hofmann (2022) found a need for more research on the suitability and local use of specific standards. Mainly how these IPSAS could be used to recognise and measure certain assets and liabilities. Further, how those IPSAS have been interpreted locally (Polzer *et al.*, 2020) and how these local meanings and interpretations have been deviated from the original meaning (Albu, Albu and Alexander, 2014; Baskerville and Grossi, 2019). On the other hand, over the past thirty years, public sector accounting has emerged as an independent research field of study within the realm of accounting research, experiencing a significant surge in the number of scholarly articles published (Adhikari and Jayasinghe, 2022). In their literature review on the adoption of IPSAS in both developed and developing countries, Liberato, Choban de Sousa Paiva and Serrasqueiro (2023) identified the usage of IPSAS as a new research subject within the field

of accounting literature in the public sector. They, in fact, emphasised the need of looking into IPSAS domain-specific details.

Significant variances exist across countries and within national and regional levels due to diverse economic, social, political, and cultural circumstances (Mnif and Gafsi, 2020; Abras and Jayasinghe, 2023). These variations have resulted in differences in accounting practices, including the level of IPSAS adaptation (Mnif and Gafsi, 2020; Polzer, Gårseth-Nesbakk and Adhikari, 2020; Schmidhuber, Hilgers and Hofmann, 2022). It is the same application of ‘so-called’ best practices in developing countries without considering their social and cultural context (Rozenfeld and Scapens, 2021). Even though some developing countries are labelled as ‘adopters of IPSAS’, their level of adoption and adaptation might be widely different since sometimes the government may have declared only the intention to adopt IPSAS (Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). The directives of international donors that mandate, or at the very least promote, the incorporation of Western-promoted private sector ‘best practices’ into developing nations beyond the Asian, African, and Latin American continents are still problematic and inconclusive. This prompts researchers to encourage further investigation into identifying solutions and logic from these developing regions rather than relying solely on Western paradigms. Major emphasis should be placed on finding the factors correspondence to the unique institutional contexts of individual countries. More research is needed to acquire a deeper understanding of IPSAS related to public financial management (Schmidhuber, Hilgers and Hofmann, 2022; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023).

### 3.2.2 Analytical framework – neo-institutional theory

In institutionalism, social systems are constructed based on institutional orders, which include a set of symbolic meanings and material practices (Friedland and Alford, 1991). Then, it is evaluated using the institutional logic concept. Institutionalism provides a more unique and appropriate theoretical understanding of how organisational innovation/change emerges even though there are conflicts and differences between social norms and institutionalised practices (Vickers *et al.*, 2017). Based on the recent literature, some scholars still highlighted avenues for future research that engaged with neo-institutional theory to discuss the changes in organisational norms and practices aiming to strengthen the institutional performance (De Vries, Tummers and Bekkers, 2018; Modell, 2022). Many researchers suggested that in developing countries, more informal institutions are established compared with developed countries, and these informal institutions are dominant in these countries (Narooz and Child, 2017; Rozenfeld and Scapens, 2021). Since these informal rules are deeply embedded in the institutional environment in most developing countries, it is complex and challenging to adopt formal structures essential for implementing these new accounting practices under these reforms. It creates resistance to the adoption of formal rules, which are a fundamental feature of these reforms (Rozenfeld and Scapens, 2021). Institutionalism emphasises the active involvement of agents in changing the institution.

Makhaiel and Sherer (2017) demonstrate the extensive utilisation of neo-institutional theory in accounting research to explain institutions adopting new accounting and auditing practices. This study applies neo-institutional theory to investigate the stakeholder perspective in understanding the implementation of accounting changes, specifically IPSASs, in developing countries, focusing on Sri Lankan context. Institutional theory has addressed the interaction between organisations and their institutional environment, incorporating social expectations into organisational practices and characteristics (Martinez, 1999). According to Friedland and

Alford (1991), institutions are supra-organizational patterns of human activity that govern material subsistence and temporal and spatial organization and serve as symbolic systems for ordering reality and giving meaning to the experience of time and space. Despite the limitations of neo-institutionalism, scholars have expanded the discussion by incorporating the institutional logic perspective. In this study, we adopt the mind-set of Thornton, Ocasio and Lounsbury (2012) and build upon their foundational work in accounting research (Ezzamel, Robson and Stapleton, 2012; Amans, Mazars-Chapelon and Villesèque-Dubus, 2015; Dai *et al.*, 2017). This perspective on institutional logic broadens neo-institutional theory by elucidating the relationship between logic and practice, as well as the divergence in observed behaviours (Lounsbury and Crumley, 2007; Conrath-Hargreaves and Wüstemann, 2019; Mahmood and Uddin, 2020). Concerning neo-institutional theory, as highlighted by Liberato, Choban de Sousa Paiva and Serrasqueiro (2023), the management and governance of public institutions are influenced by various factors such as legitimacy, routines, scripts, and other cognitive phenomena. These variables vary from country to country and promote country-specific studies referring to neo-institutional theory.

### **3.2.3 Institutional logic perspective**

The concept of institutional logic was first introduced by Friedland and Alford (1991) to explain the fundamental institutions of modern society, like market capitalism, bureaucratic state, families, democracy, and religion. According to Thornton and Ocasio (1999), institutional logic is described as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.” Different logic, including state or bureaucratic, market or business, community, professional, editorial and personal (Thornton, 2002; Mahmood and Uddin, 2020; Jayasinghe

*et al.*, 2021; Mzenzi and Gaspar, 2022). Thornton, Ocasio and Lounsbury (2012) viewed institutional logic as characteristics defining larger societal structures, where each structure is linked to its specific institutional logic. Building on this, Thornton (2004) expanded the concept by connecting field-level institutional logic to societal-level orders, identifying ideal-type logics associated with "the market, the corporation, the professions, the family, the religions, the state," and later, "the community" was added as well (Thornton, Ocasio and Lounsbury, 2012). Thornton, Ocasio and Lounsbury (2012) noted that field-level logics are influenced by and embedded within societal-level logics, shaping the former. However, they are also distinct from the logic governing the interinstitutional system, setting them apart from societal-level logic. This institutional logic concept has been broadly applied in many disciplines, including healthcare, public administration and accounting (Lepori and Montauti, 2020; Jayasinghe *et al.*, 2021; Aquino and Batley, 2022; Ahmed, *et al.*, 2022; Abras and Jayasinghe, 2023). Institutional logic is a sociological theory which involves the study of how cognition and behaviour of organisational/institutional actors are shaped through a broad belief system (Friedland and Alford, 1991). The multiple logic perspective of neo-institutional theory enables us to understand how actors within institutions are influenced by different logics and how they respond differently to implementing accounting change.

Institutional orders or socially constructed patterns of 'cultural symbols and material practices' influence, constrain or enable individual and organisational actors' decisions and actions (Thornton and Ocasio, 2008; Thornton, Ocasio and Lounsbury, 2012). Institutional logics provide the framework for actors to figure out and arrange their daily routines (Xu and Lu, 2022). Furthermore, they mentioned that it also influences what they should discuss and the essential things they should use in their work to ensure success. Greenwood *et al.* (2010) emphasised the fundamental social structures, each having its own dominant way of thinking



and operating. On the other hand, Thornton et al. (2012) suggested seven main patterns of how society is organised, including the family, religion, government, economy, professional groups, corporations, and local communities. In a broader sense, institutional logics refer to the ingrained assumptions forming the broader social context in which organisations operate. This context encompasses cultural norms, legal regulations, industry standards, and professional codes of conduct. Institutional logics dictate appropriate and legitimate behaviour within a specific social context. Social actors align their practices and structures with these prevailing norms and expectations to demonstrate their conformity and legitimacy to the broader society, including external stakeholders. Nevertheless, institutional logic may also have limitations and create inertia by restricting the ability of the organization to adopt innovative practices and implement changes. This institutional logic perspective provides a strong theoretical foundation for the macro-factors associated with the logic and how they shape the practices of micro-level institutional logic since it provides the opportunity for agency and change (Thornton and Ocasio, 2008). This concept of institutional logic emphasizes the agency of individual and organisational actors and their capability to shape the social world and its macrostructures (Vickers *et al.*, 2017).

Institutional logic examines on how organisational interest groups shape their responses to institutional pressures. It offers additional perspectives to understand heterogeneous organisational changes to external pressures (Rozenfeld and Scapens, 2021). Because there are differences in the institutional logic that lead to conflicts of interest between agents. Thornton, Ocasio and Lounsbury (2012) found that institutional logics set targets that guide actions, while (Glaser *et al.*, 2016) demonstrated how people adopt these logics as a network of ideas that influence their actions. Hence, understanding how actors act according to norms is closely tied to these logics, as they shape what individuals prefer and care about. These logics change based on different standards, values, rules, and practices in various institutions,

which means that actors in one institution will behave differently. Institutional logic is “a set of implicit rules of the game that regulate which issues, strategic contingencies, or problems become important in the political struggle among actors in organisations” (Thornton and Ocasio, 1999, p. 806). This means the actor’s behaviour is shaped by the relevant institutional orders surrounding them. Conrath-Hargreaves and Wüstemann (2019) discovered that organisational behaviour could impact the processing of institutional logic within an organisation, consequently influencing how these logics shape actual practices.

### **3.2.4 Institutional Logic of accounting reforms adoption and implementation in emerging economies**

Institutional logic is a sociological theory that involves the study of how cognition and behaviour of organisational/institutional actors are shaped through a broad belief system (Friedland and Alford, 1991). In the realm of the public sector, before the implementation of reforms, governance and accountability practices were predominantly guided by bureaucratic principles, as highlighted by (Mzenzi and Gaspar, 2022). However, the advent of New Public Management (NPM) introduced a shift towards market-orientaed principles, placing a greater emphasis on efficiency, effectiveness, competition, results, and performance, as noted by Joseph, Ocasio and McDonnell (2014) and Rozenfeld and Scapens (2021). Consequently, we propose that the infusion of market- oriented thinking (market logic) into PSEs brings new beliefs, ideologies, and organisational identities that contend with the traditional bureaucratic logic. This results in the coexistence of multiple institutional logics within PSEs, leading to diverse practices and disagreements over what practices are deemed suitable and fitting.

With the adaptation of accounting reforms under NPM, market logic emerged, emphasising efficiency, effectiveness, competition, results and performance (Joseph, Ocasio and McDonnell, 2014; Rozenfeld and Scapens, 2021). The market logic introduces new beliefs,

ideologies and identities to the public sector organisations. (du Gay and Hall, 1996). This market logic is solely concerned with improving the efficiency and effectiveness of the operations of public and private organisations. Accrual accounting, accounting standards and other business-like management practices create economic values through market integration and competition (Jayasinghe *et al.*, 2021). The market logic along with a business-oriented attitude plays a critical role in influencing the individual or organisational actors deliberate and conscious actions and decisions under their agentic capacity. In this regard, the researcher demonstrates particularly how the socio-economic and political contexts of Sri Lanka, as well as internal organisational factors, force actors to change their beliefs and identities and accommodate market logic in accounting reforms (Mzenzi and Gaspar, 2022). The actors' understanding of logic and organisational flexibility allow for changes in practice. The comprehension and response to the reforms by the institutional entrepreneurs and other key stakeholders is depended by their interests, degree of education, and professional and cultural background. Institutional logic provides the frameworks and references that guide actors' behaviours. Hence, this concept of institutional logic shows how institutional actors articulate the world, build their identities, and communicate with the external world (Thornton, 2002; Thornton, Ocasio and Lounsbury, 2012). This study facilitates the analysis of various logics undertaken by key players in implementing accounting reforms.

Accounting and budgeting in the public sector are intricately connected to the dynamics of politics and power (Aquino and Batley, 2022; Abras and Jayasinghe, 2023). Revenue raising, allocation, spending, and accounting are closely intertwined with political decision-making. Political logic, often influenced by parliamentary power (Aquino and Batley, 2022), plays a significant role in shaping reforms. Politically driven reforms must be perceived as legitimate (Aquino and Batley, 2022), as political actors typically support them. On the other hand,

reforms initiated by civil service role-holders may face avoidance or decoupling strategies. In Sri Lanka, for example, financial management reforms were designed by the Treasury's staff (MOF) in collaboration with the National Audit Office (NAO) and the Institute of Chartered Accountants of Sri Lanka (ICASL). Although the reforms followed a route that was separate from direct political involvement, they had to rely on informal political support (political will) to bring these reforms into practice because of the politicized administrative logic in Sri Lanka (Yapa and Ukwatte, 2015; De Silva Lokuwaduge and De Silva, 2020). Further, they highlighted that the administrative culture of a functional body is heavily shaped by the political bureaucracy prevailing in the country. Notably, there was no perceived need to mobilize the state audit courts to support the reform efforts. Similarly, in Brazil, public financial management reforms were implemented without the involvement of state audit courts, as it was believed that their assistance or oversight was unnecessary for the changes being made (Aquino and Batley, 2022).

Cash-based accounting in the public sector does follow the bureaucratic rules established under the constitution. The bureaucratic logic of public financial reporting has been blended with the political logic of parliament control. In the public sector, bureaucratic logic influenced accounting practices before adopting reforms (Jayasinghe *et al.*, 2021). With the introduction of NPM ideologies in the public sector, market logic emerged, which emphasises efficiency, effectiveness, competition, results and performance (Joseph, Ocasio and McDonnell, 2014; Rozenfeld and Scapens, 2021). Hence, implementing these reforms creates a conflict between state and market logic. However, Jayasinghe *et al.* (2021) emphasized that representatives of state logic have played a significant role in motivating and initiating accounting reforms in the Sub-Saharan African region. That transition towards accrual accounting and IPSAS adoption has related to the market and professional logic with the support of international donor organisations such as the World Bank and IMF. On the other

hand, in most developing countries, professional logic in public financial management could be stronger (Aquino and Batley, 2022). In the public sector accounting literature, more evidence is called for on the contribution of professional associations to the promotion of accounting innovation (Dissanayake and Dellaportas, 2024). Western or global professional accounting associations with the privilege of international donor agencies like the World Bank and IMF influenced professionalizing the public sector accounting of developing countries during the last few decades (Jayasinghe *et al.*, 2021; Adhikari *et al.*, 2021). When professional logic in the institutional field of accounting does not give sufficient attention to proposed accounting changes in the public sector and fails to coordinate with the relevant institutions, the implementation of accounting changes may be delayed due to a lack of capacity and interest (Rajib *et al.*, 2019). The institutional logic perspective responds to the usefulness of interacting with critical actors while emphasising their agency (Thornton, Ocasio and Lounsbury, 2012). Hence, this study is primarily driven by the efforts of a range of recent studies that have begun to investigate how proposed accounting changes in the public sector were shaped when influenced by various institutional logics.

### **3.2.5 Multiple and competing institutional logics in the reform implementation.**

Institutional theory underpins the ideas that Individuals and organizations operate in a world characterized by institutional complexity in which multiple logics operate and facilitate agents. As such, organizations and individuals must deal with numerous logics often, which might be contradictory sometimes. Since multiple logics are embedded in the organizations, various logics co-exist and sometimes compete. These contradictions can offer both chances and limitations, given that diverse beliefs are put into action by the actions of organizationally integrated individuals (Rozenfeld and Scapens, 2021). When competing institutional logics co-existed, individual actors might have to find a way on their own to

respond to these issues since they will be unable to resolve them (Johansen and Waldorff, 2017). According to (Pache and Santos, 2012), there are four types of individual responses to the two competing institutional logics: ignoring, accepting one and ignoring the other, compartmentalizing and combining. Personal and contextual factors can affect the actors' agency towards hybridizing multiple institutional logics. As society undergoes social, cultural, or technological changes, new logic may emerge that challenges or competes with existing logic. These shifts can lead to conflicts between traditional and emerging logic as old ways of doing things are challenged or rendered obsolete.

The extant literature has demonstrated that multiple institutional logics could arise due to the coexistence of different societal, cultural, and professional systems within a given context (Thornton, Ocasio and Lounsbury, 2012; Amans, Mazars-Chapelon and Villesèque-Dubus, 2015; Busco, Giovannoni and Riccaboni, 2017; Dai *et al.*, 2017; Aquino and Batley, 2022; Abras and Jayasinghe, 2023). A broader society often comprises various social groups, organizations, and institutions, each with values, beliefs, and norms. These diverse systems give rise to multiple institutional logics at the broader macro level, organizational field level, as well as within the organizations (Thornton, Ocasio and Lounsbury, 2012). Meanwhile, competing institutional logics can emerge as a response to international and national pressures such as IPSAS adoption, and some logics became dominant over others as professional logic emerged in the Islamic accounting standardisation project highlighted by Abras and Jayasinghe (2023). Various social groups or communities may possess unique histories, traditions, and cultural backgrounds, developing distinct institutional logic. Similarly, different professions or occupational groups often cultivate their institutional logics, exemplified by professional accounting organizations and supreme audit institutions, shaped by their specific knowledge, skills, and ethical codes. However, it is required to find the answers to how different individual logics and multiplicity of logics affect individuals,

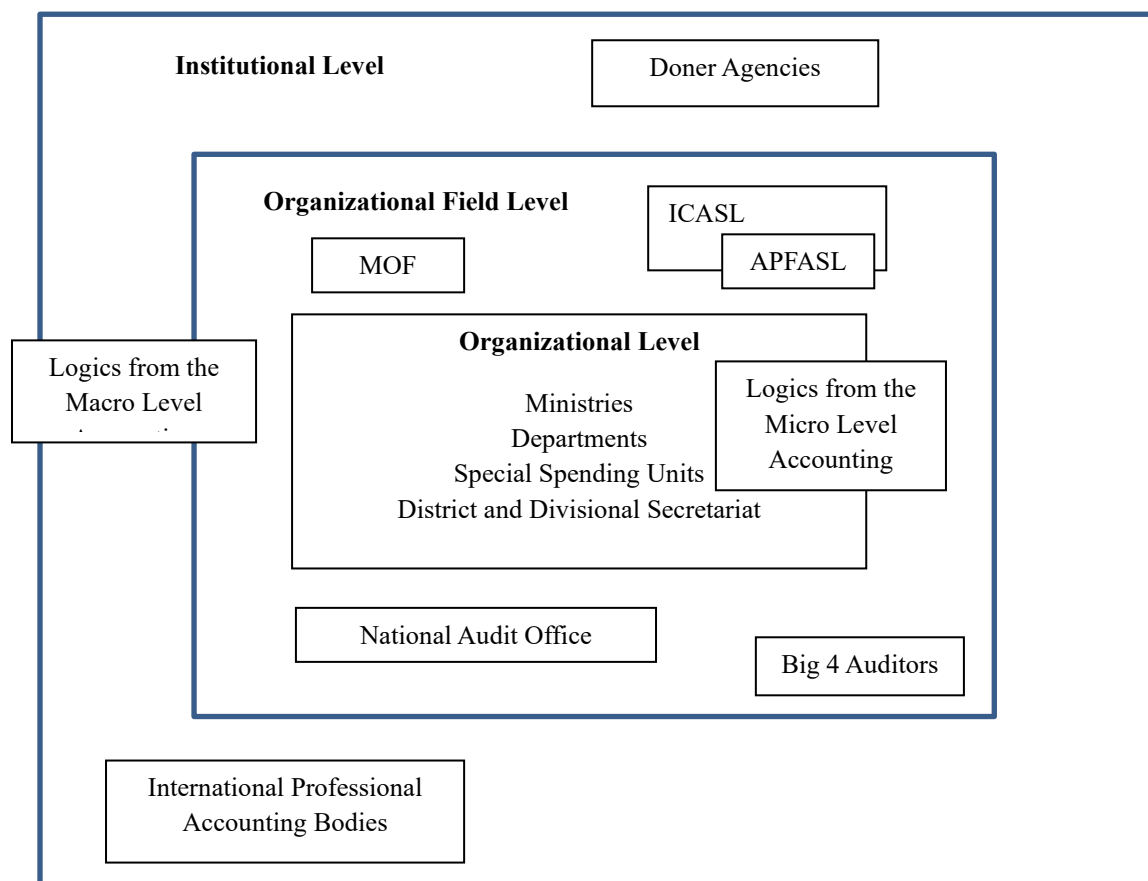
and organizations, as well as how logics are reflected in organizational practices (Amans, Mazars-Chapelon and Villesèque-Dubus, 2015; Dai *et al.*, 2017).

When existing institutional logics are being challenged by the emergence of new institutional logics alongside new social identities, there may be a possibility of creating conflicts between logics since actors may have to decide which Individuals must make choices about which institutional logic(s) to adhere to and which social identity(ies) to engage (Meyer *et al.*, 2014; Rozenfeld and Scapens, 2021). Organisational actors must play multiple games (more than one role), increases institutional complexity while bringing multiple identities (Kraatz and Emily S. Block, 2008; Skelcher and Smith, 2015; Rozenfeld and Scapens, 2021). Rozenfeld and Scapens (2021) discovered that institutional logic at multiple levels, containing the societal level as well as the organisational field level, has shaped the organisational logic within the context of Sub-Saharan African countries in implementing management control of mixed-type inter-organisational relationships. The coexistence of multiple institutional logics can result in tensions and conflicts inside organisations and across societal systems. Organisations may need to negotiate and reconcile these multiple logics to order to obtain legitimacy, manage stakeholder expectations, and adapt to changing environments (Thornton, Ocasio and Lounsbury, 2012).

Over time, cultural values and norms can shift, resulting in the formation of new logics and adjustments to old ones. Various factors, including technological advancements, demographic shifts, and shifts in public opinion can drive these changes. Logics can operate at different levels, including the institutional environment, organisational field, and within the organisation itself, as well as at the individual level (Thornton, Ocasio and Lounsbury, 2012). While the institutional logic perspective acknowledges the importance of being deeply rooted within different levels of an organisation and highlights the need to understand how both

entities and individuals operate within and are influenced by their broader societal context. There are few research studies that employ a multi-level institutional analysis approach. Thornton, Ocasio and Lounsbury (2012) and Zilber (2016) have identified this gap in the literature. In response to this critique, the present study explores how multiple institutional logic operates at the institutional level, organizational field level and as well as the organizational level (inducing individuals).

**Figure 3.1 Identified key actors**



Source: Author constructed

Most emerging economies, including Sri Lanka, require assistance in connecting accrual accounting with cash-based budgeting due to the interplay of bureaucratic and political logic as defined by the state constitution. Public finance management in Sri Lanka is a complex organisational field where diverse institutional norms, practices, and rules are applied. The



central logic in this context is professionalism, which seeks to create a social space that is independent and autonomous from both the state and the market. In Sri Lanka, Dissanayake and Dellaportas (2024) discovered that the ICASL's professional logic was crucial as knowledge elite in distributing SLPSAS within the establishment of APFASL. Accountants, auditors, and civil servants in Sri Lanka may only be considered relatively professional, as they are hierarchically linked to politics. The ICASL, which operating according to various institutional logics, interacts with the Ministry of Finance (MOF), which also follows its logics. These logics shape the identities and embedded agency of both organisational and individual actors involved in the implementation process (Thornton, Ocasio and Lounsbury, 2012; Meyer *et al.*, 2014; Rozenfeld and Scapens, 2021). There is limited research on how institutional logics affect the roles of institutionally embedded agents when they enact this logic (Saz-Carranza and Longo, 2012; Meyer *et al.*, 2014; Rozenfeld and Scapens, 2021). Therefore, this study aims to investigate how logics at the institutional level, organisational field level, and organisational level interact with the agency of actors in implementing accounting reforms. Hence, these logics appear to be acceptable for explaining the adoption and implementation of accounting reforms from institutionally embedded actors' perspectives in emerging economies, particularly in Sri Lanka. Further, an institutionally complex environment because of distinct cultures and traditions (accounting culture in the public sector/ strong accounting culture in Sri Lanka among South Asian countries) creates unique institutional logic in the Sri Lankan context (Rajib *et al.*, 2019).

The public sector accounting research reveals unfolds the fact that because of competing and multiple institutional logics, reform implementation gets delayed and has unintended consequences (Jayasinghe *et al.*, 2021; Adhikari *et al.*, 2021; Rajib *et al.*, 2019; Yapa and Ukwatta, 2015; Tobiaz *et al.*, 2020). Prior research has recognized a link between logic and practice but has mainly focused on macro-level analysis (Glaser *et al.*, 2016; Gümüşay, Claus

and Amis, 2020; Yin and Jamali, 2021). Hence, more studies are required to expand the influence of logic at the micro-level and macro levels. This paper examines the dynamics of multiple and competing institutional logics in the IPSAS implementation process in a developing context. It explores how different institutional actors, including government agencies, professional associations, civil society organisations, and international bodies, navigate and negotiate these logics. However, the inclusion of multiple institutional logics can cause tensions and challenges in IPSAS implementation (Jayasinghe et al., 2021; Aquino and Batley, 2022). Competing institutional logic may arise from variety of sources since historical practices and cultural norms may conflict with more globally oriented logic embedded with the IPSAS implementation in developing countries.

### **3.2.6 Role and agency (actor-hood) of institutionally embedded actors**

It has been subject to the ongoing debate on the necessity for a better understanding of actor and their agency in the capacity of institutional theory (Hwang and Colyvas, 2020). It seeks to determine how the intentional efforts of actors (decisions and actions) were influenced by the different institutional orders or structures to maintain or change the institutions. Agency emerges when individuals adopt and fulfil social roles following institutional rules and established patterns, as stated by Aquino and Batley (2022). The level of institutionalisation within an organisational field, the position of organization (central or peripheral), and the position of individual actors within the organisational structure (including actors who introduce new ideas) all contribute to forming an agency. This study focuses on the organisational field and specific and individual actors (micro perspective). It is more suitable to investigate the role and impact of broader categories of actors across the organisational field (macro studies). This explanation highlights the performance of institutionalised roles by actors. Actors are bound to play different roles within the organisation and organisational

field level (more into multiple roles based on various logics such as family, employment, and workplace or as societal members) (Patriotta, 2020). Those may be due to rules, practices or routines that lead to change or constrain institutional change. Human agency plays socially constructed roles as social actors for the maintenance of an institution or change of the institution (Carlos Busanelli de Aquino and Batley, 2021). The ability of actors to exert their agency is influenced by the resources, entitlements, and responsibilities associated with their roles, as well as their role-related interpretation of the implications of change (Abdelnour, Hasselbladh and Kallinikos, 2017).

Logics are enacted by the institutionally embedded actors under the agential capacity and make sense through their social identities (Rozenfeld and Scapens, 2021). Institutional logics dwell at multiple levels, including social identity and embedded agency (Thornton, Ocasio and Lounsbury, 2012). The behaviour or (role) of the institutionally embedded actors is shaped by the different institutional logics (as mentioned earlier) and social identities, which are underpinned by different logics. This perspective acknowledges that the actions of individuals ingrained within institutions are influenced by their social roles. It is supported by underlying principles operating across different tiers: societal, organisational environment, organisational itself, and individual levels. Rozenfeld and Scapens (2021) studied how individual-level logics are enacted by institutionally embedded agents, where their social identities and behaviours are shaped by society-level logics in Sub-Saharan African countries. Pache and Santos (2012) propose that organisations often choose to selectively align the fundamental principles of different logics instead of using tactics like decoupling or compromising to manage various institutional logics. Currie and Spyridonidis (2016) demonstrate that institutional actors play an active role in (re)interpreting multiple logics. These (re)interpretations are subject to the actors' social position and, in turn, have the potential to shape their social position. Although institutional logic influences how

organisations operate, the individuals within these organisations can also shape the degree and way certain logic becomes evident in their practices (Currie and Spyridonidis, 2016). This means that these actors could take purposeful actions (agency) that impact these dynamics, as noted by (Thornton, Ocasio and Lounsbury, 2012). Organisational and individual actors were attracted to their organisational environment, field-level logic, and broader societal-level logic (Rozenfeld and Scapens, 2021). Due to high-level state of bureaucratic system, actors in public sector organizations frequently confront difficulties in modifying the institutional arrangements in which they are embedded (Jayasinghe *et al.*, 2021). To express their agency, they sometimes take actions that are away from as imposed by the logic of their organisations and their field. However, it does acknowledge that they could use their agency by taking actions that may differ from what their organisation expects or what is normal or typical in their profession.

"Embedded agency" refers to the concept of individuals and organisations simultaneously being shaped by and influencing the institutional structures and norms in which they operate (Garud, Hardy and Maguire, 2007). It recognises that actors have some degree of autonomy and capacity to act within the constraints and opportunities provided by their institutional context. In other words, the embedded agency highlights the interplay between the actions and choices of individuals or organisations and the broader institutional culture in which they are embedded (Mettang, 2022). It acknowledges that the institutional context influences actors and can shape and transform it to some extent. In these examples, actors exhibit agency by recognising and seizing opportunities, making choices, and acting within their institutional context (Mettang, 2022; Battilana and D'Aunno, 2009) which means they are influenced by the rules, norms, and social structures embedded in that context. The embedded agency emphasises that an actors' agency is concurrently shaped by the surrounding culture and their thoughts and actions. However, in adopting and implementing IPSAS, the exercise

of free agency by actors involved in the process is often limited, leading to a predominance of embedded agency. However, it is essential to note that when individuals exercise their agency, it is crucial to consider not only their characteristics but also the structural attributes that influence their choices (Aquino and Batley, 2022). This means their behaviour can be shaped by social roles tied to specific parts of more significant societal norms, like family ties and political associations, professional associations, technology, and organisational standards.

### **3.2.7 Agency and power dynamics of institutionally embedded actors**

There is an inherent relationship between agency and power in the institutional setting. Kok, Loeber and Grin (2021) assert that agency is intrinsically linked to power's role in reproducing social structures. According to Arts and Tatenhove (2004), the literature commonly identifies three distinct forms of power: dispositional, relational, and structural. Arts and Tatenhove (2004) describe dispositional power as encompassing the power resources possessed by individuals, including attributes such as knowledge, wealth, charisma, and expertise. Relational power, as outlined by Yukl and Falbe (1991), is a form of power that emerges from personal connections and interactions with others. It is closely examined in conjunction with an individual's position and personal power. The third is structural power, defined by Arts and Tatenhove (2004, p. 351) as "orders of signification, legitimisation, and domination, which are materialised in discourses as well as in political, legal and economic institutions of societies". Kok, Loeber, and Grin's (2021) perspective, power is believed to be closely connected to the relationships between various components, influencing both the structure and the extent of their agency. Significantly, these structures can both constrain and limit the agency of actors. In the public sector, institutionally embedded actors, such as government officials including civil servants, and supreme audit institutions, can advocate for adopting and effectively implementing accounting reforms, including accrual accounting and

IPSAS. Institutional actors who advocate for IPSAS serve as change agent, leveraging their authoritative power (structural power) or, in some circumstances, their knowledge (dispositional power) to push for reforms in public sector accounting practices. MOF and NAO exercise their authoritative power to the implementation of accounting reforms subject to the constitutional provisions of the state logic. On the other hand, ICASL being a member of SLPSASB and through these capacity-building initiatives, act as agents of knowledge transfer and skill development, empowering individuals and organisations to navigate the complexities of IPSAS implementation. By monitoring and providing oversight, they act as agents of accountability, ensuring that public sector entities adhere to the standards and fulfil their reporting obligations. Hence, we assume that institutionally embedded actors act as agents of holistic change by exercising their power at the institutional field level as well as the organisational level, recognising the interconnectedness of various institutional dimensions in achieving effective IPSAS implementation.

Actors' power and role influence the development and maintenance of institutions and their influence on field-level compliance (Masum and Parker, 2020). Conceiving power is defined, as “the capacity of agents to mobilise the resources, can influence, control and shape the outcomes” (Avelino and Rotmans, 2011, p. 801). In these examples, actors are embedded within institutional structures that provide stability, legitimacy, and guidance. However, they also encounter challenges when exercising agency and enacting change within those structures. The paradox arises from the tension between conforming to existing norms and rules while simultaneously seeking to challenge or reshape them (Battilana and D'Aunno, 2009). Successfully managing the paradox of embedded agency requires navigating these tensions, finding creative solutions, and strategically leveraging opportunities for change (Battilana and D'Aunno, 2009). Institutional logic is not neutral but reflects power relations within society (Thornton, Ocasio and Lounsbury, 2012). Dominant individual/groups or

organisations may promote and enforce their preferred logic, while marginalised or subordinated groups may advocate for alternative logic. These power dynamics can lead to conflicts between logics associated with different social, economic, or political positions in reform implementation, particularly in developing countries, often accompanied by power dynamics that influence the process and outcomes (Thornton *et al.*, 2012). In implementing accounting reforms, power dynamics may arise among social actors who intend to fulfil their agendas.

### **3.2.8 Professional power dynamic**

Much research has been conducted on the nature of power from different agential and structural perspectives in institutional studies. It covers the sources of power, which include positional power (role of the individual or organisation) and personal power (knowledge and expertise) (Northouse, 2021; Carr and Beck, 2022). In implementing accounting reforms, power is mainly recognised through the positions of individuals and organizations. In Sri Lanka, government accountants and auditors are the professionals who are mainly responsible for the public financial management of the country. During this reform implementation, one group of professionals (e.g. government accountants' vs auditors) extends their influence by utilising the arguments and reference points of the other. In the discussion of institutional theory, it is highlighted that powerful actors will shape their logics within the institution (DiMaggio and Powell, 1983; Reay and Hinings, 2009). Actors serve as knowledgeable agents who better understand the conditions and consequences of their actions and can rationalise their actions and practices when necessary. Power mediates the dynamic interaction among actors and the above power sources assist in identifying actors' agency and agentic power, which refers to their ability to act independently of the constraints imposed by social structures (Kapilashrami, 2023). Hardy (1996) emphasised that to comprehensively understand how strategic change is achieved in a particular institution, it is crucial to

differentiate between ‘source of power’ and ‘actions of power’. According to the study, the power source is explained as the formal provisions regarding the authority of critical actors. Hence, as an extension of the study’s objective, this study explores how embedded actors exercise their power/power dynamics to gain legitimacy in this IPSAS implementation process in Sri Lanka.

Implementing IPSAS involves professionals such as high-ranking government servants including accountants and auditors, professional associations and regulatory bodies. The interaction and power dynamics among these individuals and organisations can arise within the professional community as they seek to establish their expertise (own logic) and influence in shaping IPSAS implementation. Professional bodies or associations may play a role in setting standards, monitoring the IPSAS implementation, ensuring compliance, setting regulations, and providing training. Power struggles among professionals can affect individual actors' implementation process and agency and the extent to which IPSAS is effectively applied and followed. The authoritarian and knowledge power possessed by the ICASL in the accounting profession in Sri Lanka primarily shape the setting of public sector accounting standards. In addition, the authoritarian power of NAO and the recently passed Audit Act empower them in this implementation process. Additionally, substantial position power and leadership hold the MOF to implement the process and make critical decisions aligned with national and international policies and priorities. The professional bureaucrat model established during the colonial era perpetuated professional monopolises and power dynamics among various professions in Sri Lanka. Under this model, the ICASL became a dominant force in the accounting profession in Sri Lanka (Dissanayake and Dellaportas, 2024). This dominance was reinforced by the historical associations, institutional structures, and regulatory frameworks that favoured the ICASL, further solidifying its position as the primary accounting body.



### **3.2.9 The proposed conceptual model of the study.**

The objective of this study as discussed in the previous sections is to explore the challenges and issues in executing accounting reforms (accrual-based IPSAS) at the central government of Sri Lanka, including the role of different institutionally embedded actors and their power dynamics in implementing accounting reforms. The public sector accounting literature highlighted that implementing IPSAS has resulted in delays and unintended consequences in most developing countries. Therefore, it is critical to understand how the role and agency of these actors were influenced by the logic at the different levels, organisational field level, organisational levels, and individual levels, from the perspective of the developing countries. In addition, these actors have been involved with these reforms in different capacities, possessing agency and power subject to their authority and knowledge. As a result, in order to understand how the power dynamics of these critical actors caused the implementation of SLPSAS, this study focused on the Ministry of Finance's (SAD) cash-based SLPSAS standardisation project. Figure 3.2, conceptual model of the study elucidates the subsequent section.

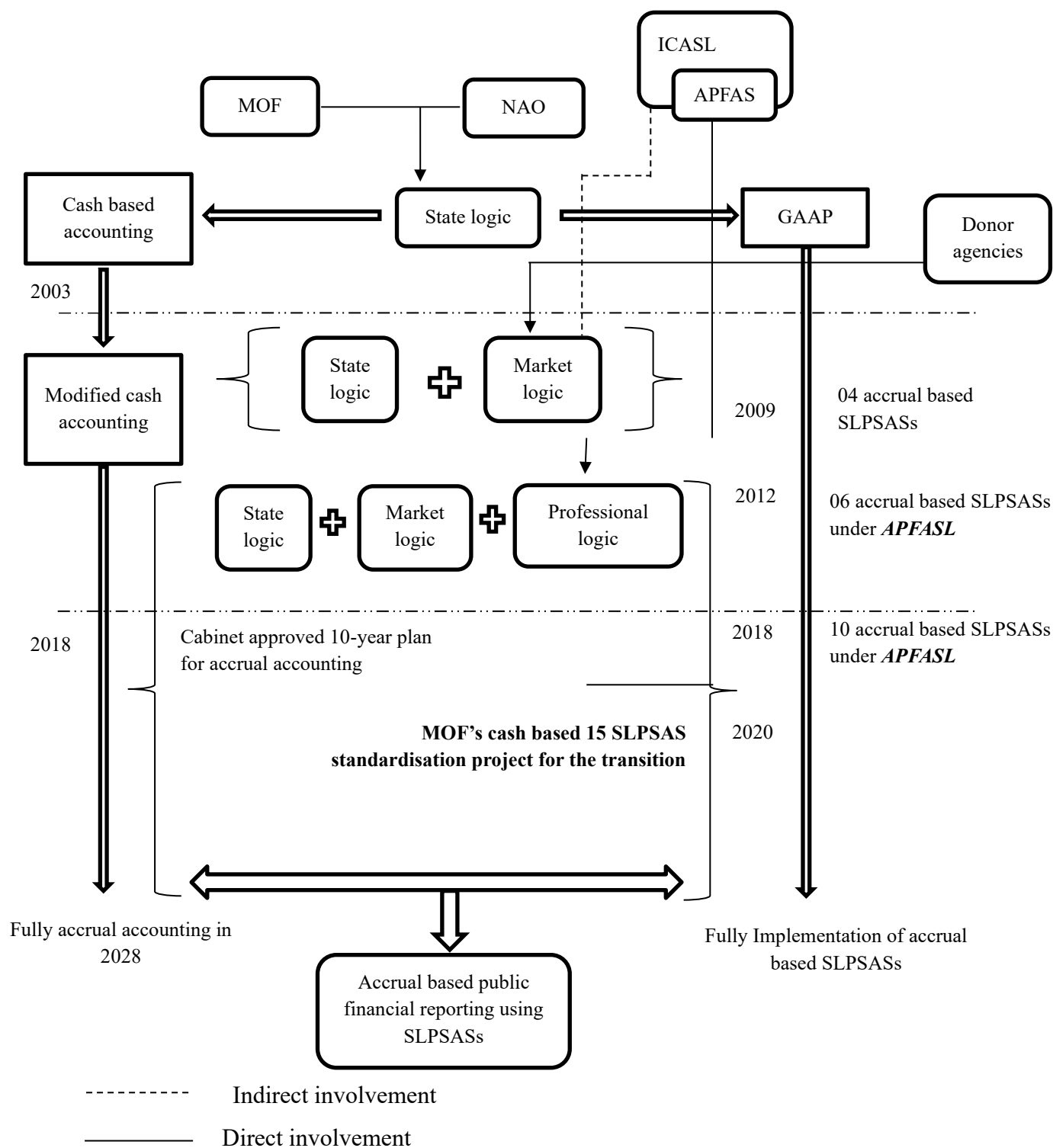
Before introducing the accounting reforms, the state (basically SAD) was entirely influenced by the jurisdiction's public financial management. Financial statements were prepared on a cash basis using generally accepted accounting principles (GAAP). However, with the emergence of NPFM ideologies, these private-sector management practices were incorporated into public financial management. Subsequently, the market logic played a role in initiating the accounting changes in the public sector. As a result, a modified cash accounting system was introduced to the public sector organisations for financial reporting. Meanwhile, in 2009, the development of SLPSAS began with introducing four accrual-based standards for public organisations. These four standards were developed by the public sector accounting standards committee of ICASL with contributions from NAO and MOF

committee members. The Auditor General chaired the committee at that time. In 2012, APFASL (the public sector wing of ICASL) was established to professionalise public sector accounting and auditing in Sri Lanka. This APFASL guided the public sector accounting profession and directly participated in implementing accounting reforms. Under the new leadership of APFASL, an additional six SLPSAS were developed under the guidance of the APFASL president. A few years later, in 2018, the cabinet ministries introduced and approved a ten-year plan for accrual accounting following a cabinet proposal. According to the plan, all government organisations would transition to accrual accounting by 2028. In the same year, APFASL published another ten accrual-based SLPSASs.

To address these delays, the government introduced cash-based accounting standards for the public organisation for the transition period from modified cash to modified accrual. In 2020, MOF initiated this project with the involvement of one of the Big4 accounting firms. Subsequently, these cash-based 15 standards were presented for approval by the Auditor General to be implemented during the transition period. However, the Auditor General halted this standardisation project, arguing that SLPSAS standards were already in place and that there was no need for additional standards specifically for the transition period. This has created a power dynamic between these critical actors when they exercise their agency to implement proposed accounting reforms. This power dynamic arises from these key actors' divergent perspectives and roles, each with their own interests and objectives. It highlights the complexities and negotiations in implementing accrual-based IPSAS, where stakeholders exercise their agency and vie for influence in shaping the outcome. The following research question was drawn based on the literature and theoretical lens.

When implementing accrual-based IPSAS in Sri Lanka, how do institutionally embedded actors' roles and agencies affect and are shaped by various logics? Furthermore, how can power dynamics among social players increase the delays and tensions that occur?

Figure 3.2 Conceptual Model



Source: author constructed

### **3.3 Research Methodology**

Interpretive approach (Bryman, 2003) Using the case study method provides a thorough grasp of the various stages of creating, shaping, and implementing innovations (Yin, 2013). The proposed study used the theory of deductive analytical logic and qualitative methodology for data collection and analysis. As a research method, case study method was performed. Within social science, many scholarly definitions of the term research methodology can be found. Even though two terms, ‘research methodology’ and ‘research method’, have been used interchangeably, these terms have two meanings because methodology determines the appropriate research method (Slevitch, 2011). The methodology encompassed the systematic and theoretical underpinning for the best method or set of methods that can be used to study the research phenomena. The following sections present the philosophical approach, research design, data collection, and analysis techniques of the study.

#### **3.3.1 The philosophical foundation of the proposed study**

In general, systems of belief and associated assumptions for knowledge development are concerned with the philosophical approach of the research. At any research phase, the researcher will make different assumptions to maintain the viability and reliability of the study (Burrell and Morgan, 1979). Those assumptions mainly comprise the nature of reality encountered in the research (ontology) and the extent of human knowledge (epistemology) (Myers, 2019). Crotty (1998) highlighted that those assumptions will sharpen your understanding of research phenomena, validate the relevance of methodological choice, and support the interpretation of study findings. Guba and Yvonna Lincoln (1994, p. 107) define a paradigm as: "a set of basic beliefs that deals with ultimate or first principles which represent a worldview that defines, for its holder, the nature of the world, the individual's place in it and the range of possible relationships to that world and its parts". Hence, it was crucial to be

aware of the appropriate research paradigm of this study since it significantly impacted data collection and analysis. Translating the paradigm into coherent research practice is very challenging due to constraints in the implementation. Articulating the ontological position of this study was the first step in framing the research design. Ontology concerns the “very essence of the phenomena under investigation” (Burrell and Morgan, 1979, p.1). Under social science ontology, the researcher has followed the constructivism, assuming knowledge is socially constructed and is not independent of people or phenomena (Leeds-Hurwitz, 2009). It believes that social reality is distinct and external, merely built into the minds of individuals (mapping research method). This study was highly concerned with the unique features of individuals (actors) and the social context in which data will be generated (Jennifer Mason, 2017). Within this study, the researcher assumed that the knowledge of accounting reforms, especially IPSAS, is subjective due to the differences in individuals' behaviours, attitudes, understandings, and experiences. Each actor experiences the same phenomena from different perspectives due to the varying capacities of actors.

Epistemology assumes that knowledge of the social world is constructed by a social actor and communicated to other social actors (Burrell and Morgan, 1979). Positivism and interpretivism are the two main research paradigms or epistemological approaches in the research literature (Jill and Hussey, 2014). The epistemological approach refers to how reality can be known or the relationship between the knower and what is known. It provides the assumptions and guidance for learning and discovering knowledge. Since social reality is mind-dependent and always connects with people's interests, perceptions, and purposes (Putnam, 1981, as cited by Slevitch, 2011, p. 77), conflicting realities could exist simultaneously. The hermeneutic tradition argues that the researcher is essential to the research process. Since the researcher came from the same country, Sri Lanka that will impact the study findings. The interpretive approach focuses on giving an interpretive

understanding of studied phenomena for theory development as opposed to testing theories (Saunders, Lewis and Thornhill, 2009). An interpretivist assumes that knowledge and meanings are interpretations of the social actor and that there is no objective knowledge outside the social actor's thinking and sense of reasoning (Reeves and Hedberg, 2003). In this study, it was assumed that an interpretivist epistemological position was always combined with constructivist ontology.

### **3.3.2 Qualitative methodology**

Since not having an optimal model or methodology for research (Saunders, Lewis and Thornhill, 2009), the researcher should be confident enough to justify that the chosen research methodology and strategy is ideal. In this study, the philosophical assumptions reflected the underpinning of qualitative methods. In general, interpretivism is associated with the qualitative methodology with a range of methods, including case studies, grounded theory, ethnography, phenomenology, focus group (Trumbull and Watson, 2010). Hoepfl (1997, p. 48) it broadly defines qualitative research as "any research that produces findings not arrived at employing statistical procedures or other means of quantification". Qualitative inquiry accepts the complex and dynamic quality of the research context of public sector entities in Sri Lanka. Parker (2014) mentioned that qualitative methodologies have been increasingly used in accounting and management research in recent decades and published in top-ranked journals. The qualitative approach collects flexible and sensitive data in the social context (Creswell, 2014). The qualitative approach is essential in this research because the study aims to understand how different logics within institutional environments have shaped the behaviour of actors during the implementation of accounting reforms. Also, in qualitative studies, the sample is assessed based on the capability to provide significant information on study phenomena apart from larger representativeness. Since this study focused on understanding the logic behind delays and unintended consequences in the context of

developing countries, such a context supported the use of qualitative methodology. Furthermore, when little is known about a phenomenon, the ideal strategy is to employ qualitative methodology to uncover its underlying aspects. By applying the qualitative method, the researcher explored the implementation of accounting reforms in emerging economies. Thus, the qualitative approach is more suitable for these studies.

### **3.3.3 Research strategy (Case study)**

In this research, an inductive case study approach was adopted to understand better the nature of the problem. In the past two decades, many empirical studies on public sector accounting have been conducted as case studies (Parker, 2014). The researcher received a broader understanding of the role of different actors, the implementation process, practical issues, and challenges with the case study method. The richness of data and flexibility were the main advantages of this data collection method. In this case study, key actors who were involved in this transformation were interviewed (Creswell and Poth, 2017). Theory-orientated case-study research provides more empirical evidence to support or challenge existing theories or even the ability to propose new ones (Kaplan, 1998; Cooper and Morgan, 2008). Incorporating case studies into accounting research facilitates a deeper understanding of various phenomena, practices, and challenges. In this case, it enhanced the potential to explore and uncover unique insights that contribute to advancing accounting knowledge (Cooper and Morgan, 2008). However, a careful case study research design and adequate description for methodological justification are essential to achieving the study objectives (Patnaik and Pandey, 2019).

In qualitative methodology, the sample size is unrelated due to its philosophical position (Slevitch, 2011). Sekaran and Bougie (2010, p.262) defined population as "an entire group of people, events, or things of interest that researcher wished to investigate". This population of



study included public sector entities at the central governments excluding public enterprises, public corporations and public universities. Further, Sekaran and Bougie (2010, p.263) defined the sample as a "subset of a population. It comprises some members selected from the population". It was found that convenience sampling is a generally accepted sampling technique in qualitative research (Coyne, 1997). Convenient sampling facilitated the researcher to collect more relevant and comprehensive information on people and phenomena. Therefore, the researcher believed that the interpretive paradigm, the small and purposeful sampling method, is ideal which was used in this study.

### **3.3.4 A case study in Sri Lanka**

In Sri Lanka, the public sector comprises the central, provincial, and local governments. However, the study excludes public corporations, provincial governments, and local governments and mainly focuses on central government-level institutions. Public corporations and revenue-earning institutions were excluded due to the applicability of different financial reporting requirements. Sri Lanka, Accounting and Auditing Standards Act No.15 of 1995, requires preparing their financial statements accounting to SLFRSs for these institutions. Central government entities, including ministries and departments that follow financial regulations (FR) enacted by the Sri Lanka parliament, will be selected. Except for revenue-earning statutory bodies and public enterprises, all other entities must report by the Financial Regulations (1992) issued by the Public Finance Department of the Ministry of Finance. Ministries, departments, district secretariats and special spending units must prepare their annual financial statements under the guidance of the annual circular of State Accounts Department on government financial statements. The above entities must prepare cash-based budgets, financial statements, and reports following the Financial Regulations (1992) and the procurement guidelines issued by the Public Finance Department of the Treasury. The Public

Financial Management Act, No. 44 of 2024, was passed in 2024, revolutionizing public financial reporting in Sri Lanka. The Act is designed to significantly improve the transparency, accountability, and efficiency of managing public finances in Sri Lanka. Part XI of the Act (section 47) states that financial statements must "be prepared in compliance with the standards to be developed based on the International Public Sector Accounting Standards.

### **3.3.5 Data collection and analysis**

The empirical data of the study was collected using a triangulation approach to validate the findings. One of the advantages of the case study approach is that it involves gathering data from various sources, such as observations, interviews, audiovisual material, documents, and reports, to attain a comprehensive understanding (Patnaik and Pandey, 2019). Further, they highlighted that this triangulation approach increases the quality and richness of the study findings. Face-to-face interviews and documentation reviews were the primary data collection methods. In this study, semi-structured interviews targeted the key national and international individual and organisational actors actively involved in accounting transformation in the public sector in Sri Lanka. Twenty-eight (28) individual and organisational actors were identified through purposive sampling techniques in implementing accrual-based SLPSAS and understanding the adoption, implementation issues and challenges with these accounting reforms. Twenty-eight face-to-face and two follow-up WhatsApp interviews were conducted to clarify some unclear points. The researcher believed the semi-structured method was the ideal for mitigating the disadvantages of structured and unstructured interview techniques because of its flexibility (Berg, 1998). With this method, the researcher was able to collect more detailed and comprehensive answers from interviewees regarding accounting reforms. In semi-structured interviews, the researcher drafted the questions under the main themes and topics an interviewee will ask. As an

interviewer, I customised the questions and order based on personal and situational circumstances (Saunders, Lewis and Thornhill, 2012). Apart from semi-structured interviews, published documents by the national and international organisations were reviewed for a better understanding of the accounting reforms. As highlighted by Patnaik and Pandey (2020), documents and artefacts are important in qualitative research as valuable data sources. A comprehensive review of various documents enhances understanding and complements the data gathered through interviews. These documents include periodic and annual reports, special reports, progress reports, and action plans from government organisations, international and national professional accounting bodies, and donor agencies such as the World Bank, IMF, and ADB. This review serves the dual purpose of providing a deeper comprehension of the subject matter and supporting the data obtained through interviews. The following table shows the details of the interviewees.

**Table 3.1 Details of interviewees**

<b>Interviewee</b>	<b>Institution</b>	<b>Current position (years)</b>	<b>Public sector (years)</b>	<b>Interview time – minutes</b>
1	SAD - MOF	2	30	
2	SAD - MOF	4	14	23
3	SAD - MOF	1	31	14
4	MOF – Additional Director General	2	28	35
5	MOF – Additional Director General			
6	MOF – Director	9	14	30
7	MOF – Additional Director	5	28	68

8	ICASL	12	35	47
9	ICASL	5	5	40
10	ICASL	10	10	50
11	NAO - Deputy Auditor General	4	36	61
12	NAO - Deputy Auditor General			
13	NAO - Senior Assistant Auditor General	2	12	55
14	Government accountant – particular grade	5	31	51
15	Government accountant – Grade I	5	17	41
16	Government accountant – Grade I	2	31	30
17	Government accountant – Grade I	3	17	30
18	Government accountant – Grade I	4	13	48
19	Government accountant – Grade I	1	22	68
20	Government accountant – Grade I	1	14	71
21	Government accountant – Grade I	2	14	36
22	Government accountant – Grade I	2	14	46
23	Government accountant – Grade I	4	14	45
24	Government accountant – Grade I	4	21	37
25	Government accountant – Grade I	3	24	26
26	Government accountant – Grade I	8	20	40
27	Government accountant – Grade I	1	17	21
28	Government accountant – Grade II	2	6	29

---

Data analysis for a qualitative study might be challenging, because it requires utilising several sources and collecting significant amounts of data. However, the data analysis of this study was guided by the institutional logic perspective, which shape the analysis based on the ideologies inherent to the institutional logic perspective (Patnaik and Pandey, 2019). All the interviews were tape-recorded since all the participants consented to it. The data analysis involves several stages which explained in detail in the following section.

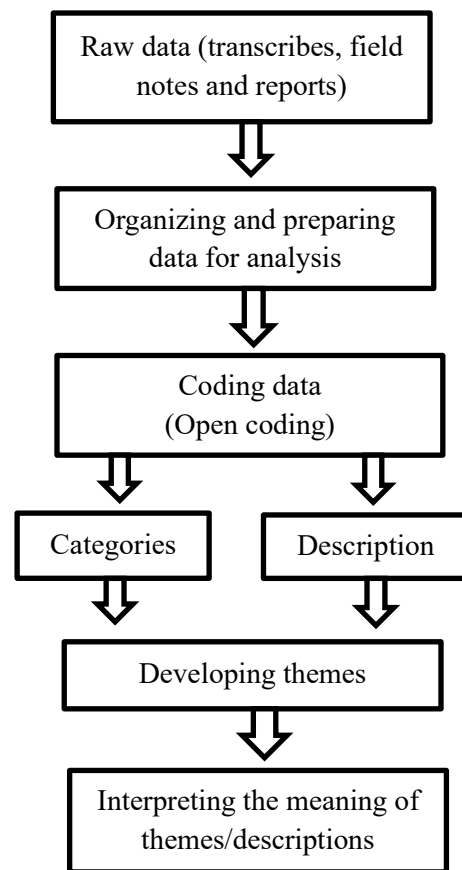
Data analysis of this study was performed using NVivo 13, leveraging the current literature on institutional logic to generate new insights and thoughts with the empirical findings. The data analysis is considered the interpretive approach (Yin, 2013). Semi-structured interviews and official documents were analysed, allowing insight into the institutional embedding of different actors (individuals and organisations) in implementing accrual-based international public sector accounting standards in Sri Lanka at the central government level. Out of a total of twenty-eight interviews, twenty-five interviews were conducted in Sinhalese<sup>8</sup> language. Interview transcriptions were read thoroughly and categorised based on the different actors involved in the implementation. Then, the various logics are embedded at the institutional level, organisational field level, and finally organizational level, guided by Thornton et al. (2012). This study identified the logic (competing or multiple) considering the role of the actor(s), the perception and intention of the actor, and their interconnection in this implementation process. The analysis began with open coding, wherein the interview guide questions were utilised to develop the initial coding structure within NVivo. Various factors, such as institutional pressures, regulatory structures, and the perspectives of different stakeholders, were identified by carefully examining the collected data. Subsequently, axial coding was employed to assign codes to categories, guided by the theoretical lens of the study, which was the institutional logic perspective. Finally, the interconnection of these

---

<sup>8</sup> Sinhalese is the one of the official languages in Sri Lanka.

categories was used to construct an explanatory narrative, which was recognised as the selective coding phase (Creswell, 2014). The data analysis steps revealed the impact of new and old logics, which appeared to various institutional levels, and explain the unexpected repercussions and implementations delays for the accounting reform (resistance to change).

The findings provide evidence of how different institutional logics at the various institutional levels can be steeped in diverse outcomes in implementing accounting change in emerging economies. This implementation of accounting reform entails different societal norms, values, and ideas reinforcing and giving meaning and identities and finally legitimising. Implementing new accounting practices represents a new societal logic that prescribes replacing existing systems, practices and norms with new processes. The institutional logic behind implementing new accounting practices entails several values and evaluation criteria shared at the societal level. Such values in the latest accounting tradition mainly originated from different institutional logics. When implementing accounting reforms, the coexistence of multiple logics with distinct prescriptions creates conflicting demands on actors (Schildt, 2022). In this study, institutional logic has enabled an understanding of the implementation of accounting reforms, the reasons for their delays, and the unintended consequences they create. For example, the logic of bureaucracy, markets, politics, and professions shed light on the beliefs and practices shaping accounting change with accrual accounting and IPSAS.

**Figure 3.3 Data analysis process**

### 3.4 Data Analysis

#### 3.4.1 Overview of public sector accounting reforms in Sri Lanka

Sri Lanka, a developing country in the Region of South Asia, has actively explored diverse approaches to public financial reforms in the past few decades. The British colonised the country until it gained independence in 1948. Before the independence, the accounting tradition of the county was mainly influenced by the colonial administration, primarily the British. In 1946, two years before the independence, the Government Accounting Service was started in Sri Lanka. Following the invasion, the country continued the British cash-based accounting procedure in the public sector. After 1977, with the liberation of economic policies, the country was opened and underwent significant economic and political changes. Starting in 1990, the country experienced/explored a substantial series of public sector accounting reforms. By 2019, total formal employment in the public sector was about 1.2

million (excluding armed forces) based on the IMF e-library statistics (Nov 2022), with a high per capita public employment ratio in the region. Sri Lanka's public sector is characterised by its extensive scope and diversity, encompassing three distinct tiers of government: the central government, provincial government, and local government. The country is divided into nine Provincial Governments, further segmented into 25 Districts. At the local level, there are 341 entities comprising 24 municipal councils, 41 urban councils, and 276 rural pradeshiya sabha. This multi-tiered structure ensures decentralised governance and facilitates effective nationwide administration and service delivery. Institutions in these administrations must report in accordance with the Financial Regulations 1992 issued by the Public Finance Department, Ministry of Finance, Sri Lanka.

Historical records indicate the presence of an Auditor-General named Cecil Smith dating back to 1799, a mere three years following the British occupation of the maritime provinces of Sri Lanka in 1796. That period was considered the start of the modern auditing period of Sri Lanka. The position was named 'Accountant and Auditor General'. Based on the designation mentioned, it appears that he held dual roles as an accountant, presumably at the Treasury, and also as the auditor general. In 1906, a significant change was made to the designation, explicitly removing the accounting function from the role of the auditor general. The state's accounting functions performed by the 'Accountant and Auditor General' shifted to the Treasury of Ceylon, beginning in 1907. The constitutional mandate grants the Auditor General the authority to ensure accountability, transparency, and fiscal responsibility in the functioning of these entities. Article 154(6) of the Constitution requires the auditor general to report the audit findings to Parliament. The Institute of Chartered Accountants of Sri Lanka (ICASL) was established as the national professional accounting body by enacting the Institute of Chartered Accountants Act (No. 23) in 1959. This act granted the ICASL the authority to regulate and oversee various matters related to the accounting profession. The



ICASL's council was empowered to pass regulations by the act's provisions. In 1995, the Sri Lanka Accounting and Auditing Standards Act (No. 15) further augmented the ICASL's role and responsibilities. This act specifically authorised the ICASL to issue the Sri Lanka Accounting Standards (LKAS/SLFRS) and established the Accounting Standards Committee under the umbrella of the ICASL. Under these legislative frameworks, the ICASL assumes a crucial role in setting and enforcing accounting standards including in the public sector. Ministries, departments, district secretariats and special spending units must prepare annual appropriation accounts under the guidance of the State Account Department (SAD) under the Ministry of Finance, annual circular on appropriation accounts.

Traditionally, cash accounting was the most popular and accepted practice in the public sector of emerging economies. Under the state bureaucratic structure, Sri Lanka followed the cash-based accounting system introduced under the British colonisation. The Sri Lankan government is still following the British model for the country's public financial management. No major accounting reforms were introduced to the country until early 1990 under NPM. Since the early 1990s, several international organisations, such as the World Bank, IMF and ABD, have promoted the incorporation of accrual accounting (Dissanayake, Dellaportas and Yapa, 2021). The introduction of accrual accounting under the NPFM was a vital reform agenda in Sri Lanka. Since 2002, the government of Sri Lanka has voluntarily adopted International Public Sector Accounting Standards (IPSAS) under a cash-based system to prepare its annual accounts. Although not a legal requirement, this shift demonstrates the government's commitment to enhancing financial reporting practices. Furthermore, the Department of the Auditor General (DSA) has been actively pursuing a transition to full accrual accounting and reporting following accrual-based SLPSAS. The DSA initiated this process in 2004 and subsequently made additional disclosures in 2005, showcasing its progressive steps towards achieving comprehensive accrual-based accounting

and reporting standards. In 2014, the central government mandated the adoption of accrual-based accounting standards, which became applicable to all public sector entities across the three tiers of government, excluding public enterprises (Dissanayake, Dellaportas and Yapa, 2021). The first computerised integrated government accounting system (CIGAS) was introduced in 1995 with the financial assistance of ABD (ADB, 2015) as a significant revolution of public financial reforms. In 2015, notable enhancements have been made to the CIGAS, explicitly focusing on including asset data in financial statements. The findings of this study indicate that multiple international actors had a significant influence on facilitating the adoption of accrual accounting and IPSAS in the public sector of Sri Lanka.

During the last few decades, the ICASL has undertaken various initiatives, demonstrating its proactive approach towards public financial management in Sri Lanka (Dissanayake and Dellaportas, 2024). One notable initiative included forming the Public Sector Accounting Standards Committee, composed of members selected from the Ministry of Finance and the National Audit Office in 2009. This collaborative effort signifies the ICASL's commitment to strengthening public sector accounting standards by involving key stakeholders from relevant governmental bodies. The committee first developed four accrual-based Sri Lanka public sector accounting standards (SLPSAS), the domestic version of IPSAS, in 2009. In 2012, they added another six accounting standards. These two volumes of standards were declared applicable to the same organisations from the 1<sup>st</sup> of January 2014 under Public Enterprises Department Circular No. 03/2013. In 2018, the public sector accounting standards committee developed another ten standards with the financial assistance of the World Bank. The Asian Development Bank (ADB, 2018) has provided the consulting support. In addition to preparing cash-based appropriation accounts, SAD has instructed all ministries and departments to pilot the preparation of accrual-based annual accounts starting in 2013. This directive was outlined in the SA/AS/AA Circular of 24 January 2013 titled "Preparation of

Annual Accounts for 2013 under Accrual Basis." Furthermore, under Circular GFS/02 of 24 June 2013, ministries and departments were instructed to prepare financial statements, including balance sheets (statements of financial position), from 2014 onward. These measures highlight the SAD's commitment to gradually transitioning to accrual-based accounting practices and promoting comprehensive financial reporting with the influence of international organisations. Incorporating these private sector accounting practices into the public sector reflected the impact of market logic, aiming to create a more efficient, effective, and transparent public sector in developing countries. In parallel, the SAD submitted a budget proposal (254 of 2018) to the Parliament, seeking approval for the implementation of a ten-year plan for accrual accounting. Subsequently, the cabinet granted its approval of this proposed ten-year plan. However, the government's annual audit report consistently emphasised the MOF's lack of action and delays in implementing the ten-year plan for accrual accounting. This was evident through audit queries and the continued utilisation of a "modified cash accounting" approach in preparing government financial statements.

As in most developing countries, these loans and grants are connected with adopting and implementing accounting reforms in Sri Lanka (Adhikari, Kuruppu and Matilal, 2013; Yapa and Ukwatte, 2015; Dissanayake and Dellaportas, 2024). Despite the country's post-COVID economic turmoil, the IMF imposed stricter conditions for the recent bailout. Again, the IMF came with many conditions to streamline public financial reporting in Sri Lanka. The IMF will release \$2.9 billion in instalment within the four-year bailout program. These disbursements are contingent upon biannual assessments of whether the country implements necessary economic reforms, including the public sector. However, MOF needs help to implement these proposed accounting reforms for different reasons. Recent scholars highlighted the delays and unintended consequences of implementing accrual accounting and IPSAS in Sri Lanka (Adhikari *et al.*, 2021; Dissanayake, Dellaportas and Yapa, 2021; Polzer

*et al.*, 2023), claiming different reasons, including lack of political support and political uncertainty; lack of training and technical knowledge, and bureaucratic structures. As a developing country, Sri Lanka heavily relies on international loans and grants for development initiatives and recurrent expenditures, particularly during the recent economic crisis.

### **3.4.2 Transitioning from cash/modified cash accounting to accrual accounting: challenges and obstacles**

As noted in the previous section, attempts to implement accrual accounting and SLPSAS at the central government level were ineffective and delayed. Except for few exceptions, the majority of public organisations follow the modified cash accounting and GAAP except very few organisations. Until 2014, government organisations prepared the annual appropriation account following the FR guidelines (1992) and the guidelines of Fiscal Management (Responsibility) Act No. 3 of 2003. Then, the SAD introduced the financial statements to government organisations following the GFS guidelines recommended by the IMF. One of the senior SAD members highlighted the central government organisations' current financial reporting procedure. The statement is as follows.

*“The central government ministries and departments, district secretaries, and divisional secretaries are not implementing accrual accounting and SLPSAS (Sri Lanka Public Sector Accounting Standards). Instead, they prepare financial statements based on GAAP (Generally Accepted Accounting Principles). However, it is worth noting that the current published 20 SLPSAS are applied for the public enterprises....”* (Interviewee - Director SAD, April/May 2022)

The above statement clearly articulates that despite the government's proposal for a ten-year plan to implement accrual accounting and the publication of twenty SLPSAS, the public

organisations still need to take the necessary decisions and actions to implement them. One of the main objectives of this study is to explore the underlying logic behind these struggles. SAD initiated accrual accounting and IPSAS in 2002/2003 under the guidance of one of the IMF representatives, W Thomas, who was appointed IMF residential budget advisor to the MOF. Even after two decades, MOF could not report significant progress in accrual accounting and IPSAS implementation. Most scholars concluded that IPSAS and accrual accounting bring substantial benefits to enhanced quality of financial information, particularly in developing countries in promoting public trust (Polzer, Grossi and Reichard, 2022; Gomes *et al.*, 2023; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023; Rompotis and Balios, 2023). Despite the numerous advantages of these accounting reforms, implementation still needs to be improved in Sri Lanka, as has been witnessed. Liberato, Choban de Sousa Paiva and Serrasqueiro (2023) highlight that the lack of visible benefits and incentives, especially in developing countries, has demotivated government officers, particularly government accountants, from fully committing to successfully implementing these reforms. This situation is similar to the case in Sri Lanka. The following sub section explores the dark side of cash accounting and the significant logic that influenced the delay and hindered the progress of accrual accounting and the implementation of Sri Lanka Public Sector Accounting Standards (SLPSAS) in Sri Lanka.

#### ***3.4.2.1 Limitations of cash/modified cash accounting.***

The International Public Sector Financial Accountability Index (2021) report highlighted that approximately 70% of 165 jurisdictions worldwide still employed cash basis/modified cash basis for public financial reporting in 2020. Further, the report mentioned that it has been forecasted that 50% of countries will report on accrual by 2025. As highlighted in the report, in 2025, 61 (73%) of jurisdictions forecast to report on accrual will use IPSAS for public financial reporting. Participants highlighted the dark side of the ongoing modified cash-based

accounting system in Sri Lanka. The majority of government accountants and representatives of ICASL and NAO underscore the importance of having a proper reporting system in the public sector. 'Proper reporting' implies the following: accrual accounting and usage of accrual-based IPSAS for public financial reporting by public sector organisations. One of the senior government accountants mentioned the following statement.

*"If we have a transparent reporting system, we can secure loans with lower interest rates and longer repayment periods. However, if lenders perceive that we need to identify our assets and liabilities properly, they may reduce our ratings. Good reporting enables us to access concessionary rates. A robust reporting system has a significant impact and advantage for a country like ours...."* (Interviewee - Government Accountant, April/May 2022)

The preceding remark emphasizes the necessity of having accrual accounting systems, especially for accurately identifying the financial position of a country. Currently, the country is burdened with substantial foreign debt, and some debts need to be adequately recognised, as mentioned in the government audit report. Furthermore, there needs to be more proper record-keeping regarding government assets. Sri Lanka has had to borrow funds at higher interest rates, creating an economic crisis due to the absence of appropriate reporting systems.

*"I strongly believe that it is essential to make this policy decision. It would ensure everyone knows our current financial position, including our assets, liabilities, and debt. Given our vulnerable position, debt poses a significant risk due to our approach. Therefore, implementing this new approach or national policy change is necessary to manage the country's financial affairs effectively. This reform is also crucial for the public sector as it provides a proper reporting system and method. With this system in place, we would clearly understand our current status, identify our weaknesses, and plan for the future. It allows us to envision where we want to be in the next five years, analyse the reasons behind our past*

*losses over the last five years, develop strategies for improving in the upcoming years...."*

(Interviewee - Government Accountant, April/May 2022)

The foregoing statements by the government accountants backed the idea that cash accounting lacks advantages and that accrual accounting is essential for countries like Sri Lanka to promote transparency and accountability in public financial reporting. Even though more countries have switched to accrual accounting, there should be a more practical guide on how the translation occurs and what defines IPSAS compliance. Even though the shift to accrual accounting was seen as purely a technical accounting matter, the transition will depend on local circumstances, including government structure, infrastructure and other local circumstances.

#### ***3.4.2.2 A step towards accrual accounting.***

As a response to the continuous coercive, normative, and mimetic pressures exercised by international and national organisations (Adhikari *et al.*, 2013; Adhikari *et al.*, 2021; Polzer *et al.*, 2023), SAD made a budget proposal (254 of 2018) to the Parliament and requested cabinet approval for the ten-year plan of accrual accounting. Coercive pressures exercised by the donor agencies connected with loans and grants were comparatively higher in Sri Lanka since the country's dependency was high (Lokuwaduge and Silva, 2020; Adhikari *et al.*, 2021; Dissanayake and Dellaportas, 2024). At the time, the cabinet approved this ten-year plan and was required to report the annual progress to the parliament. The approval was taken with the intervention of senior members of the APFASL, called the public sector wing of ICASL, and personal connections and networks primarily drove the procedures. Since its inception in 1995, the utilisation of CIGAS has been extensive and widespread. The system automates the necessary accounting activities of government accounting units, and this process involves transmitting the accounts, starting from the grassroots level up to the highest

level at the MOF. In parallel with the accrual accounting project, SAD introduced a new computerised accounting system called the Integrated Treasury Management Information System (ITMIS) in 2018 as a pilot project with the funding support of the ADB under its Fiscal Management Efficiency Project. It was expected to replace the CIGAS and bring public financial management into an online platform. The ultimate expectation of this technological transformation was to facilitate the migration into the accrual-based accounting system.

Even though the ICASL states that it acts to benefit the public interest, there was a doubt about their service towards the public sector until 2009. In 2009, ICASL took the initiative to establish the Public Sector Accounting Standards Committee and published the first volume of SLPSAS. As an initial step towards the business-like public sector in Sri Lanka, ICASL contributed to the development of SLPSAS through the authority given by No. 15 of the 1995 Sri Lanka Accounting and Auditing Standards Act. The adoption of market-orientated ideologies, facilitated by the establishment of the SLPSAS board, signalled a paradigm shift from the dominant state structure of the country. However, with the establishment of the Public Sector Wing (APFASL) at the ICASL in 2012 and the international pressures exerted through IFAC and CIPFA London, ICASL has undertaken several initiatives over the last decade to standardise and professionalise public financial management in Sri Lanka. Consequently, there has been normative pressure primarily from ICASL/APFASL supporting the accrual accounting project (Dissanayake and Dellaportas, 2024). The number of qualified chartered accountants is limited to a small group in public sector organisations due to lower salaries and minimal facilities. Additionally, international donor agencies and accounting bodies are crucial in providing essential assistance to ensure the practical realisation of these initiatives at the ground level. With the implementation of the new Audit Act 2018, the government is now required to prepare the financial statements following generally accepted



accounting principles, adding another coercive pressure for these accounting reforms. This development brings a fresh impetus to ongoing accounting reforms, as it mandates the preparation of the government balance sheet based on accounting standards. SAD has proposed formats or templates for the final accounts deemed superior to the existing appropriation account. One of the government accountants made the following statement to highlight the shift from appropriation accounts to a set of financial statements.

*“Central government’s ministries and departments, district secretaries, and divisional secretaries are not implementing these SLPSAS. We are preparing financial statements based on GAAP. We started accrual accounting in 2018 with the budget proposal. We changed the accounting system. Previously, we prepared the appropriation account. New formats were introduced in 2018. E.g., cash flow statement. Despite the ongoing issues, we prepared the cash flow statement but could not use accounting standards....”* (Interviewee - Government Accountant, April/May 2022)

Till 2018, the government reported only the expenditure through the appropriation account. Since 2018, government organisations have been preparing financial statements, which include income statements, balance sheets, and cash flow statements following the modified cash base. However, at the end of each financial year, under the MOF, SAD's responsibility is to send the guidelines for preparing final accounts. Despite the instruction from the SAD to adhere to SLPSAS 01 (similar to the IPSAS 01: Presentation of Financial Statements), the MOF could only modify the name and appearance of the financial statements by introducing a new set of financial statements for government organisations. However, the content of these statements remained primarily similar to the previously prepared appropriation account. The main intention of SAD was to adhere to legitimacy. Despite these financial statements being labelled as statements of financial position and performance, they do not reflect the

organisation's actual financial performance and position due to the inapplicability of accrual accounting and IPSAS. SAD made these efforts just for the legitimate purpose of securing the much-needed international funding. However, the country is still trying to implement these neo-liberal ideologies under several constraints to gain the most needed funds and legitimacy. However, the implementation of these reforms was often delayed due to a variety of issues at various institutional levels. These logics are shaped by the norms, practices, and expectations within a specific sector or industry. However, because the accrual accounting project has not progressed or continued as intended, it has been halted. When the researcher of the present study reviewed the progress of the ten-year plan, one of the responsible persons from SAD noted that.

*"We are currently undertaking a 10-year accrual accounting project. However, we have not yet transitioned to the modified accrual basis."*

*In 2002, we designed a new account encompassing the performance report, cash flow, and balance sheet. Once approved, we prepared the final accounts on an IPSAS 01 cash basis. This marked the beginning of the process, and over time, with various changes, it evolved into the final accounts we prepare today. We have moved away from the previous accounts and introduced a new framework, including a performance report, balance sheet, and cash flow statement. However, as usual, we still maintain the appropriation account, which is prepared on a cash basis. The rules and regulations of our country hinder the practicality of adopting accrual accounting. Despite the ten-year timeframe given, transitioning to accrual accounting takes time and effort. Audit requirements raise the question of adopting accrual accounting, but our laws pose the main obstacle. The Fiscal Responsibility Act restricts our budget deficit to 10% of GDP, and our loan system imposes limitations. We have modified the structure (presentation) of the cash flow statement to comply with the Audit Act of 2018."*

(Interviewee - Director SAD, April/May 2022)

According to the interviews, ministries and departmental accountants in the central government believed that only cash-based accounting information mattered to the state (Conrath-Hargreaves and Wüstemann, 2019). As mentioned by several government accountants, the state is only interested in cash accounting data. In accounting literature, there were some supporting arguments that these accounting reforms lead to enhanced corruption in developing countries, especially countries with ineffective institutions of governance structures and weak regulatory frameworks (Bakre, Lauwo and McCartney, 2017). However, with the Audit Act 2018, the NAO started requesting the auditing of accruals-based annual financial reports and cash-based reports and created audit queries based on accrual concepts. There is still no regulatory framework to bring IPSAS into the public sector. Hence, there is doubt about the government accountants and other officers regarding implementing accrual accounting and SLPSAS. Accounting standards are not in effect as the full accrual basis of accounting has not been adopted. However, the government uses the formal financial statement (IPSAS 01) to hide the actual cash-based accounting. As mentioned by many government accountants, none of those 20 SLPSAS are used to prepare the final accounts in the central and provincial governments. An experienced government accountant made the following statement.

*“However, the Treasury has not made it mandatory, resulting in the lack of infrastructure necessary for implementation. As a result, our cash flows continue to be heavily influenced by accrual-based accounting. Many government departments and ministries are lagging in this regard. While they have followed the guidelines outlined in circulars and prepared their accounts according to the prescribed formats, only a few entities show genuine interest in adhering to accounting standards....”* (Interviewee - Government Accountant, April/May 2022)

According to the SAD circular issued 258/2018, government institutions encouraged to adopt accrual and accrual-based accounting standards. With this experience, volunteering is not practiced in the public sector in Sri Lanka. People prefer to avoid doing extra work and getting additional burdens. People do not want to do double work. They complete the appropriation account rather than doing double work. SAD should have implemented the new system in select pilot entities, choosing a few viable organisations instead of seeking voluntary implementation from all government organisations. This approach, as explained by Jorge et al. (2021), would have been more effective and could have made a significant difference. Pilot experiments are anticipated to offer valuable insights into the primary challenges encountered while implementing a new public sector accounting system (Jorge, Nogueira and Ribeiro, 2021). On the other hand, there should be a way to use the information generated through government financial statements for decision-making purposes, especially by politicians and public sector managers (Caruana and Farrugia, 2018; Budding and Helden, 2022; Pajković, Botica Redmayne and Vašiček, 2023). In most developing countries, the culture must be formed enough to read an annual government report and use this information for decision-making. However, it depends on the interest of the politicians and public sector managers and the availability of these financial statements (Pajković, Botica Redmayne and Vašiček, 2023). Further, these local and international professional associations' influence on the state bureaucratic structure significantly impacted the implementation of proposed accounting reforms. The following section explains the current issues and challenges in local circumstances when the effort is made to implement the accounting reforms in the Sri Lankan context emphasising what significant logic shaped the actors' agency in the implementation process.

### ***3.4.2.3 Implementation challenges of accrual accounting and IPSAS***

Many researchers have reported resistance to change or challenge in adopting accrual accounting and applying SLPSAS (Schmidhuber, Hilgers and Hofmann, 2022; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023; Polzer, Adhikari and Phuong Nguyen, 2023). However, these constraints are more specific to the country level due to changes in the socio-political background, culture, accounting tradition and accounting systems (Rajib *et al.*, 2019; Aversano *et al.*, 2020; Adhikari *et al.*, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023).

#### ***Inadequate legal framework***

At the institutional level, state rules and regulations (state logic) have created restrictions for successfully implementing accrual accounting. In particular, the Fiscal Management Responsibility Act 2003 (budget deficit cannot exceed 10% of GDP) brings some limitations, provisions of the Financial Regulation (1992), and administrative regulations. However, the Audit Act passed in 2018 showed some green light for the path towards accrual accounting and IPSAS implementation. The MOF representatives continuously mention the limitations of the current regulatory framework for public financial reporting in Sri Lanka. Most government accountants have recognised the conflict between administrative regulations (AR) and financial regulations (FR) as a primary barrier. Based on the section II of the FR manual (1992), it emphasises that every transaction should be recorded into the consolidated fund. When unpaid bills for a particular year, it cannot take these amounts to the following year without a budget allocation. That might be recognised as an accrual accounting obstacle. It's necessary to establish a supportive legal framework by amending the FR and Fiscal Responsibility Act for successful implementation. Still, the government uses FR, which was established in 1992, and needs to change with the current requirements. There is a widespread belief among many respondents, which has been echoed for a considerable period, that

financial and administrative regulations need reform. Specifically, one provision of the Financial Regulation states that government organisations are prohibited from making prepayments, necessitating payments only after the expenses have been incurred. One of the directors of MOF directors have contested the legal identity of these accounting standards (SLPSAS).

*“First, we need to regularise these SLPSAS. If someone challenges who issued these standards.....we have no answers. We need to prepare the legal framework to adopt SLPSAS, then after we can do other things....”* (Interviewee - Government Accountant, April/May 2022)

This legal loophole has led to power clashes between the reform advocate ICASL and the Ministry of Finance (MOF). Despite the fact that ICASL developed the Sri Lanka Public Sector Accounting Standards (SLPSAS), there is no legal authority vested in ICASL to enforce the mandatory adoption of these standards by public organisations, primarily due to its status and structure. Consequently, ICASL transmitted the SLPSAS to the MOF for implementation. However, the MOF has yet to take decisive action to regularise or enforce the adoption of these standards. Furthermore, a consensus has emerged that the circulars issued by the MOF need more strength and clarity. They occasionally require more specificity, which add to the complexity and ambiguity in their application. One of the government accountants made the following statement challenging the legal framework of SLPSAS.

*“...it is questioning the role of the Accounting and Auditing Standards Monitoring Board regarding these public sector accounting standards.... The monitoring board does not have the power to monitor government ministries and departments. Why not give legal support for*

*these standards? The Auditor General says to use it. However, it should come from an Act....*” (Interviewee - Government Accountant, April/May 2022)

Twenty SLPSAS have already been developed, but they do not fall under the purview of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. As the senior officers from ICASL, MOF, and NAO highlighted, the Accounting and Auditing Standards Act 1995 needs to be amended to give a solid legal identity to the public sector accounting standards. This was highlighted by one of the leading figures, who has been working for these reforms in various role for decades and is currently the president of APFASL.

*“Compliance with the standards is not mandatory because it is not included under the 1995 Accounting and Auditing Standards Act. We (ICASL) also took the initiative to amend the Act 1995. We were persuaded and able to prepare the amendment, but we must get the approval of the Ministry of Finance. But unfortunately.... more from their side (MOF)....”* (Interviewee - President APFASL, April/May 2022 and January 2024)

Since these SLPSAS do not come under the scope of the Accounting and Auditing Standards Act, MOF or ICASL cannot make their adoption compulsory for government organisations. There should be a collaborative effort between MOF, ICASL, and NAO to create a more realistic, favourable legal framework. This legal constrain is common for many developing countries, and some researchers highlighted that the legal framework creates conflicts and barriers to the implementation of accrual accounting and IPSAS, mostly in developing countries (Mbelwa, Adhikari and Shahadat, 2019; Harun, Eggleton and Locke, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). The institutional environment and regulatory framework in developing countries are complex and changing them is more challenging.

### ***Lack of political support***

The political logic often prioritises short-term political interests, maintaining control over financial information and fostering capacity. Conversely, bureaucratic and political logic intertwine, leading to challenges that impede the timely adoption and effective implementation of IPSAS. This interplay of logic creates complexities and obstacles in implementing accounting reforms in developing nations. Drawing upon the experiences of successful countries, it becomes evident that supportive political logic plays a crucial role in the successful implementation of accounting reforms (Van Helden, Adhikari and Kuruppu, 2021; Polzer *et al.*, 2023). Political considerations, such as the willingness of political authorities to support and utilise these reforms for their objectives, can impede the adoption of IPSAS standards. In many developing countries, the need for more government support and limited political interest emerges as critical barriers hindering the effective implementation of accounting reforms. To overcome these challenges, it is imperative to have knowledgeable and supportive politicians who recognise the value of accounting information for informed decision-making in the public sector which was lacking in most developing countries. Regrettably, the advisors and secretaries responsible for providing guidance often neglect the significance of accounting and reporting, failing to motivate politicians to support the successful implementation of reforms. The following statement was made by one of the leading personalities behind these accounting reforms in getting cabinet approval for the accrual accounting project in 2018. It reflected the public sector's need for more political backing for accounting harmonisation.

*“In 2018 also, we had to do underheard dealing with approving the accrual accounting cabinet paper....” “We were trying to see things are done with the personal contacts. I have been through the public sector, and I have personal contacts. I used my contacts, met these*



*people, and ensured these circulars were issued....”* (Interviewee - President of APFASL, April/May 2022 and January 2024)

At the time, the Minister of Finance was a chartered accountant; he had a basic knowledge of the relevance of accrual accounting and IPSAS in public sector organisations. Then, because he was close to ICASL officials, particularly APFASL members, he advocated for the accrual accounting project to be approved. With the cessation of the aforementioned political regime in 2019, the supportive atmosphere for the accrual accounting project disappeared. Accrual accounting and IPSAS implementation are not mere accounting changes, as they require a supportive political and administrative structure (Van Helden, Adhikari and Kuruppu, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). There is a need for a rule enforcement system that is linked to the application of incentives or punishments, and this system should be established and regulated by political authorities. Government plans and strategies in Sri Lanka, as in most developing countries, are phased out as the administration changes.

### ***Cash budget vs accrual accounting.***

Another important consideration at the institutional level is the inconsistency between traditional cash budgets coming under bureaucratic structure and accrual accounting principles under market logic. As highlighted by scholars, the disparity between the cash budgeting system and accrual accounting delays the implementation (Becker, Jagalla and Skærbæk, 2014; Azhar *et al.*, 2022). As per the Fiscal Responsibility Act each year, the annual cash budget is the primary institutional controlling mechanism of the country's public financial management. Most government accountants emphasise the conflict between the cash budgeting system (bureaucratic logic) and the accrual accounting system (market or business logic). They emphasised that it is challenging to go to accrual accounting because

the budget is prepared annually on a cash basis, complying with the state's constitution. Becker, Jagalla and Skærbæk (2014) highlighted the limitations of the cash budgeting system in reducing public spending, based on a German case study, and emphasised the advantages of accrual budgeting. Among the main challenges associated with implementing accrual accounting, the preparation of an accrual budget was highlighted by Azhar et al. (2022). In the annual cash budget, there are no provisions for the liabilities, and there will not be an opportunity to recognise accrued expenses in the financial statements. Another critical point is that if the government adopts the accrual accounting system, it creates a higher budget deficit. At the same time, the maximum budget deficit shall not exceed 5% of the estimated GDP as regulated by the Fiscal Management (Responsibility) Act No. 3 of 2003. However, there are some favourable arguments relate to the cash budget and accrual accounting. Some government accountants highlighted that there has been no requirement to change the budget system since the FR 66; approval has been given to spend according to the need. Because of that, they believe that the annual cash budget will not be a significant obstacle to going for the accrual accounting.

Several respondents propose converting the annual cash budget into an accrual-based budgeting system, deviating from bureaucratic norms and embracing the business logic. However, there needs to be a legal framework to incorporate SLPSAS into public sector institutions. Consequently, the country has relied on zero-based cash budgeting for several years per constitutional rules. The lack of government accountants within the Department of National Budget of the MOF further complicates the transition to accrual-based budgeting, making it a significant Public Financial Management (PFM) reform in Sri Lanka. As highlighted by one of the directors of the MOF, the treasury budget department solely comprises administrative officers, resulting in a limited understanding of accrual concepts and a lack of coordination among relevant departments. One of the senior members who

represented MOF highlighted the current cash budgeting system's disadvantages through the following statement.

*"Since the budget is prepared only for a year, there is a significant waste of resources. In the cash-based system, there is a rush to spend all the money before the end of the financial year, resulting in unnecessary expenditures. The management of the Treasury needs to improve in this regard. The Treasury receives cash from the inland revenue around October/November and additional funds for development work at the end of the financial year. By adopting accrual budgeting, we can plan for long-term projects and ensure continuity. This is the main advantage, as it allows us to focus on and plan for the long term...."* (Interviewee - Additional Director MOF, April/May 2022)

The cash allocation of accrual payments will be a concern because the government only plans for one year. Then they are unable to make a prior years' payment from the current years' budget. Some countries experienced structural changes in the budgeting system with the implementation of accrual accounting (Christofzik, 2019). However, the implementation of accrual-based budgeting is still a challenging task for Sri Lanka. For the successful implementation of these proposed accounting reforms, it is necessary to address comparable focus for both accounting and budgeting systems. Still, due to the country's complex political and administrative procedures, the government has neither plan nor implement accrual budgeting or use more sophisticated budgeting practices (Kowalczyk and Caruana, 2022). van Helden and Reichard (2019) supported this, emphasising that jurisdictions are more hesitant to change a budgeting system than financial reporting. Adhikari and Gårseth-Nesbakk (2016) also highlighted the lack of political commitment towards adopting accrual budgeting in OECD countries. Further, they emphasised the issues of accrual budgeting on transparency, over-borrowing and debt management.

### ***Impact of delayed valuation of government assets and liabilities***

One of the most pressing issues at the organisational level is the value of assets and liabilities. As per the state structure (state logic), there was no formal procedure for recording the government's assets and liabilities since all the purchases were recorded as expenses subject to cash accounting principles. As mentioned by the senior position of the Treasury, they have yet to value all the government assets and liabilities, so they could not complete the government balance sheet. The government is still trying to maintain the state bureaucratic structure by transferring the authority to value the government land and buildings to the State Valuation Department. However, the state valuation department of the country currently does the valuation of land and buildings, which cannot perform such tasks in shorter period of time. As mentioned by the officials, there is unrecognised land, especially the railway and irrigation departments, and some lands were acquired and used by civilians. Even at the central government level, the accounting systems are adapted to those institutions differently. The difficulty then becomes how to transition to an accounting system that can handle all of the structures we have when installed. As a result, there is a problem with the character of the government organisation or the structure of its institutions. One of the senior government accountants emphasised the problem with the Valuation Department's inadequate resources for valuing assets and liabilities.

*“Since the beginning of the public sector, there has been no accurate recording of assets. If the assessment department officials were to do this, it would take another 100 years to complete it. Because they have a limited number of employees.”* (Interviewee - Government Accountant, April/May 2022)

Furthermore, since authority has been extended to organizational leaders to conduct the valuation work, there needs to be more uniformity in the assessment of other assets and liabilities, with the exception of land and buildings. Even though the SAD issued a joint

circular, these organisations experienced practical issues and differences. Individuals exercise different judgements when performing valuation tasks in that particular organisation. However, the government's stance on historical and archaeological matters needs to be more formal and clear. This poses significant challenges and creates a problematic accounting problem that has yet to be resolved in many jurisdictions (Biondi and Lapsley, 2014; Aversano *et al.*, 2020). Sri Lanka is rich with archaeological and heritage sites all over the country. Identifying the liabilities is necessary to prepare the government balance sheet. However, the valuation of government liabilities is still a formidable task in Sri Lanka due to the country's structural limitations. Measuring liabilities such as government debt and pension liabilities and calculating the present values of these obligations is a vast technical task, as highlighted by the head of the SAD.

Recognising elements in parallel with the bureaucratic logic for identifying and measuring all these elements in the institutional balance sheet is challenging. The main limitation of budgetary provisions is due to state logic; some elements cannot be brought to the balance sheet, including depreciation, due to cash budgeting system. Currently the government organisations are preparing a list of commitments that need to be converted into total liabilities. Therefore, one of the main tasks of the modified accrual system is to get the recognised liabilities into the government balance sheet. It must amend relevant parts of the constitution to make the budget provisions related to recognising the liabilities such as contingent liabilities, pension, etc. and increase the loan limits. Another argument is that there are issues with technical matters (professional judgements are required), such as fair valuation, employee benefits, actuarial valuation, etc., since government accountants need more technical expertise for this for recognition and measurements. It has experienced some issues related to materiality when recognising and valuing the assets. MOF has issued a

circular to consider items above LKR 5,000 to be recognised as assets in the balance sheet. With that requirement, they usually admit some consumables as assets because of the limited scope to exercise their (government accountants') judgement on materiality (professional logic). Even though SLPSAS 20 (Intangible Assets) is available, there is no way to recognise the intangible assets in public sector organisations, especially the computer software they currently use. Then there is doubt about the security of government data and information since most of the software; the government does not have absolute control over these assets. On the other hand, there should be a comprehensive system to recognise the income generated through roads, government buildings, etc. Another critical issue is recognising and accounting for contingent liabilities in the government balance sheet. This omission prevents a comprehensive understanding of potential future obligations and can impede the accurate assessment of the financial position of these organisations. This generation bears a tax burden for which they are not inherently accountable. This situation arises due to the limitations in recognising contingent liabilities stemming from state bureaucratic logic. The following statement was made by one of the senior government accountants.

*“Without budget provisions, we cannot enter into a commitment based on financial regulations. If there was an allocation, we recognise it as a commitment. However, we do not recognise them as accruals....”*

*“Depreciation is impractical; if we depreciate these vehicles, we must fully depreciate. Then we cannot use these vehicles. How much money (budget) do we need to replace these vehicles? We cannot bring all these concepts as its....”* (Interviewee - Government Accountant, April/May 2022)

Under the Ministry of Finance (MOF), another department called the Comptroller General Department has been established to manage the non-financial assets of the government,

following Budget Proposal Number 368 of 2017, as approved by the Cabinet of Ministers on 22.02.2017. This expands the state bureaucratic logic in this accounting reform implementation. This department is fully responsible for all the public assets, including local authorities and the provincial council. They are getting monthly reports from the government institutions regarding the assets and have created a new database. However, there is still doubt among government accountants regarding using this information for decision making purpose. On the other hand, SAD also collects information and provides guidelines for the asset's valuation for the government organisation. There was no inter-department coordination among the SAD and Comptroller General Department regarding the government asset valuation. Therefore, it created some confusion among the accountants regarding receiving different circulars and guidance for the same matter.

*“This is how some people continue from experience but do not want to make a change or do something new. Like identifying the assets, they became involved after the Treasury made it mandatory. At first, it was not mandatory. Now, the Treasury has issued a circular and made it mandatory. As far as I remember, they started maintaining the fixed assets register in 2004. However, no system was introduced until the Comptroller General Department started and issued a circular from there....”* (Interviewee - Government Accountant, April/May 2022)

These government accountants must be technically qualified to handle professional matters related to recognising aspects of the financial statements. Completing the valuation of the government assets and liabilities should be prioritized as an urgent activity. On the other hand, there must be more links and corporations within the department of MOF, as well as implementing of standard guidelines.

***Structural issues, lack of planning and lack of coordination among high-level authorities (top management)***

Another critical organizational field level hindering progress is the perceived need for a proper plan or structure for the accrual accounting project. It appears to have been initiated without sufficient foresight and coordination, leading to a sense of isolation. Government officials have emphasised the need to establish a well-defined structure that is not solely reliant on an individual, such as A, B or C, but instead integrated within the overall system. On the other hand, the higher-level officers of the government play a critical role in bridging the gap between institutional and operational levels (organisational level and organisational field level). They are essential for successfully implementing accounting standards. Unfortunately, there have been instances where certain officers, including a secretary to the MOF, displayed reluctance towards transitioning to accrual accounting. One such example involved a secretary who expressed concerns about the potential loss of support from the World Bank due to existing commitments, leading to staunch opposition to accrual accounting. Government accountants have emphasised the lack of willingness of the officers and how support leader to the delay in implementing accounting reforms. The unwillingness of higher authorities, as reported by respondents, may be one of the primary reasons for the delay. Their unawareness of the benefits offered by these standards or their preference for the advantages of the existing cash basis system hinders the transition to accrual accounting. On the other hand, these officers seek to demonstrate loyalty towards the politicians who oppose the principles of transparency and accountability. Therefore, these officers lack interest and commitment to achieving the desired benefits of these accounting reforms. The commitment of decision-making officers becomes crucial since politicians are not directly involved in these decisions. However, politicians often face blame for delays or discontinuation of government policies, even though they may be unaware of the underlying issues. As



highlighted by senior government accountants, this negligence on the part of officers (top management) exacerbates the situation. Some officers have contributed nothing to the development of these accounting reforms even though they receive rewards, including financial rewards. Even though their names were mentioned in the committees and boards, they were not contributing to the development of accounting reforms in the public sector—another issue with the appointment of the officers into the positions and committees. Instead of providing genuine service, many officers abuse their positions.

*“Only the names of those appointed by the Treasury on the standards board. Some do not even know if they are on the board. Not actively connected....” “Politicians will appoint the most popular officer for them regardless of the knowledge. Administration is one part of management....”* (Interviewee - Government Accountant, April/May 2022)

Another structural issue at the organisational level might be the five-year transfer policy of government employees. As per the Public Administration circular revising the provisions of the Establishment Code issued in 2013, the maximum period that a management assistant or development officer can work in one place is limited to five years. Then, it needs to be transferred to another government organisation. These government accountants also have been bound by a five-year transfer policy. A senior government accountant made the following statement emphasising the frustration behind these government procedures related to employee transfers.

*“After I train someone to handle the cash book or to prepare the final account, they (higher officers/top management) transfer these individuals every five years. I understand the government needs a transfer policy. However, training these people to do cash books or prepare financial statements cannot be accomplished in two or three days. Our administration straightforwardly takes this.”*

*I ask them (administrative authorities) not to transfer people to work in the finance/accounts branch as this may be a significant contributing factor to increase audit queries.....”*

(Interviewee - Government Accountant, April/May 2022)

Merely replacing an individual with another is incompatible with professional knowledge and experience. Administrative authorities must exercise caution when making transfer decisions because someone with a non-accounting background may come tomorrow to work in finance or account division in a government organisation. On the other hand, conflicts between civil services might be another issue that creates tension for the successful implementation of accrual accounting and SLPSAS. This was highlighted by most of the senior government accountants. There are primary services at the executive level of the government, including “administrative officers”, “accountants”, “planning officers” and “engineers”. Most of the Chief Financial officer (CFO) positions in government organisations are handled by the Administrative Officers who do not have an accounting background. These administrative officers are acting as the leaders among civil servants. Therefore, there is a conflict between these positions regarding power and recognition. Additional power and recognition were granted to the administrative officers through a circular issued by one of the former secretaries to the MOF. After that, the conflict between services was very high. As some senior officers mentioned, the bureaucracy is at its best in Sri Lanka, especially among the public civil servants.

*“Public administration and public financial management are distinct. There is like right now. Public financial management should be considered as a service rather than just a part of public administration...”* Administrative officers do not have accounting knowledge.

*“There is something called casteism in the public services. Similar services should be handled in the same way. Because of that, differences have arisen among people. That is*

*impossible. In this public service, we work for the people...*” (Interview Government Accountant, April/May 2022)

Another government accountant expressed frustration with how the administrative logic of the government structure has affected his performance evaluation as a government accountant. He made the following statement.

*“I work under an administrative officer. I do not feel free to express my career aspirations. Because they determine my performance, I firmly believe my performance should be evaluated by someone from my profession (should be a government accountant, not an administrative officer) ....”* (Interview Government Accountant, April/May 2022)

Administrative officers, who work in government organisations, must be more familiar with these accounting concepts and their importance. Government accountants have emphasized the importance of providing enough support to implement these reforms. This “ingrained” culture among the civil servants made the implementation more complex and delayed (Bhiwajee and Garavan, 2016).

### ***Knowledge, attitude, and perception of individual agents***

The implementation of accrual accounting and SLPSAS has been deeply connected with government accountants since they work at the ground level. Their knowledge and commitment are crucial for successful implementation. These government accountants play the role of change agents of accounting reforms. However, at the individual-level logic, the main problem is the unwillingness to change and reluctance to exercise their agency, especially for most senior employees in the government sector. It is complicated and challenging to give the knowledge because most government accountants are adults who dislike the change. Then, using technology such as accounting systems and digitalisation in this implementation is ideal. As mentioned by a government accountant.

*“To implement these, the existing systems of the government need to be changed. Public servants are not very eager to change themselves. The reason is the reluctance to change the existing rules and regulations. They are more inclined to continue their normal routine....”*

*“Plenty of people in the public sector do not want to change, even among our accountants. Do not think about development/personal development. They are just working. In some cases, we need to find the knowledge. That’s why we were called professionals....”* (Interviewee - Government Accountant, April/May 2022)

Most government accountants emphasise that they have sufficient technical knowledge to perform accrual accounting and apply SLPSAS when preparing government financial statements. On the other hand, these government accountants were selected from a very competitive examination, and a few chartered accountants are working as government accountants. However, the problem was that even though they learnt private sector accounting practices for their degrees and professional qualifications when they entered the public service, they had to follow the totally different procedures they had learnt. Especially when there is no usage of accounting standards in the public sector and no opportunity to upgrade the knowledge of accounting standards, this situation takes them away from these technical accounting concepts and practices essential for successfully implementing accrual accounting and SLPSAS. One of the senior representatives from the NAO made the following statement regarding the knowledge and attitude of government accountants.

*“I think the officers’ lack of skills and knowledge is the main reason. Because the Auditor General compiled final accounts based on the accrual concept and SLPSAS. They lack the ability to make professional decisions....., implying they are unprofessional. It is rare for someone to think broader and work hard to improve their worth and professional development. Others are just doing routines and getting their salary. We have seen many.*

*When we strive to develop some people, they do not improve.... Individual transformation is necessary to reach our goals...*” (Interviewee - Representative NAO, April/May 2022)

Most responses highlighted the importance of individual change and acting as change agents for successful implementation. However, they haven't taken proper actions to exercise their agency and have cited several reasons for their hesitation and delays. Further, the lack of performance evaluation and a performance-based rewards system were other reasons for the lack of commitment. Reluctance among government accountants of Sri Lanka to engage with these NPFM ideologies is not isolated; it is common in most developing countries (Rajib *et al.*, 2019; Adhikari *et al.*, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023; Polzer, Adhikari and Phuong Nguyen, 2023). However, compared with other developing countries, government accountants of Sri Lanka have many opportunities to enhance their technical knowledge. The Ministry of Public Administration has established a separate institution called SLIDA (Sri Lanka Institute of Development Administration). Its primary responsibilities are the competency enhancement and professional development of executives in the public sector, including government accountants. Further, APFASL has opened many opportunities locally and internationally since its establishment to enhance the professionalisation of government accountants. However, the issue is that they (government accountants) were not ready to grab these opportunities and develop themselves as change agents. On the other hand, with the circular of voluntary adoption, none of the government organisations tried to implement these SLPSAS because of a lack of motivation and encouragement. These officers believed that it was extra work for them. One of the government accountants mentioned that.

*“More work, more problems, then no one has the interest to do work more.....trying to do only what they have been assigned. Extra works often result in audit queries. “no one is*

*doing extra/ or additional thing since they doubt that the auditors will question it....”*

(Interviewee - Government Accountant, April/May 2022)

IPSAS implementation involves a significant change in the structure and processes of these governmental organisations (Abdulkarim, Umlai and Al-Saudi, 2023). Still, the Sri Lankan public sector government employees must be prepared for this cultural shift. Personal attitude and willingness to change to a new accounting culture are critical components for the successful implementation of accounting reform. Bureaucratic inertia can lead to resistance and reluctance to deviate from familiar practices, resulting in delays in implementing IPSAS in developing countries. These IPASA arose from Western cultural settings with more liberal economic policies (Abdulkarim, Umlai and Al-Saudi, 2023). However, Sri Lanka still has a conservative and traditional public sector culture with less productivity and efficiency. Therefore, in Sri Lanka, cultures prioritising stability, risk aversion, and resistance to change impeded the implementation of IPSAS. The existing organisational culture and identity may be deeply entrenched and resistant to adopting new practices and standards. With proper instruction and guidance, the change process would become much smoother, as government accountants are expected to execute assigned tasks diligently. Some government accountants have indicated disinterest in and involvement in accounting standard training programs, citing a lack of awareness as the primary reason. Additionally, they have limited knowledge about the APFASL and available opportunities to enhance their knowledge and skills, as they have yet to engage with it actively. However, it is essential to note that certain benefits and opportunities may depend on the accountant's position within the organisation, the geographical context in which they work, and their interest and commitment. The country needs a cultural shift from traditional public servants towards innovation and value-added approaches in public service. However, the readiness for such a cultural shift must still be determined. Government employees need to be fully prepared for this change in attitude. The

primary obstacle lies in the entrenched institutional practices of these government officials. Consequently, they are divided into two camps, adhering to the conservative system and resistant to embracing new concepts and changes. One of the senior government accountants made the following statement.

*"In some cases, we need to acquire knowledge. That is why we are regarded as professionals. Many individuals in the public sector, including some of our accountants, are resistant to change and show not much interest in personal development. They tend to view their work as tasks without considering professional growth."* (Interviewee - Government Accountant, April/May 2022)

There is often doubt surrounding the knowledge of government accountants, but the issue primarily lies in their attitudes and beliefs on change and innovations. There is some level of awareness among government accountants, primarily due to the programs organised by the APFASL. Another argument is that good leadership is necessary to facilitate attitudinal change in individuals and provide guidance. Some believed they could change with good leadership and collaboration (Liguori, 2012; van der Voet, 2016). Mir and Rahaman (2006) emphasised that to change the individual's attitude, it is vital to have strong leadership to navigate them to successful accomplishment. Knowledge and power are similar to the two sides of a coin: interconnectedness for the full potential. These government accountants should be empowered with necessary statutory provisions and technical knowledge, including the independence to perform their tasks (ICAEW, 2018).

There is still a significant interest among enthusiastic young professionals in implementing these accounting reforms. The government accounting service has a young generation that is highly compatible with modern technology and adaptable to cultural changes. Therefore, there is an excellent opportunity for successful implementation by effectively guiding and

harnessing their potential. There needs to be more collaboration among these officials (top management) on reforms, and the reforms are occasionally personalised and attributed to specific individuals. Furthermore, there is a prevalent concern among accountants that any additional work they undertake might result in audit queries. This perception has been engrained due to the bureaucratic administrative structure, forcing them to think this way.

### **3.4.3 Special project of MOF for standardised cash-based SLPSAS for the transition period.**

In 2017, the Auditor General disclaimed the government accounts, saying he could not give an opinion on the numbers. Government debt accounting has come under scrutiny, revealing a state of chaos with outstanding amounts reaching tens of billions of rupees. During this examination, it became evident that inconsistent rules were applied, and certain loans were disregarded entirely, leading to an unreliable and disordered accounting system.

*"Because of the significance of the matters described in paragraph 2.2 of the report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion," the Auditor General's office stated. "Accordingly, I do not express an opinion on these financial statements."* (Auditor General's Report on Government Financial Statements, 2017)

As a result, MOF has decided to develop a simplified version of SLPSAS and cash-based accounting standards and started a project with World Bank funding for the transition period. This "transition period" refers to modified cash to modified accrual accounting. MOF has planned to implement 14 cash-based standards with a conceptual framework for the transition period. One of the leading private audit firms (one of the Big 4s) has been selected following a government procurement procedure to develop these cash-based standards. The public accounting standards committee of ICASL (SLPSASC) has already created 20 SPSAS, which



are accrual-based standards. On the other hand, the Auditor General was concerned that the government must prepare final accounts based on accounting standards (SLPSAS). Then, MOF had tension because they had to instruct government organisations to apply SLPSAS. However, government organisations are still using a modified cash basis. The use of 20 accrual-based SLPSAS is technically impractical until government organisations are fully converted into the accrual accounting system. At the same time, MOF struggled to report the progress of the ten-year accrual accounting plan. Under these circumstances, MOF implemented this cash-based SLPSAS standardisation project, aiming for a transition period. It was a project approved by the Cabinet of Ministers in 2020 and funded by the World Bank. However, they could not continue these cash-based standards since the Auditor's General disapproved. They had to stop at the last stage. One of the leading members of the SAD mentioned this.

*“Before going to full accrual, we need to plan for this interim period. Once we reach the interim period, it is easy to go to accrual full accrual accounting”. We have not been able to go to the accrual system since the beginning since it creates a high gap because we are on a cash basis. An interim period is the best option. Step by step (no one is recommending the big ban approach) ....”*

*“When we prepared these interim standards (cash-based), we excluded some parts of SLPSAS. In that case, we cannot say we fully comply with the standards. We remove some concepts we cannot immediately achieve, such as revaluation, fair value, etc. AB (one of Big4) checked both systems and confirmed the compatibility with the new chart of accounts (based on cash-based 15 standards). Under these cash-based standards, we put the current practice into a framework. We formalised/formatted the current practice. We did not make a big change. We excluded the things we cannot perform like depreciation, fair value, etc. (we*

*excluded some parts/paragraphs of SLPSASs) ....”* (Interviewee - Additional Director SAD, April/May 2022)

They are now attempting to bypass the Auditor General, and instead move directly to the ICASL council, where they will receive approval before proceeding to Parliament. Then, they assumed that the Auditor General could not do anything about it and that they could successfully implement the cash-based accounting standards for the interim period. However, some people dispute the legality of these cash-based standardisation projects. Alternatively, the Treasury's approach for establishing these cash-based standards was legal. One of the senior government accountants emphasised this:

*“I see a legal problem with these cash-based standards. How could so-called AB (one of Big4s) do this? Because the authority to prepare accounting standards belongs to the ICASL. As the authorised body to prepare accounting standards in Sr Lanka, ICASL did not know about these cash-based standards....”* (Interviewee - Government Accountant, April/May 2022)

A senior member of the APFASL, the public sector wing of ICASL, has justified the development of cash-based accounting standards, shedding light on the story behind their creation. However, there is doubt about implementing these cash-based 14 standards plus framework since the Auditor General has yet to approve these standards. Still, MOF was unable to convince the Auditor General accordingly. Only then can they apply these cash basis standards for the transition period.

*“MOF appointed a committee that included leading chartered accounting firms to associate and assist them because the Auditor's General has been quarrying and qualifying their annual financial statements. They wanted to overcome this problem. They were qualifying*

*their report. I was also a member, and we proposed this.....and the assignment to formulate a new system of accounting (cash-based standards). I think this was offered first to ICASL. However, we did not take this assignment since money was involved (conflict of interest). We had to withdraw from that, and they had another offer, and I think they selected AB (one of the Big4s)....” I do not know about these standards.... idea about it. Since we were not involved in this process, I do not know if they followed international public sector standards or whether they are independent standards. They wanted to adjust or simplify.... but we were unconcerned/involved. Our (SLPSAS) fully complies with international standards (IPSAS). Why they made and what changes they have made to these standards...I am not aware...”*

(Interviewee - President APFASL, April/May 2022)

For developing fourteen cash-based standards and frameworks, one of the Big 4s contributed by exercising their professional expertise to the government organisations. However, the MOF followed the legal procedure to select a service to provide; it could be considered a violation of provisions of Act No. 15 of the 1995 Sri Lanka Accounting and Auditing Standards Act. Technically, ICASL is the only authorised body in Sri Lanka that can create accounting standards, whether private or public. Some arguments have been made that this cash-based standardisation wastes public money since it is not processed. Due to the post-COVID economic crisis in Sri Lanka, the government's priorities have shifted, leading to a change and deviation from the implementation of accounting reforms.

#### **3.4.4 Role, agentic Interplay and power dynamics between embedded agents**

By examining empirical evidence as well as prior study findings, it was confirmed that the implementation of the accrual accounting plan was delayed and created united consequences (Yapa and Ukwatta, 2015; Adhikari *et al.*, 2021; Polzer *et al.*, 2023). Further, SAD failed to take any initiatives for the compulsory implementation of developed twenty SLPSAS in the

public sector organisations. The agentic role of institutionally embedded actors specially MOF in this implementation process is crucial for the delay and unintended consequences. On the other hand, the more professional association exercised by the ICASL with the establishment of APFASL made more critical impacts on public financial reforms (Adhikari *et al.*, 2021; Dissanayake and Dellaportas, 2024). Some studies found that the supreme audit institution of the jurisdiction significantly contributed to the “correct implementation” of the accounting system in the public sector (Jani, Pifeh and Faghani, 2020; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). The following sub-sections will discuss a deep understanding of the role of these agents and the agentic interplay of these organisations. The role of international financial institutions (including donor agencies) still made coercive pressure for the accounting reforms in developing countries. In the provided context, these embedded actors were labelled as “reform creator”, “reform promoter” and “reform enforcer”. In this case, MOF and ICASL have been recognised as "reform creator" and ICASL play the role as “reform promoter”. On the other and NAO as supreme audit institution, plays the role of “reform enforcer”. In addition, these international financial institutions are playing the role of “reform-promoters” trying to institutionalise NPM ideologies. These government as individual agents recognise as “reform implementors”. As different actors, the strategic abilities to recognise both the opportunities and limitations of their roles in terms of making changes to the established institutions is vital for the successful implementation.

#### ***3.4.4.1 Enduring influence of international agencies in shaping accounting reforms in Sri Lanka (including Big 4 auditors)***

From the beginning until the present, international financial institutions and donor agencies, such as the World Bank and IMF, have contributed to the ongoing accounting reforms in Sri Lanka. It was recently reported that one of the Big 4 auditors was affected by the cash-based

standardisation project in shaping Sri Lanka's accounting changes. There was much encouraging evidence related to the contribution of international financial agencies to promote accounting reforms in Sri Lanka (Adhikari *et al.*, 2013; Yapa and Ukwatta, 2015). Initially, the World Bank offered financial and technical assistance when the country needs it. In addition, the IMF gives necessary technical support when the country needs it. Then, ADB greatly supported these accounting reforms, especially regarding technology enhancements. Currently, there is a programme run by the ICASL with the support of UNDP at the local government level. One of the senior members representing APFASL made the following statement.

*“We are currently working on a UNDP project, a diploma programme for the local governments. We launched the ' Sri Lanka Public Sector Accounting Standards for the Local Authorities', a diploma program. The World Bank funded the standards development (SLPSAS). We have a strong relationship with the IFAC, the World Bank and IMF. Now we are connecting with UNDP with this local government project....”* (Interviewee - Secretary APFASL, April/May 2022)

Through the World Bank-funded ITMIS project, MOF is trying to enhance the fiscal management discipline while incorporating information and communication technology (ICT) into government operations. The intended aim of ITMIS was to facilitate efficient planning and monitoring of government finances, enabling the MOF to oversee and manage financial operations effectively. Recent financial assistance for the cash-based standardisation project of MOF and ITMIS implementation witnessed that the World Bank employed accounting procedures to support neo-liberal ideologies (Azure, Alawattage and Lauwo, 2024). One of the leading personalities behind these reforms appreciated the role of

international donor agencies and financial institutions in successfully implementing these accounting reforms in Sri Lanka.

*“I think the World Bank is very supportive. Also, we have done the trainee’s trainer program with World Bank support. Also, under the World Bank project, we did this local government standard. The UNDP is coming a long way in providing training programs for local authorities in four provinces. Similarly, the USA is coming a long way to island training on accounting standards and IT programs. It will be a big project. We are planning to sign this MOU with US AID. This training programme will also take on public sector standards for all the provinces throughout the country. I think they anticipate a minimum of 100 participants. I would say funding agencies are beneficial....”* (Interviewee - President APFASL, April/May 2022)

The one situation in which Big4 auditors contributed to successfully implementing this accounting reform is the development of cash-based IPSAS. One of Big4s supported the development of 14 standards and a conceptual framework (SLPSAS-based). As mentioned by the officers of the SAD, they went through the government procurement procedure and selected that audit firm for the project under the competing bidding with complete transparency. Also, one of the senior positions of the NAO mentions their current intervention of Big4 auditors into the accounting and auditing profession in Sri Lanka. His statement is as follows.

*“One of our members (NAO) initiated the establishment of the ICASL here. Since that date, the public sector accounting profession has started to develop. Former Auditor Generals made a greater contribution to the development of ICASL. However, now, it has slipped away from us. The Big 4 audit firms now have got their hands on them....”* (Interviewee - Representative NAO, April/May 2022)

This statement reflected the disconnection between these critical actors in the public financial reform in Sri Lanka. In the implementation phase, the deviation or lack of connectivity among actors greatly impacted the tension and delays for accounting reforms.

#### ***3.4.4.2 Role of MOF, leadership for accounting reforms and follow-up actions.***

MOF is critical to this implementation as the “rule-setter” or “reform creator” of these accounting reforms. However, most government accountants mentioned that the MOF could not provide proper leadership to implement these accounting reforms successfully. Government accountants are working under the instructions given by the MOF to implement accrual accounting and SLPSAS. Under that, there should be clear policies, proper instructions and guidance. Most of the government accountants emphasised that there is an issue with the leadership of MOF and delays in the decisions and instructions. Some government accountants mentioned that they were not solid and straightforward even if they provided some instructions. The majority of government accountant interviewed were critical of the MOF’s role in reform implementation.

*“Treasury (MOF) only gives orders..... they are not getting our idea (ground level) before taking the decisions...” “Treasury people do not have basic knowledge” If one provincial council could do it, why could the treasury not consider that as a model for other local councils.....but the treasury did not do it. Treasury is not an organisation with a vision and is not proactive.*

*If they had a proper policy or a plan, they could have continued even though people have changed....”*

*“If we receive proper guidelines from the treasury, we can do that. “However, if we were given proper guidelines and instructions, also if we were asked clearly, we can do (order from treasury or parliament) .....” (Interviewee - Government Accountant, April/May 2022)*

Most government accountants emphasized the need for additional guidance and support from the MOF. Another critical point is the follow-up actions and feedback evaluation. That is one of the essential missing parts of this reform implementation. Currently, the accrual accounting project of the SAD is handled by an ‘Additional Director’. The MOF has failed to appoint a special team for this accrual accounting project, resulting in a lack of necessary focus and expertise for its effective execution. The project would be more likely to succeed, if a task team was formed with the authority to allocate jobs and responsibilities. On the other hand, apart from annual audits of government financial statements, NAO should conduct performance evaluation audits related to the implementation and establish adequate internal control systems (Tetteh *et al.*, 2021). Kim and Han (2015) highlighted the importance of having sufficient supporters to ensure popular oversight mechanisms outside the bureaucracy to monitor the progress of NPM reforms in public sector organisations. As mentioned by most government accountants, the successful implementation depends on the top management's leadership, especially from the Treasury (MOF). Implementing successfully requires a radical change (Liguori, 2012) with transformational leadership. Power, knowledge, and leadership are essential organisational dynamics for strengthening the change agents and influencing the successful outcome of accounting change (Liguori, 2012; Crawford, Morgan and Cordery, 2018). One of the government accountants highlighted the lack of evaluation and follow-up actions in the following statement.

*“There are no proper follow-up actions and monitoring systems. They just sent a circular.....”*



*We have a group of young people who can work on this. We do not get orders and instructions from the top (MOF) to get them to work.....”*

*“There was an officer who was very interested and active in implementing this. Even the lower-level people are encouraged by calling and getting feedback individually, giving instructions, giving training and evaluating the progress. Later, he was transferred to another division. The current position (person) does not have that interest. Now the Treasury (MOF) is silent.....”* (Interviewee - Government Accountant, April/May 2022)

The preceding statement mostly addresses concern with present leadership and extra bureaucratic issues within public administrative structures, particularly related to accidental transfers due to political factors or reasons. Several members, notably senior government accountants, strongly criticise the skills and qualifications of the divisional heads of the MOF. They raise concerns about the credentials and expertise of the higher-ranking MOF officials responsible for leading the accounting reforms. Appointments to these positions are often influenced more by political considerations within the higher bureaucracy than based on performance and qualifications, which are more aligned with market logic ideologies. To preserve the bureaucracy, state leaders usually recruit more loyal employees who are not challenging their existence. In this case, it cannot be assured that these heads are competent enough to implement externally proposed changes and take challenges and responsibilities to change the bureaucratic practices. As mentioned, a senior member from MOF made the following statement.

*“There is not at least one PhD holder in the Treasury (MOF). That is a big issue. An administrative officer or an accountant with general knowledge leads the relevant departments. No one in the treasury who have sound knowledge....”* (Interviewee - Additional Director MOF, April/May 2022)

However, the MOF's attempts to introduce simplified standard (cash-based standardisation) during the transition period have been commendable. To address existing issues and establish a functional system for implementation, the MOF collaborated with an external audit firm for a separate project. Unfortunately, the project was halted midway through as it still needs approval from the Auditor General. The MOF took these steps without a clear plan for moving forward, resulting in the temporary suspension. The responsibility for finding a solution to this issue lies with the MOF itself. It is not solely the bureaucracy accountable for the setback, as the decision-making authority rests with the MOF. If the MOF had provided the necessary guidance and groundwork to initiate and execute the project correctly, there would have been a greater chance of successfully implementing these reforms. Ultimately, the responsibility for implementation goes to the MOF based on the legislation of the country. ICASL has yet to be the legal authority to make them compulsory adoption even though they created these SLPSAS. For this reason, the MOF was notified. To make it mandatory or regularised, MOF must still take action.

#### ***3.4.4.3 Professionalization of public financial management in Sri Lanka and the unique role of ICASL***

As emphasised by Ahn and Jacobs (2019), studying professional association should focus beyond the conventional understanding and explore the nuances of professional practice, norms and connections. They further emphasised the importance of having further studies related to professionalisation in the context of globalisation or neo-liberalization. The institutional logic associated with professional accounting standards and practices influences the development of professional expertise, qualifications, and career paths for public sector accountants. This logic may lead to increased professionalisation efforts and the establishment of accounting bodies or associations to uphold the standards. Professional logic

rooted in the expertise and values of a particular professional group, such as accountants and auditors, can influence IPSAS implementation. One of the critical issues behind the delayed accounting reforms was the need for more competent accounting staff in emerging economies, particularly in terms of technical knowledge (Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023; Salato *et al.*, 2024). While professional logics emphasise technical competence, they may also prioritise maintaining professional autonomy and control over financial management processes. This can lead to resistance or reluctance to adopt IPSAS standards, especially if professionals perceive them as conflicting with their established practices or if there are concerns about increased scrutiny or accountability. In Sri Lanka, most government accountants highlighted the need for clear policy guidance from the government, and there has not been a significant impact or contribution from the MOF to the professionalisation of the government's accounting. The lack of a professional environment in the public sector has caused this to be delayed and state structures to be overexecuted. Some government accountants highlighted the limited scope of this government accountant position in Sri Lanka.

In January 2012, the Association of Public Finance Accountants of Sri Lanka (APFASL) was formed as the Public Sector Wing of ICASL, aiming to expand professional associations towards public financial management practices across Sri Lanka (Dissanayake and Dellaportas, 2024). As mentioned by the leading positions and its dedicated efforts, APFASL aims to contribute to the improvement and effectiveness of financial management within the country's public sector. The APFASL administers the public sector accounting standards committee since the chairperson of the committee and the president of the APFASL share the same individual. Since the SLPSAS board is inactive, supporting the SLPSAS implementation process is what APFASL is doing here in particular (role of APFASL), organising seminars, workshops, and capacity-building programs. As highlighted, they have

customised the training programs on SLPSAS according to the requirements of the public sector organisations. However, the story behind the establishment of APFASL could have been more attractive, and many challenges were encountered. It may be accounting or auditing; currently, they work under the ICASL's council's decisions. They have allowed all the government accountants, auditors, and income tax assessors to register in CPFA and do their exams. Government accountants can be associate members of APFASL, fellow members of APFASL or Chartered Public Finance Accountants if they satisfy the requirements specified. State Account Circular No. 264/2018 encourages government accountants to get membership in APFASL and gain the maximum benefits from the services provided by the association. Through that circular, the state allowed and urged government accountants to embrace their professional identity by becoming members of professional organisations. APFASL introduced a diploma program named “Sri Lanka Public Sector Accounting Standards for the Local Authorities”, and they are training employees on accounting standards at the local government level.

A reflection of the ICASL's role under the Public Sector wing (APFASL) from its President's perspective.

*“From the perspective of APFASL or ICASL, the public sector accepts this ‘Wing (APFASL)’ as a training arm. Public sector training programs regarding accounting standards are implemented under this. Even the UNDP is here in local authority cases because of this acceptance. However, this has not been legalised. That is the issue/barrier. While imparting that knowledge to government accountants and auditors through APFASL, this professionalisation concept should be implemented in the public sector through them. They need to be recognised professionally (they deserve professional recognition) ....”*

*“CAPA”, I am taking up these issues with them, and we highly appreciate what we are doing for the public sector.*

*That will tell us that ICASL is involved in the public sector and assists the government. This is the only country that has done this. This is a novel thing. This was my initiative.*

*We had the 5th-best annual report competition. There had been substantial improvement. Even though the number of participants is improving, quality is also improving. However, 1% of the country's public sector institutions participate in this competition. We are now introducing the competition to the provincial councils and local governments.*

*“This wing is a formal organisation although it is not a legal entity....”* (Interviewee - President APFASL, April/May 2022)

The ICASL has the authority and mandate to create accounting standards in Sri Lanka, whether for the private or public sector. This authority was granted through No 15 of the 1995 Accounting and Auditing Standards Act. However, there is a need to reconsider this mandate or issue a separate one specifically for public sector accounting standards in connection with APFASL. This would allow APFASL to exercise more authority and independence while giving SLPSAS a legal identity. Alternatively, an independent professional institute could be established for the public sector, which would help enhance the professional identity of government accountants and auditors. There are concerns about the independence of APFASL, as it operates under the decisions of the ICASL's council.

*“Either that Act needs to be changed. Otherwise, a separate chartered institute should be established for the public sector through an act with more power. This Wing is an independent body.... but still, we have issues with the legality. Have a barrier. APFASL operates like a division in ICASL. In that case, it will not be a legal entity, so there will be obstacles in certain issues....”* (Interviewee - President APFASL, April/May 2022)

While the ICASL works to enhance professional prospects in the public sector, accountants and auditors in the government believe that gaining professional qualifications does not give major financial or professional benefits. They require more power and responsibilities to exercise their professional identity, which is experienced by the government accountants within the bureaucratic structure. Even government accountants are separate from the decision-making process in most government organisations. On the other hand, having an ICA qualification has not benefitted them in the performance evaluation system. Their promotions are primarily based on having a master's degree in any field, whether in economics, sociology or another discipline. As a result, they are discouraged from pursuing professional qualifications and prefer to work as government accountants. The current leadership of the MOF has yet to have any official conversation with ICASL or APFASL regarding the available support and prospects of the continuation of proposed accounting reforms in the public sector. They expect to get support from ICASL to institutionalise the cash-based accounting standardisation project escaping the NAO. They believe they could get its approval with the support of CA Sri Lanka. Some government accountants also mentioned the current weak connection between ICASL and SAD. Most government accountants believed that the ICASL should cover the technical part. As they believed, there must be proper connection between MOF and ICASL in terms of accrualization and SLPSAS implementation. It is the responsibility of the MOF to get their service for the successful implementation of these reforms. As mentioned by the Director of SAD. It was discovered that only a limited number of government accountants are closely connected with the APFASL.

*“We tried to approve 14 cash-based standards and a framework while Mr A was the president of ICASL’s council because he was a partner of one of the Big4s, which was involved with*

*this cash-based standardisation project. However, it was not a success. Still, we did not reach out to ICASL, and we assume that they will not have any objection from their side because APFASL is already aware of this. Still, we did not ask for any help from ICASL (APFASL) on this....”* (Interviewee - Additional Director SAD, April/May 2022)

There were positive comments about their contribution to the professionalisation of public finance in Sri Lanka. As highlighted by several government accountants, since their establishment, they have been highly interested in professionalising government accountants (bringing them like chartered accountants). They are actively resolving practical issues related to SLPSAS. As mentioned by the representatives, any government organisation that needs a training program on SLPSAS are ready to conduct it. APFASL has been fully engaged with the annual report competition each year, following the same procedure as the yearly report competition organised for public companies by ICASL. They are liable to provide good feedback on their annual reports and financial statements for further improvements. The President of the APFASL mentioned his contribution to developing the public sector accounting profession in Sri Lanka. He was behind most of the public sector accounting reforms in Sri Lanka. This individual actor has over 40 years of experience in the government sector, holding senior positions in several state organisations and retiring as Director General of Public Enterprises in the MOF. Furthermore, he has been actively involved in the accounting profession, being a fellow member of ICASL in Sri Lanka. He contributed significantly to bridging the gap between state and profession as an experienced senior state servant and FCA member, particularly by establishing APFASL. With vast experience in public administration, knowing these bureaucratic structures and connections facilitated making good links with professional logic inherent within ICASL.

*“I am fully involved. Even after retirement from government service, I took this position in 2012 (president of the Public Finance Association of Accountants). Our primary task is to professionalise the public sector; provide some qualifications, formulate the public sector standards, and facilitate the implementation of these standards by capacity-building programs, and so on. Then, on behalf of the committee, we (APFASL) do the training part. We do the capacity building programs. Also, we had some assistants from London. We were trying to see if things were done. So, with personal contacts. I have been through the public sector, and I have personal contacts. I used my contacts to meet these people and ensure these circulars were issued. Wherever I go, I always promote being a member of APFA and getting the benefits. Unfortunately, that is not happening.*

*We have newsletters... we had to increase the membership, and their enthusiasm is lacking....”* (Interviewee - President APFASL, April/May 2022)

The officers stated that CAPA has evaluated their involvement in the public sector, and they were involved in development of a case study about their engagement with the public sector. The APFASL’s governing body is made up of executive members from the state and ICA/FCA members. Then, it became a powerful social actor who was influential and advocated NPM-style public sector reforms in Sri Lanka (Dissanayake and Dellaportas, 2024). However, there is a need for better awareness and recognition of their role (APFASL) within the public sector community. The following statement has been made by one of the senior government accountants.

*“The ICASL is ready to provide great support. But my problem is that our people (MOF and some government accountants) are not ready to get their service. It’s a great achievement to establish a public sector wing or APFASL. The Treasury has not made a system for us to develop our skills and knowledge by taking the service of ICASL. I do not see a good*



*interconnection between government accountants and APFASL. They are not taking the real benefits from APFASL. Only a limited number of government accountants are closely connected with the APFASL....”* (Interviewee - Government Accountant, April/May 2022)

As a part of the professionalisation of government auditing, the ICASL has expanded its service to provide professional training for government auditors. They have created an avenue even for government auditors to get professional qualifications and continually contribute to the professional development of government auditors. One of the leading personalities behind these accounting reforms in the public sector mentioned that. Further emphasis was placed on the positive support and contribution of the auditors in general for the accounting reforms in the public sector. There is a positive perception of the Auditor General's service from the ICASL perspective. There is no doubt about the legitimacy and power of APFASL, and its key founders have made significant contributions to the public sector accounting field and the broader intentions of transparency and accountability in Sri Lanka. However, it needs more acceptance among the public sector community, delivering visible benefits to individuals and organisations by maintaining a close relationship between the state and the profession to institutionalise proposed accounting reforms (Ahn and Jacobs, 2019; Dissanayake and Dellaportas, 2024).

#### ***3.4.4.4 Perception of auditing and the role of NAO in the IPSAS implementation***

As explained in the previous section, the history of public sector auditing in Sri Lanka spans several centuries, which reflects the state's long-standing commitment towards public accountability. As experienced with successful jurisdictions, the Supreme Audit Institution's (SAI)'s specific role in implementing IPSAS is crucial for successfully implementing these accounting reforms. There is significant interest in understanding the role of SAI, the National Audit Office in Sri Lanka, and its agencies, particularly in the 40 years since the

introduction of NPM ideologies (Johnsen, 2019). SAIs have expanded their roles and scope with post-NPM ideologies from traditional compliance audits to more versatile approaches, including performance audits (Nerantzidis *et al.*, 2022; Rana, Steccolini, *et al.*, 2022). Sri Lanka is continuing the Westminster model with some modifications, established with British colonisation, where an independent auditor-general operates an independent statutory body responsible to the Parliamentary Committee of Public Accounts (COPA) (Pollitt and Summa, 1997). With the introduction of public financial management reforms, several structural changes happened in the public sector auditing in Sri Lanka. This was supported by Cordery and Hay (2022), who emphasised that implementing NPM ideologies influenced the roles and responsibilities of SAI. As a result, the number of audits increased, incorporating different audit methods and some audits were outsourced while enhancing accountability. However, as highlighted by some members of the government audit, since there is no proper recognition of assets and liabilities under the modified cash system, they cannot perform a financial audit properly. On the other hand, from the point of view of MOF, they would expect more contributions from the National Audit Office to implement reforms. It is an argument regarding the actual task of the external auditor. From the government auditors' perspective, they are conducting a compliance audit, and it is beyond their role to show weakness and point out incorrect aspects of the government accounting procedures. They highlighted that it is the responsibility of the internal auditors. As mentioned by most government accountants, auditors are doing just a post-mortem as well, and there is no sound internal auditing system in public organisations. Even though the National Audit Office members mentioned that they conduct “performance audits” compatible with NPM ideologies, there is no proper evidence that they have performed adequate performance audits. One of the senior representatives from NAO mentioned that.

*“Auditors were not given proper training to conduct a management audit/ or performance-based audit. There should be a trend towards management audits. “Still, I can see that there are no people with technical knowledge among our auditors. Our audit should show good progress. We need as many audits professional as possible to enforce/challenge....”*  
(Interviewee - Representative NAO, April/May 2022)

Based on the above statement, it was clear that the government auditing procedure has been expanded. Now, they have made initiatives to perform financial, performance, and compliance audits complying with the concepts of market logic. They must conduct financial audits according to standards that fulfil the state's constitutional requirement. A strong argument from one of the senior positions in the National Audit Office mentions that they have a strong and professionally qualified audit force for government auditing. He noted that they are well qualified, trained, and professionally competent to perform a successful audit on accrual accounting and IPSAS. Even though auditors mentioned that they are doing performance-based auditing, their reports are the same as financial audits; nothing has been changed, as emphasised by the government accountants. In the performance audit, they first need to identify the performance that complies with the business or market logic. It is still questioning how and where they have identified and measured the performance of government organisations. There was no practical evidence for it. Another critical argument is that the auditors' knowledge is updated, especially the updated understanding of accounting standards and changes. As mentioned by one of the leading persons from the National Audit Office.

*“As auditors we always use the term professional judgement..... but still we have some issues with the knowledge and skills of audit examiners.... We have both accountants and auditors who are lacking with the technical knowledge..... Also, they are not encouraged to*

*develop it..... Anyway, this is a service (auditing). The knowledge and skills are different from person to person. Service is determined based on each person's skill. Hence, there are some differences.... The skill and efficiency of the head of the department determine the outcome of the department. That is common everywhere, even in the public sector. Sometimes it is also determined by the appointed Auditor General....” (Interviewee - Representative NAO, April/May 2022)*

The public does not expect auditors to comply with standards, but their role is to fulfil the general public's expectations or the public accountability. When it comes to accountability, especially performance accountability of the government institutions. As mentioned by the members, NAO has significantly contributed to developing the country's accounting profession. Another unfavourable argument regarding their agency was that auditors seek compliance rather than reforms and innovation. It may be the problem with the mandate of the government auditors. Its general opinion is that the amount of government audits contributing to reforms is minimal for public sector accounting reforms in Sri Lanka. As mentioned, one of the senior officers in NAO said they had changed their audit strategies to match the institutional changes, such as introducing training programs, trying to give new knowledge, and using an audit checklist for auditing. However, the standardisation is relatively low. They have now accepted the risk-based audit methodology in public sector organisations. The senior officer representing NAO mentioned that audit reports are based on risk-based audit methodology. As further noted by him, government auditors need more improvements since they previously followed the balance sheet audit methodology. These examples exemplify how government audit procedures were shaped by market logic plus professional logic ideologies while maintaining professional standards in audit practice.

According to Cordery and Hay (2022), the adoption of IPSAS, has led to the development of the public-sector accounting and auditing. In contrast, Sri Lanka also has provided empirical evidence from a public sector auditing perspective. Further, enacting the new audit Act in 2018 opened up some avenues for implementing accrual accounting and SLPSAS. However, the government auditors continue to use the ‘one-size-fits-all’ approach to all government organizations. In the history of the NPM, reforms in some countries have created opportunities for increased involvement of private accounting firms such as the Big 4s (Johnsen, 2019). However, Sri Lanka has not experienced the significant participation of private audit firms and maintains its bureaucratic structures. With the accounting reform ideas, NAO has taken actions to expand their service more towards the provincial level and local governments. In Sri Lanka, it provides both ways of empirical evidence in facilitating and constraining the implementation of NPM ideologies. From the NAO’s perspective, as the reform enforcer, the NAO has increased its legitimacy with several initiatives.

#### ***3.4.4.5 Professional power dynamics between institutionally embedded actors in SLPSAS implementation***

MOF, NAO, and ICASL have been identified as the main actors in implementing accrual accounting and SLPSAS in Sri Lanka. They play the agentic role as reform creators, promoters, and enforcers, adopting their capacities over time in response to the institutional pressures on accounting reforms. However, these actors hold different capacities of power, authority, interest, and responsibilities over the accounting reforms, which created the avenues for power dynamics between actors while implementing these accounting reforms. These power imbalances affect effective decisions and collaboration and shape the reform outcomes. In the Sri Lankan context, the power dynamics between institutionally embedded actors have been identified as one of the reasons for the delay in implementing these reforms.

Empirical evidence supports the idea that there is no good interconnection between these actors—especially the NAO and MOF, critical actors in this implementation process. Proper coordination and collaboration between main actors are crucial for the successful implementation of accounting reforms. How these actors interact and engage with each other under their capacity as reform agents influence, make decisions, and shapes the outcome of accounting reform implementation. As explained in the previous section, during 2020, SAD started to develop 14 cash-based accounting standards for the transition period and sent them to the Auditor's General for approval. However, the auditor general did not approve these cash-based standards since there are already public sector accounting standards (accrual basis 20 SLPSAS). This has created a conflict between these agents as “rule-setters” and “rule-enforcers”. The director of SAD mentioned that.

*“The Auditor General does not agree to approve and implement it because he says to go with that 20 SLPSAS. He says to exclude things that cannot be done. However, SLPSAS 01 need to apply the full standard with no exemptions. They do not accept the audit. The problem is that we will not get that support from the audit...”*

*“AG mentioned that “we have SLPSASs (accrual basis), we do not need new standards. Try implementing SLPSASs rather than not going to the new standards”. But this is not a valid point as I think.....”* (Interviewee - Director SAD, April/May 2022)

With the Auditor's General's objection to the cash-based SLPSAS standardisation project, the SAD has temporarily stopped adopting the project and is looking for alternative ways to implement it. They perceived a lack of support from the NAO, particularly for this cash-based SLPSAS standardisation project. As mentioned by the leading position of SAD, NAO does not provide instructions on how to implement reform or present solutions for the encountered issues properly, and they raise the issues and seek clarifications. Even though

SAD is ready to present cash-based accounting standards to the NAO, emphasising their necessity for the transition period, they are still unprepared to accept them. As mentioned by the MOF, an observer represented NAO in this cash-based SLPSAS standardisation project from the beginning. However, MOF and NAO later lacked coordination and communication regarding this project. One of the leading persons representing the SAD made the following statement.

*“Initially, AG supported this project well (was on the steering committee). They did not raise the question at the initial stage. Now, they are questioning. That is not fair. Trying to show the power. They were at the steering committee since the beginning; they did not bring that argument at the initial stage....”* (Interviewee - Additional Director SAD, April/May 2022)

Furthermore, the controversy dates back several years, beginning when the Auditor General disclaimed the government financial statements in 2017. That was a significant setback in the public sector accounting history in Sri Lanka, leading to several negative consequences for the Sri Lankan government, including the loss of credibility of public financial management in Sri Lanka. The significance of audits holds excellent relevance for Supreme Audit Institutions and the value of financial statement auditing in the public sector (Hay and Cordery, 2021). However, there are several areas where the SAI (NAO in Sri Lanka) might strengthen its value propositions to its stakeholders, particularly the MOF in Sri Lanka. One of the leading personalities behind these reforms representing ICASL highlighted the responsibility of the NAO for the successful implementation of these reforms as follows.

*“NAO, they initially were very cooperative. I do not know why NAO did not support them (to MOF). They are also in a very old model. So even though chartered accountants are there, they are partly responsible for all these matters. When they report to the parliament, they must insist and give their professional support. This is not a post-mortem; they must give*

*warnings in advance. They must insist, at least as promised within five years, on developing accrual accounting when they submit to the parliament... The parliamentarian is dependent on the Auditor General's report. So, just what they are describing is not sufficient. They also have a part and partial responsibility. This is not an audit thing. It is a revolutionary thing (accrual accounting and SLPSAS). They must have a part and partial of the responsibility...I feel. ICASL, professional bodies (including big 4s), NAO, MOF likewise, we should work together until developing these (accrual accounting and SLPSAS)...."* (Interviewee - President APFASL, April/May 2022)

The MOF, NAO, and ICASL should have a solid connection to implement these accounting reforms successfully. MOF and ICASL as reform creators or rule-setters and reform promoters need to emphasise the strong connection between these two actors. The following statement could be used to highlight the relationship between these two agents. In this process, it is clear, based on the empirical evidence, that ICASL is performing its duties significantly better than MOF. It is MOF's responsibility to act for the implementation by creating relevant infrastructures, especially the regulatory framework. ICASL had expertise in its professional logic in developing these standards, but now the implementation is beyond their control, which is why they transferred into the MOF. On the other hand, there is an issue with the independence and decision-making power of APFASL on public sector matters since it operates under the ICASL's council decisions. Also, MOF is critical in allocating resources to facilitate public financial reforms. SAD annually provides the budget for implementing this 10-year accrual accounting plan.

*"We can implement these things (reforms) and move forward with these reforms if the MOF is distributed. Throughout the implementation phase, we have built a positive relationship with the MOF. If the Ministry of Finance circulated (enacted), we will process beyond that..."* (Interviewee - Representative ICASL, April/May 2022)



The statement demonstrates the interconnection between these two entities. Further, some more arguments emphasise the disconnection between MOF and ICASL after developing these accounting standards. Even though ICASL (or APFASL) is willing to provide more service for the implementation, MOF still needs to be ready or have yet to request their support. Another critical issue is that the mandate for developing accounting standards holds the ICASL. In such a situation, how was one of the private audit firms (Big 4s) involved in creating this cash-based SLPSAS standards project? It is challenging the mandate of ICASL and the usage of the state authority of the MOF without any provisions.

*“They are the ones who are trying to maintain this monopoly in terms of accounting standards. Due to the tug of war on both sides (ICASL and MOF), the MOF finally lost. With that loss, ICASL received the authority to issue these public sector standards (SLPSASs). These SLPSASs have been issued under the ICASL symbol. However, it is related to the government sector. Nevertheless, all the weight of this is from the MOF.... They (ICASL and APFASL) are ready to support; it is our responsibility to get the service of ICASL. Already we created the path (proper channel), that is the public sector wing (APFASL), it is our responsibility to use that channel properly....”* (Interviewee - Government Accountant, April/May 2022)

Some contradictions between ICASL and NAO during this implementation process have been reported. NAO holds the more authoritative power over accounting and auditing in Sri Lanka. On the other hand, ICASL holds more knowledge power related to the accounting profession in Sri Lanka. As mentioned by the NAO perspective, they have served the accounting profession in the public sector for several decades, even before the establishment of ICASL. Further, NAO representatives mentioned that ICASL tries to perceive that they are the leader in this profession in Sri Lanka. NAO has made a significant contribution to the development

of public sector accounting and the creation of Sri Lanka Public Sector Accounting Standards while executing the relational power and continuing positive and effective connections with other actors, particularly with the formation of APFASL (Dissanayake and Dellaportas, 2024). Effective management of connections and relationships among critical actors plays a crucial role in spreading ideas and the progressive evolution of proposed accounting reforms (Dissanayake and Dellaportas, 2024). Shehadeh (2022) highlighted the active involvement and good connection of auditors (internal and external) for the successful implementation of accrual-based IPSAS in the Jordanian public sector. As Mkasiwa (2022) highlighted, proficient leadership and efficient coordination among the key actors are crucial for successfully implementing accrual accounting and SLPSAS in Sri Lanka. In implementing the accounting reforms, there may be some overlaps in power and responsibilities as well as gaps, which require coordination and collaboration under transformational leadership to advance the public sector accounting in Sri Lanka.

#### **3.4.5 Efficiency improvement with ICT logic and digitalization of public financial reporting in Sri Lanka**

The utilisation of technology transformation, including digitalisation, has played a critical role in the implementation of public financial management reforms, including emerging economies (Giulio and Vecchi, 2023; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). Numerous arguments have been put forth regarding implementing accounting systems within the public sector. CIGAS, which stands for Computerised Integrated Government Accounting System, is a financial reporting system implemented in all ministries and departments at the central government organisations. It is a cash-based accounting system developed explicitly by the MOF. It is widely used across the government for recording transactions and generating reports submitted to the MOF. A significant improvement in the CIGAS system can be seen, as mentioned by several government accountants. Attached to the

accounting reforms (accrual accounting and SLPSAS), MOF introduced an Integrated Treasury Management System (ITMIS) with financial support and direct involvement from the Asian Development Bank. This system was established as a trial version by the selected government organisations. Government employees must feed the data for both systems. ITMIS is a web-based system that is planned to be replaced with the CIGAS system. There are some different perspectives among the government accountants regarding these two systems. However, that system was not performing as expected since there were many negative comments from government accountants about the ITMIS system. One of the senior government accountants made the following statement.

*“CIGAS has been expanded to record government assets. Also, the payroll system has been integrated into CIGAS. If we can enhance/develop CIGAS, we can continue our operations smoothly (perfectly fine with CIGAS). ITMIS is not performing as well as expected; it is not an online platform. We cannot solve the problems so quickly. I learnt that this ITMIS was developed in another country, and later, we purchased and customised... It was a Treasury decision (MOF). We expect that the Treasury will decide to cease it soon. It is better to develop CIGAS. All the activities that we expected (planned) to do in ITMIS could be done through the CIGAS system. Now we are at the peak of CIGAS.... We do normal activities in CIGAS. We repeat the same thing in ITMIS. We do the same thing in two systems. For the same activity, we spend more time and money. From this incident, you can imagine how our public management works...”* (Interviewee - Government Accountant, April/May 2022)

There are comments on the procedure related to the purchase of the ITMIS system as well. Even today, the government must pay millions of rupees to maintain the ITMIS system. The government could still not benefit from the ITMIS system since accrual accounting and IPSAS still needed to be implemented. The government does not have administrative power

over the ITMIS system because the source code is still with the supplier. There is a potential risk to the government's data security. The below table shows the estimated cost for the ITMIS.

**Table 3.2 Budgeted ITMIS expenses**

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cost (\$ Million)	4.03	9.45	8.08	1.14	2.51	1.25	1.25	1.25	1.25	1.25

\*Includes cost of ITMIS License, Database License, Application Server License, Customization, Implementation and Training Charges, annual technical support and IT Infrastructure cost.

Source: Asian Development Bank estimates (2020, p. 44).

One of the senior government accountants made the following statement.

*“I do not know if ITMIS is someone’s deal or.... I firmly believe there was no feasibility study behind the ITMIS purchase.... It is better to develop CIGAS because I do not have a good perception of ITMIS.*

*That differs from a system developed for us (in Sri Lanka). To maintain ITMIS, we need to spend much money annually. Our country can endure a small amount of the cost. We have a lot of technical issues at the end of the month or the end of the year...”* (Interviewee - Government Accountant, April/May 2022)

This ITMIS system was transplanted to Sri Lanka with the influence of donor agencies, who provided financial assistance and guidance. However, the country could only implement the system partially within the initially planned period. Therefore, MOF is continuing the original pilot project in selected government organisations. On the other hand, there are some issues regarding managing the CIGAS system in the MOF, as mentioned by several government

accountants. As they said, two or three people handled it, which was highly personalised. One of the government accountants mentioned the following statement.

*“The CIGAS system is handled by two or three people in the SAD. It is highly personalised, and they are trying to maintain authority. They have created an unnecessary power.....”*

(Interviewee - Government Accountant, April/May 2022)

There is no practical evidence exists regarding any government organisation creating final accounts using CIGAS. Still, there is doubt that it can be used in CIGAS for accrual accounting. Some developments for the double entry system can be seen. Some modifications have been made to the CIGAS system. As I understand it, 95% have adopted these changes. In many audits reports and audit queries have observed many technical errors in the CIGAS system. CIGAS is a program built on the concept of having accounts based on cash, and technically speaking, it is a very backward program, as mentioned by some technical experts. As noted by many government accountants, it is the number one tool in terms of determination and interest of the officials who implement it. However, more is needed to go to accrual accounting and SLPSAS implementation. They argued that ITMIS is there technically as a developed program rather than a CIGAS program. However, there is still a question regarding this system's financial worthiness. Still, the government strongly needs a good IT solution for this implementation with the application of digital technology.

Findings pertaining to the adoption and implementation of accrual accounting and IPSAS within the central government level has been influenced by the various logics, that impacted to the roles and agency of these actors has been framed by different logics. It was observed several logics made the significant impact implementation of these proposed reforms at the central government level. As indicated by the previous researchers, the implementation has been delayed due to various logics primarily attributed to the limitations of agency of actors

(Adhikari, Kuruppu and Matilal, 2013; Yapa and Ukwatte, 2015; Adhikari *et al.*, 2021). Basically, the interplay between state-bureaucratic logic, and political logics has been identified as the primary caused for the delays in this implementation process despite the support given by the ICASL. Notably, the NAO brought the extra-tension with its bureaucracy particularly for the cash-based standards project initiated by the MOF. Drawing from the neo-institutional theory, delays can be attributed to the multiple logics appeared within the institutional environment. The bureaucratic inertia exhibited by the NAO and MOF, created the power dynamic resulted extra tension that impede the implementation of proposed accounting reforms at the central government level in Sri Lanka.

### **3.5 Discussion**

#### **3.5.1 Analysis of the delays, tensions and unintended consequences of accounting reform implementation.**

In recent years, with the adaptation of international standards and other practices, public-sector accounting and auditing have also developed in countries worldwide (Cordery and Hay, 2022). These institutional logics emphasise the agency of individual and organisational actors and highlight the interactions among key actors (Thornton *et al.*, 2012). The findings of this research reveal how actors and institutions are working towards implementing accrual-based IPSAS in the central governments of Sri Lanka, as well as the logic encountered in shaping the agency of the actors involved in this process. To answer the research questions of this study, the diverse logic and interplay of this logic in the implementation of SLPSAS in Sri Lanka were explored. There were multiple logics; sometimes, these multiple logics competed in this implementation; however, because of these numerous and competing logics, the SLPSAS implementation by the central government of Sri Lanka was delayed and created unintended consequences (Yapa and Ukwatte, 2015; Adhikari *et al.*, 2021; Polzer *et al.*,

2023). Unsurprisingly, these accounting reforms were transplanted under the coercive pressures associated with the loans and grants offered by international financial institutions. However, these donor agencies remain attentive to ensuring the implementation of reforms and believe in propagating numerous claimed benefits, including eradicating corruption and promoting informed decision-making (Jayasinghe *et al.*, 2021). As a developing country, Sri Lanka needs accrual accounting and SLPSAS to foster enhanced transparency within the public sector due to the country's reliance on loans and grants. Despite the accrual accounting ten-year plan receiving cabinet approval in the Sri Lankan context, the SPLSAS did not have a legal identity as it fell outside the scope of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. It has created tension and conflicting thoughts among the actors.

The organisational field of the country's public financial management is mainly handled by the Treasury (MOF) and the country's supreme audit institution (NAO) under the state logic. These institutions operate based on rules, values, and fundamental beliefs inherited from the country's colonial legacy. The accounting capacity of the public sector, particularly the skills and capabilities of the public sector accountants, can influence the readiness to adopt accrual accounting in public sector organisations (Thanh Hoai and Nguyen, 2023). This has been experienced in the Sri Lankan public sector, especially with the MOF's ineffective leadership and the government accountants' lack of capacity (Nakmahachalasint and Narktabtee, 2019). As experienced in successfully implemented countries, this transition from cash to accrual accounting requires more skills and commitment to implement the change (Thanh Hoai and Nguyen, 2023). Professional knowledge is significant for accounting change (Antipova and Bourmistrov, 2013; Thanh Hoai and Nguyen, 2023). Enhanced behavioural and psychological preparedness among individual actors, particularly government accountants, often needing more in many developing countries, including Sri Lanka, is essential for promoting

accounting competence (Thanh Hoai and Nguyen, 2023). On the other hand, the lack of adequate training on accounting change, especially among middle managers, creates resistance and inertia (Graves, Blackman and O'Donnell, 2021). In contrast, government accountants in Sri Lanka have been granted more training opportunities through various training arms established within the government structure and external knowledge providers, especially the APFASL. Within this state bureaucratic structure, finding a strong leader is challenging since they are under the control of state rules, norms, and practices. Making independent and strong decisions within a shorter period is difficult since they need to follow these institutional structures. Leaders can allocate funds, adopt ICT, and utilise human resources (Graves, Blackman and O'Donnell, 2021; Thanh Hoai and Nguyen, 2023). It requires leaders with exceptional qualities to build adequate knowledge, skills and abilities to promote accounting change and motivate their subordinates. The higher the leadership quality, the greater the possibility of accounting change (Dissanayake, Dellaportas and Yapa, 2020; Thanh Hoai and Nguyen, 2023).

As highlighted by some scholars, the relationship between adopting IFRS and IPSAS (Sellami and Gafsi, 2019). This argument was expanded by Doorgakunt et al. (2022). However, this has not been confirmed in the Sri Lankan context. Since 2002, ICASL has had good leadership and professional associations for successfully implementing IFRS. Conversely, that professional association needed to be more sufficient to implement IPSAS in Sri Lanka. The country's effective implementation of IFRS and IAS does not add value to the implementation of IPSAS. That is the matter with the leadership and the capacity, and that is what APFASL is trying to transplant into the public sector in Sri Lanka. The prioritising of professional development of public sector accountants is essential for realising technological advancements in efficiency logic. Further, Schuler, Grossi and Fuchs (2023) highlighted that successful accounting reform implementation requires adequate human and technical socio-



material capacity, which the Sri Lankan public sector lacks now. From a technological perspective, the country's choice of an 'integrated financial management information system', ITMIS, was not the institution's optimum decision. Still, few global players supply fully-fledged IFMIS to handle all the IPSAS requirements. In practice, these systems are too expensive for developing countries, including Sri Lanka, which is currently experiencing financial constraints. Not only from an economic perspective but also from a technical and knowledge perspective because it requires skilled operations. Since this ITMIS is quite sophisticated, it is going through many issues that must be addressed. Accounting change would be a change of the institutional arrangement, so it requires the change/replacement of one logic from another dominant logic (maybe emerge of competing institutional logic) (Jones, Livne-Tarandach and Balachandra, 2010). The tension, differentiation, or incomplete integration of existing logic has been reflected through the actors. MOF's effort to use new accounting changes does not fit the country's existing institutional structure (incompatible with the existing logics).

### **3.5.2 Analysis of the influence of multiple institutional logics in shaping the actors' role in IPSAS implementation**

This section is reserved for the discussion related to the underlying logic behind this tension of delayed implementation of accrual accounting and SLPSAS at the central government of Sri Lanka. These accounting reforms were institutionalised under the ideologies of New Public Management (NPM), complying with business logic to create a business-like public sector with the blessing of donor agencies (Adhikari, Kuruppu and Matilal, 2013; Jayasinghe *et al.*, 2021). In connection with the institutionally embedded actors, diverse logics stimulate and constrain the proposed accounting reforms. This study delineated that state, market and profession are the three identified logics that stimulated and constrained the central

government's accrual accounting and SLPSAS implementation in Sri Lanka (Thornton *et al.*, 2012). MOF and NAO operate under state rules and regulations, and ICASL is mainly responsible for maintaining the accounting standards of Sri Lanka's accounting profession. Empirical evidence witnessed the delay of accounting reform implementation in both accrual accounting and SLPSAS. The previous section discussed, in general, the reasons for the delay in the proposed accounting reforms in Sri Lanka. This section will thoroughly examine the logic behind these identified reasons, which created tension and unintended consequences for the reform implementation in Sri Lanka.

### ***3.5.2.1 State/bureaucratic logic***

MOF and NAO are the main actors directly involved as reform craters and enforcers under the state logic. This section thoroughly explains how integrating state orders with other logic advocates and legitimizes the accounting reforms (Thornton *et al.*, 2012). Major drawbacks arose from the country's bureaucratic structure in this implementation process. Those traditions mainly deal with some actors' colonial structure and higher power when exercising their agency. The MOF has especially blended with the ingrained bureaucratic logic of the NAO historically received through the parliament and constitutional provisions (Thornton *et al.*, 2012). In Sri Lanka, with the colonial structures, bureaucratic logic was dominant. It continued until the end of the 1980s, until it introduced the market logic under NPM ideologies to privatize public entities. On the other hand, donor agencies promoted market logic to the public sector and loan conditions during the early 1990s (Jayasinghe *et al.*, 2021). Due to the traditional bureaucratic structure, conflict of interest could be found with the cash budget system under the state logic and the accrual accounting concept under the business logic. Bureaucratic logic emphasises compliance with rules, regulations and hierarchical structures within the public sector because of the parliamentary control. MOF was unable to establish the regulatory framework for these accounting reforms since it still followed the

bureaucratic structures that served for the continuation of the state. Before implementing these reforms, structural changes in the legal and regulatory systems that favour the business-like public sector should be made. Still, the government organisations have not been pressured by state logic (especially from the NAO) since the legal background for these reforms have yet to be established for implementation. The public sector in Sri Lanka has an “ingrained” culture, which makes it even more challenging to change, like in Mauritius, as explained by Lukea Bhiwajee and Garavan (2016), especially with solid public administrative procedures inherited from colonisation.

Kim and Han (2015) argued that in Korea, the bureaucracy had been empowered rather than drained during the process of reform, which was similar to the Sri Lankan context. In the Sri Lankan context, the state or politicians can shape government employees according to their interests. As a result, the role of government accountants and auditors has been more limited in their capacity to perform effectively, affecting their professionalisation efforts (Ahn and Jacobs, 2019). Especially the effort made by ICASL, through the establishment of APFASL, has yet to be legitimised by most government accountants due to the dominance of traditional public administration in Sri Lanka. In line with the empirical findings, an interesting theme that emerged in Sri Lanka with existing bureaucracy is the “preference” or willingness of government employees, particularly government accountants, to continue it and the desire to maintain it. They are trying to execute their habitual agency and do not make any effort to paradox existing structures and take actions to implement these accounting reforms (Bhiwajee and Garavan, 2016). Even though they have been allowed to adopt voluntarily, they are not vigilant for the implementation and continue their regular duties with these bureaucratic structures. It demonstrates the lack of sense of government employees advocating the market logic ideologies within the state bureaucratic structures. On the other hand, a legal structure has not been created to facilitate the incorporation of these market

logics into government organisations since there is no legal identity for SLPSAS in Sri Lanka.

According to the MOF's perspective, NAO unmistakably dominates in this implementation of SLPSAS in Sri Lanka. Aquino and Batley (2022) experienced a solid obstacle to changing the public financial management background. In Sri Lanka, there were certain obstacles to the changes in the existing reporting structure of the public sector. A similar situation exists in the lack of support from the supreme audit institution as the rule enforcer for the changes made by the MOF while showing the professional power dynamics (de Aquino *et al.*, 2020). The proposed changes by the MOF (e.g., cash-based standardisation as a transition) were not approved by the Auditor General and were grounded in constitutional provisions. The implementation of cash-based standards proposed by the MOF for the transition period was not approved by the Auditor General on two grounds: first, the MOF does not have the authority to create accounting standards as well, and since SLPSAS has already been adopted, there is no need to have any more accounting standards for the public sector. They have had a good hand in the country's public financial reforms and have been a significant part of them since its inception. However, at the final stage, as mentioned by the MOF, they withdrew from the battle as a responsible contributor to the reforms.

The debate between the Ministry of Finance (MOF) and the National Audit Office (NAO) regarding the cash-based SLPSAS case can be interpreted as two versions of state-bureaucratic logic that exercises a power dynamic between these actors. Political interests and agendas govern MOF, while NAO operates based on bureaucratic logic and professional principles. Conflicts have arisen because of differences in perspectives, authority, and accountability in implementing the accounting reforms. Conflict between MOF and ICASL (mix of market and professional logic) has arisen due to the market-orientated reforms and

professional standards (business and professional logic). In the Sri Lankan case, the lack of enforcement by the Treasury (State Accounts Department) necessitates obtaining more services from the enforcement agent (specifically APFASL) rather than organising or independently carrying out tasks to implement their plans or report regulations without support from the enforcement agents. Like Brazil, the Ministry of Finance (MOF)/Treasury in Sri Lanka has no constitutional mandate to regulate the accrual-based IPSAS (International et al.). However, the dominant state logic has prevented the full integration of business and professional logic into the country's public financial management. Conflicts arise between ICASL, representing market and professional logic, and the National Audit Office (NAO), representing bureaucratic and professional logic. These conflicts stem from differences in priorities, approaches, and accountability expectations regarding implementing these reforms, as members from both organisations serve on the board of APFASL and the public sector accounting standards committee. There must be a cultural transformation and transformative leaders for these public sector organisations, which should be beyond the dominant state logic. It was observed that the bureaucratic logic is endorsed by the state actors, particularly MOF and NAO, making evidence of the co-existence of competing logic. Still, public sector accounting remains highly affected by the state's bureaucratic logic.

### ***3.5.2.2 Business/Market logic***

At the institutional level, the market logic was dominant for introducing public financial management reforms towards developing countries due to the influence of donor agencies like the World Bank and international accounting bodies like IFAC targeting the increasing efficiency and effectiveness of public financial management in these developing countries (Adhikari, Kuruppu and Matilal, 2013; Jayasinghe *et al.*, 2021). The primary reasons behind this adoption of market logic ideologies were to enhance the efficiency and effectiveness of

the public sector organisations and reduce the state's burden in maintaining the loss-making government institutions. In parallel to the post-Covid economic crisis, the government had to re-think these public financial management reforms to enhance the government's efficiency with the increased demand for transparency and accountability. The emergence of market logic in the public sector goes back to 1977 when the country introduced its open economy policy, which revolutionised its socio-economic and political contexts. Under the structural adjustment programs (SAP) speculated by the donor agencies, privatisation and other significant reforms were transplanted to the public sector of developing countries, encouraging business logic. During the post-COVID economic crisis in Sri Lanka, the IMF recommended revolutionising the Sri Lankan public sector, which was imposed as a condition of the IMF bailout. Hence, these logics from the international level still impact the implementation of these accounting reforms in most developing countries, including Sri Lanka. As they believe the quality of the public financial reporting has been attached to the loans and funding, these developing countries must undergo these isomorphism pressures to accept and implement these so-called best practices. On the other hand, as a member of international accounting bodies such as IFAC, ICASL has been pressured to implement these global best practices for the local public sector institutions through ICASL's intervention.

During the 2015-2019 regime, the appointed government implemented structural changes to the constitution of Sri Lanka, particularly the 19<sup>th</sup> Amendment. These changes created more avenues to exercise market logic, primarily by establishing independent commissions, including the Audit Service Commission. In 2018, the National Audit Act (No. 19 of 2018) was passed, which created avenues for the implementation of reforms. Finance ministers at that period were more vigilant and supported in implementing reforms, especially in granting the cabinet ministers' approval for the accrual accounting ten-year project. The ministers also

approved the cabinet's cash-based standardisation project. As explained in the previous section, implementing market logic ideas within state bureaucratic structures creates tension among actors due to conflict of interest. The central government still uses the cash budget system with the current constitutional arrangement of state logic. Hence, there are conflicts between the traditional cash budget under the state logic and accrual-based accounting standards under the business logic. The cash budgeting is not compatible with the requirements of the SLPSAS and creates a challenging environment for complying with the accrual-based SLPSAS. These conflicted logics created a delay in the implementation of SLPSAS. Still, the government needs to control the public sector organisations for the betterment of the citizens (Mzenzi and Gaspar, 2022). However, market logic is required to enhance public sector organisations' effectiveness, efficiency, and performance.

### ***3.5.2.3 Professional logic***

As the enforcement agent of these reforms (creator and promoter), 'the public sector wing' or the APFASL of ICASL in this implementation of SLPSAS is playing an institutionalised role (Dissanayake and Dellaportas, 2024). However, the institutionalisation of the APFASL among the public sector community is still sluggish since most government accountants do not benefit from the APFAS as they initially planned or achieved its objectives. On the other hand, the professionalisation effort of APFASL, the government (MOF) and the majority of government accountants do not accept the professionalisation effort of APFASL. There may be higher bureaucracy, and having professional qualifications does not bring any visible benefits for them. They are not encouraged to take professional training and qualifications offered by ICASL. The professional logic exercised by the ICASL through the professional expertise and knowledge of the members, as well as resources possessed by the institute, is still evolving slowly in the public sector in Sri Lanka. Even though they established a separate wing, it does not have direct enforcement authority since it depends on the

leadership. State Accounts Department or Treasury: How closely are these actors working with the ICASL or APFASL since it relies on the leadership of the Treasury? Also, APFASL is constrained by funding and resources when working in the public sector. In most cases, they need to depend on the funding organisations. The APFASL is making an effort to bring professional logic to public financial management quite significantly compared with the other countries in the region (Rajib et al., 2019; Dissanayake and Dellaportas, 2024). In comparison to other developing countries, the ICASL's professional association facilitates the implementation of the SLPSAS. However, the MOF is not prepared to lend a hand in ensuring the successful implementation.

The effort of MOF to incorporate business and professional logic through the service of one of the Big 4 for the implementation of accounting reforms was not accepted by the NAO. Still, the state/bureaucracy is dominant, which creates tension and delays the implementation of accrual accounting and SLPSAS in Sri Lanka. Also, the lack of professional behaviour and the knowledge gap of government accountants (they are not ready to accept the professional logic/professional flavour brought by the CA Sri Lanka via APFASL) have yet to be institutionalised among the government accountants. The current efforts made through the computerised systems to exercise the efficiency logic (business logic + professional logic) through new ITMIS systems still need to be improved and need a more durable solution based on digitalisation for public financial management. However, state organisations can maintain logic through the existing CIGARS system. Embracing technological logic (technology adaptation and digitalisation) clashes with bureaucratic logic. Because they are more resistant to change and favour traditional procedures and approaches by the senior government officers, and they still rely on the CIGAS accounting system. They need to consider the most sophisticated, reasonable, and user-friendly software for accounting purposes (which these reforms can quickly implement). It supports maintaining the state logic



rather than bringing a more efficient perspective for public financial management. Since the state is still under bureaucratic structures, there is little potential for the state to adopt more sophisticated technological innovations. Significant efforts are still needed to enhance the legitimacy among government accountants to achieve the objectives and legitimacy through establishing APFASL, as highlighted (Kim and Han, 2015).

#### ***3.5.2.4 Emerging of Hybrid Logics of embedded actors***

Careful examination of the institutional logics of embedded actors has created a certain level of hybridity in these logics. While this study's findings identified three dominant institutional logics—state bureaucracy, market/business, and professional logics—their manifestation through various embedded agents is more complex than initially presented. The NAO, for instance, predominantly operates within state bureaucratic logic as evidenced by its hierarchical structure, procedural orientation, and constitutional authority within public financial management in Sri Lanka. However, it simultaneously embodies significant elements of professional logic through its technical expertise, peer-review processes, and commitment towards public sector accounting and auditing. This has created a hybridized logic combining bureaucratic and professional elements that shapes the NAO's role as an embedded agent in accounting reforms in Sri Lanka. Similarly, the ICASL primarily operates within professional logic in private sector accounting in Sri Lanka, as demonstrated by its emphasis on technical expertise, professional certification, and standard-setting authority. Yet it also incorporates elements of market logic through its competitive examination structures and commercial training programs, as well as bureaucratic logic in its regulatory functions. This hybrid positioning enables the ICASL to function effectively as an institutional entrepreneur at the intersection of multiple institutional domains in Sri Lanka.

The MOF represents perhaps the most complex case of institutional logic hybridization. The MOF is primarily anchored in state bureaucratic logic through its hierarchical structure and legal authority. With NPM ideologies, it increasingly incorporates market/managerial logic (as seen in its emphasis on efficiency and performance metrics) while also drawing on elements of professional logic when engaging with accounting reforms such as accrual accounting and IPSAS. This multi-logical positioning explains the MOF's sometimes contradictory approaches to IPSAS implementation—simultaneously promoting both compliance-based implementation (reflecting bureaucratic logic) and performance enhancement (reflecting managerial logic). This more nuanced understanding of institutional logics and the role of embedded actors as overlapping rather than discrete reveals that embedded agents derive their change agency precisely from their ability to operate at the intersection of multiple logics. Their effectiveness stems not from representing a single pure logic but from their capacity to translate between logics, creating legitimacy across institutional domains. By recognizing the hybrid nature of institutional logics in the practice of PFM, we gain deeper insight into how embedded agents navigate institutional complexity in driving accounting reforms in Sri Lanka's public sector.

#### ***3.5.2.5 The embedded agency in IPSAS implementation in Sri Lanka***

The concept of embedded agency refers to how an agent's actions and beliefs are not independent of its environment, but rather deeply intertwined with and shaped by its surroundings (DiMaggio and Powell, 1991; Friedland and Alford, 1991). In this IPSAS implementation, the role and agency of actors were similarly embedded within the institutional environment. This embedding has delayed implementation and created unintended consequences due to the constrained nature of these key agents. This study's findings reveal that embedded agents in the IPSAS implementation navigate institutional constraints through three distinct mechanisms, each supported by specific empirical evidence.

First, interview data shows that key actors engage in "positional leveraging," where they strategically use their formal positions while working around institutional constraints, particularly legal/constitutional provisions and resource limitations (Adhikari et al., 2021). The deliberate efforts of certain Treasury officers and their statements make this particularly clear. Meanwhile, the role of ICASL (APFASL) focused on enhancing transparency and accountability in public financial reporting, rather than challenging the state bureaucracy in Sri Lanka's public financial management system.

As explained in the previous section, the second mechanism reveals a process of "logic hybridization" where embedded agents combine elements from multiple institutional logics to create space for change for the successful implementation of IPSAS. The empirical evidence from this study shows embedded agents transcending the constraints of their institutional positioning by bridging multiple logics. For example, the Ministry of Finance introduced a cash-based standardization project during the transition period, providing a hybrid approach to IPSAS implementation. Additionally, the National Audit Office (NAO) passed the Audit Act, creating more avenues for the successful implementation of SLPSAS while paradoxically maintaining elements of embeddedness. Further evidence of this hybridization can be seen in recent efforts by the ICASL (especially the president of APFASL) to pass a new Public Financial Management Act in Sri Lanka.

Third, some embedded actors like the NAO employed strategic demonstration tactics by creating their own set of financial statements applying SLPSAS principles. This approach demonstrated practical possibilities for successful IPSAS implementation and showed a path forward for other government organizations. Progressive implementation of accrual elements and SLPSAS was observed across some government entities, highlighting the efforts of individual agents to effect institutional change despite existing constraints. These findings

significantly advance institutional theory by demonstrating that embedded agency operates not through dramatic institutional disruption but through subtle processes that navigate existing constraints. Yet despite structural constraints on agency, the situation created opportunities for institutional entrepreneurs—as seen with ICASL, which acted as an institutional entrepreneur in this IPSAS implementation.

### **3.5.3 Analysis of the influence of professional power dynamics on the reform implementation**

Next, the paper discusses power disparities between embedded actors representing multiple institutional logics in this IPSAS implementation. The presence of the National Audit Office (NAO) in public sector accounting standardisation can be described as a symbol, representing its substantial influence and prominence. The authority and legitimacy of the supreme audit institution in the decision-making process of implementing IPSAS limits the MOF's initiatives and the promotions of the ICASL. Abras and Jayasinghe (2023) highlighted the importance of professional logic in the Islamic accounting standardisation project because of the influence of religious logic and community logic. In this case, the importance of professional logic can also challenge the NAO since government accountants will be vital. However, the interaction and power struggle between different stakeholders (power relations, interests, and conflicts in shaping accounting reforms) is significant at the level of the central government of Sri Lanka. Actors demonstrate agency as they interpret and navigate the connection between the normative expectations of an institutional logic and the specific organisational context in which they operate. Some government organisations could easily exercise these reforms because of these normative expectations, while others could not. Instead of the ICASL solely performing a gatekeeping role in this implementation, the establishment of APFASL (which I consider an outstanding achievement) distributes power to

a certain extent among government accountants. It also brings the potential to exercise the professional power the ICASL possesses towards the state through government accountants and auditors.

A clear demonstration of power struggles emerged firstly between the NAO and the ICASL during the second phase of the standard-setting process in 2012, when the ICASL established the Public Sector Accounting Standards Committee under its public sector wing to develop Sri Lankan versions of IPSAS. At the initial stage, leadership for the standard-setting process was given to the Auditor General. While ICASL claimed professional authority in standard-setting, the MOF asserted its bureaucratic dominance by insisting on introducing 15 cash-based standards and a conceptual framework for the interim period, exceeding the constitutional authority of ICASL for setting accounting standards. The actions taken by the NAO demonstrated how the MOF's bureaucratic power effectively constrained professional authority in standard-setting. Another illustrative example occurred in 2016 when the NAO attempted to enforce compliance by issuing qualified audit opinions for government financial statements failing to implement accrual accounting practices. The MOF countered by citing resource constraints and operational realities, effectively neutralizing the NAO's enforcement mechanisms. This resulted in a standoff where audit findings noted non-compliance but carried limited practical consequences, revealing how the MOF's control over resource allocation undermined the NAO's oversight authority. The specific case of qualified audit opinions on government financial statements yet continuing with minimal accrual implementation demonstrates this power imbalance in practice, especially between two bureaucratic authorities.

Power dynamics also emerged in capacity-building initiatives organized by the APFASL. Since these initiatives are more connected with business and professional logics, the blessings

of the MOF and interest of government accountants were somewhat lacking compared to expectations. Government accountants had hoped to attain chartered accountant status through an exception program introduced by APFASL, showing another dimension of professional standing in these power dynamics. The introduction of the Public Finance Management Bill in 2024 further demonstrated these power dynamics in legislative form. ICASL and NAO advocated for strict compliance provisions and made initiatives for IPSAS implementation by including provisions in the PFM bill that would exceed the MOF's bureaucracy and powers in PFM in Sri Lanka. These concrete examples demonstrate that beyond formal authority and theoretical influence, the practical adaptation of IPSAS in Sri Lanka was fundamentally shaped by ongoing power contests among key institutional actors, with bureaucratic authority often prevailing over professional expertise despite the inherently technical nature of accounting reforms.

#### **3.5.4 Potentials of implementation of accrual accounting and SLPSAS with emerging logics**

With state bureaucratic logic, government institutions operate under a tight regulatory framework that must be amended first to welcome business and more professional perspectives to implement SLPSAS successfully. Adoption without a rigorous legal enforcement mechanism does not add value to the quality and may not continue the reforms (Doorgakunt *et al.*, 2022). Then, a proper enforcement mechanism may be required under the guidance of APFASL (with the professional association) (Boolaky and Soobaroyen, 2017; Boolaky Doorgakunt *et al.*, 2022). As highlighted by Schuler, Grossi and Fuchs (2023), achieving successful accounting change or reform implementation requires a simultaneous emphasis on both education and technological advancement. This means that incorporating more business and professional logic becomes imperative for the successful implementation

of reforms. Additional understanding is required regarding the contribution of public sector accounting education in supporting public-sector organisations in navigating reforms and addressing global challenges (Heiling *et al.*, 2023). Another essential mechanism would be the governance quality, as experienced by the successfully implemented countries, experiencing a higher level of governance quality (the level of the capacity of the government to establish and enforce the policies).

The influence of cultural norms, beliefs, values and practices as indigenous accounting practices in most developing countries is significant for successfully implementing these developed accounting reforms (Jayasinghe *et al.*, 2021). The ICT and digitalisation logic have impacted information quality and the adoption and implementation of accounting reform since it has revolutionised public entities (Cuadrado-Ballesteros, Bisogno and Vaia, 2022). Adaptation of the e-government environment (use of adequate technology for government functions) focusing on integrity and information quality. Hence, there is the assumption that the implementation of IPSAS is highly linked with the country's level of e-government (or with e-government initiatives). As Manoharan, Melitski and Holzer (2023) mentioned, the level of digital government is lower in non-OECD countries, especially developing countries like Sri Lanka. Hence, adequate technologies should be combined with accounting systems when implementing accounting reforms (supporting the e-government strategies and plans) (Cuadrado-Ballesteros *et al.*, 2022). Also, these accounting reforms (especially accrual accounting and IPSAS) stimulate the e-government initiatives more than the accounting system. These public organisations have always been compelled to transform digitally, especially with the COVID-19 pandemic (Capo, D'Agostino and Torrisi, 2022) (to comply with the reform requirements). Scholars have argued that the potential of digital transformation can play a moderating role in public sector organisations (Thanh Hoai and Nguyen, 2023). However, this digital transformation in the public sector could be faster, but it

is still lagging and needs more improvements. Help to improve the operating process and optimise the resources entrusted; this digital transformation must become more prevalent in the Sri Lankan public sector (Jonathan *et al.*, 2021). Using digital technologies, big data, and social media, including AI and blockchain, is crucial for public administration and wise governments today (Heiling, 2020; Cohen and Karatzimas, 2022). Implementing modern public management reforms with digital enablement enhances transparency, accountability, and openness. It also accelerates innovative accounting and budgeting practices while encouraging citizen engagement (Lino, Azevedo and Belote, 2023; Thanh Hoai and Nguyen, 2023).

### **3.6 Conclusions, limitations and future research**

This paper investigated the micro (individual and organisational actors' identity and beliefs) and macro factors (socio-political, cultural) related to the existing and emerging logic behind the delays and unintended consequences in implementing accounting reforms in Sri Lanka. This study provides valuable insights into the institutional logic perspective by demonstrating the role of agents and the agentic interplay (Thornton *et al.*, 2012). In this study, we constructed the theoretical framework based on the institutional level, organisational field level, and individual logic behind the reform implementation. The implementation process of accrual accounting and SLPSAS was engaged with the three main actors, and existing and emerging logic reshaped the role and agency of these embedded actors. This constructed framework provides a better understanding of the current adoption and implementation of SLPSAS (current condition) in developing countries. State bureaucracy, market and professional logic were the main three logics that shaped the agency of embedded actors in implementing accounting reforms in Sri Lanka (Thornton *et al.*, 2012; Jayasinghe *et al.*, 2021). However, the reforms were transplanted to comply with the market logic to create a business-like public sector in developing countries; state bureaucracy stood firmly throughout



this reform implementation and created resistance and tension among actors (Adhikari *et al.*, 2021; Polzer *et al.*, 2023). Regarding the organisational field level logic, especially the role and influence of the professional association of ICASL through the Public Sector Wing (APFASL) was significant compared with other developing countries (Rajib *et al.*, 2019; Dissanayake and Dellaportas, 2024), the vital contribution of the National Audit Office and coordination between MOF. Hence, the dominant institutional logic is evident in implementing SLPSAS, both state and professional, in Sri Lanka. Still, state logic acts against professional logic and market logic and competes in the implementation process. It can be noticed in this case study that state logic is deeply rooted in the implementation of SLPSAS in Sri Lanka.

Overall, we observed the transition from state bureaucracy to market ideologies, mainly with the influence of donor agencies and then the adoption of public-sector reforms. Then, the changes in state actors' beliefs and attitudes have contributed to the emergence of market-led practices in the public sector. We argued that accrual accounting and SLPSAS adoption were one of the first macro-level attempts to transform public sector organisations from a purely bureaucratic logic to the co-existence of bureaucratic and market logic (Thornton *et al.*, 2012). Subsequently, professional logics were incorporated into the accounting reforms through the involvement of the Institute of Chartered Accountants of Sri Lanka (ICASL), which international financial institutions were compelled to do so. The lack of resources, primarily technical accounting skills among government accountants, was higher at the individual level. The surroundings and willingness to acquire this enhanced technical knowledge of accounting change were unsupportive.

This paper contributes broadly to the literature on the role and power dynamics of the institutionally embedded actors in the process of implementation of IPSAS at the central

government level (Jayasinghe *et al.*, 2021; Abras and Jayasinghe, 2023; Adhikari and Jayasinghe, 2017). First, this research advanced our knowledge of the drivers through which multiple logics made unintended consequences and delays in implementing SLPSAS at the central government level. I thus disentangled the interplay of the actors in the field, at the organisational and individual levels, and explained how and why these different logics created delays and unintended consequences. Second, the findings of this study contribute to a more nuanced interpretation of the institutional complexity that arises in the context of competing/multiple logics in this IPSAS implementation process (Conrath-Hargreaves and Wüstemann, 2019; Jayasinghe *et al.*, 2021; Aquino and Batley, 2022; Abras and Jayasinghe, 2023). These logics (e.g., state, market, profession, political etc) collectively shape the implementation of accounting changes. However, the state logic is dominant and creates delays and unintended consequences. As new logic dominates at the organisational field level, private or public organisations must adjust their practices to comply with the new dominant logic to enhance efficiency and effectiveness, such as digital and ICT. Incorporating digitalisation and social media for effective public financial reporting needs to be blended with new logic (Greenwood *et al.*, 2011; Dai *et al.*, 2017). Based on institutional logic, this approach highlights the active role played by individual actors or organisations (their agency for institutional change). This study was able to contribute by exploring contextual logics using wider aspects of neo-institutional theory. This study showed the complex power of political logic in the emerging economies and power dynamics of the politically driven actors such as the MOF and NAO. This study's theoretical contribution extends beyond merely applying embedded agency concepts to the Sri Lankan context; it refines our understanding of how embedded agency operates within highly institutionalized or complex institutional environments with multiple overlapping logics (Greenwood *et al.*, 2011). The documented mechanisms—positional leveraging, logic hybridization, and temporal work—provide

valuable analytical tools for understanding embedded agency in other complex institutional settings, particularly in developing economies with strong bureaucratic traditions confronting international reform pressures. In conclusion, this study showed the broader effect of institutional logic and power dynamics on institutionally embedded actors for the resistance to change when implementing accounting change. The results of our research have implications for other Asian emerging economies at the policy level.

This study has various limitations, since this study focused on contextual identification of the reform implementation. More studies should be conducted to explore the context-specific aspects of the socio-economic consequences of these accounting reforms. Further, even in the Sri Lankan context, this study gathered data only from actors at the central government level. The study should expand to incorporate the provincial and local government levels to give a more in-depth contextual understanding of accounting reform implementation. For future studies, suggest conducting a comparative analysis with other countries to assess the contextual factors that either constrain or stimulate the implementation of reforms.

## **CHAPTER FOUR**

### **PAPER THREE**

#### **Implementation of accrual-basis IPSAS at the local governmental levels in Sri Lanka with institutional work support**

##### **Abstract**

This study explores the implementation of accrual accounting and IPSAS at the local governmental level in Sri Lanka with the support of an institutional work perspective. It highlights how the embedded actors use their power relations to translate the individual agency into a collective agency to implement these accounting reforms. Further, this study investigates how some actors manage to perform the role of institutional entrepreneurs in this transformation.

This study utilises the qualitative case study approach by selecting the local governments of two provincial councils in Sri Lanka. We analyse data collected through twenty-four interviews with individual and organisational actors who are directly involved with implementing these accounting reforms at the local governmental level. Further, the study uses the documents and reports issued by relevant organisations as secondary sources and verify the triangulation approach.

The study employs the ideas of institutional work to arrange the study's data analysis. Mainly, we explained the reflexive agency of actors and how they exercise their power relations in carrying out institutional work to transform the existing institution. The study found that actors took initiatives to disrupt the existing accounting system at the local governments, which was stabilised for more than forty years. To create a new institutional arrangement, civil servants could receive support from political actors through the strategic

intervention of the ICASL professional association. The reflexive agency of the ICASL was significant in creating the new institution of public financial reporting in local governments. However, the study found that the maintenance of the newly established institution is challenging due to the structural limitations of the country's local government system. Some civil servants and operational-level staff performed their role as institutional entrepreneurs in this transformation with their ability to leverage resources.

This study shows the reflexive agency of actors and how they use their power relations to shape the institutional work to implement accounting reforms in developing countries. It provides practical implications for developing policies and strategies related to accounting reforms in developing countries since it provides empirical evidence from more rural local governments.

***Keywords – accrual accounting, international public sector accounting standards, institutional work, actors, reflexive agency, professional association***

## 4.1 Introduction

### 4.1.1 Background of the study

During the last few decades, international financial institutions and global accounting bodies have fostered major structural reforms in public financial management across the globe, particularly in emerging economies (Chirwa, 2024). In the wake of the COVID-19 pandemic, which precipitated economic, social, and political crises, there has been increased emphasis on the imperative to re-examine the delivery of public services, particularly in emerging economies (Kuruppu, Adhikari and van Helden, 2021). On the other hand, there is an increasing demand by the public for more effective and transparent public financial management, emphasizing good governance in handling public funds (Cuadrado-Ballesteros, Bisogno and Vaia, 2022). This is particularly pertinent considering the increased public debt many developing nations have incurred and its negative impact on development over the last few decades (Megersa and Cassimon, 2015). Also, the institutional arrangement of the public sector and its contribution to developing nations' economic and socio-political development have been criticized over the past few decades (Brinkerhoff and Brinkerhoff, 2015). This paper explores the implementation of public sector accounting reforms, mainly accrual-based international public sector accounting standards (IPSAS), at the local government levels in emerging economies, particularly in Sri Lanka, from an institutional work perspective (Lawrence and Suddaby, 2006). The local governments have been chosen as micro institutions to explore an in-depth understanding of the agentic role of actors in implementing these accounting reforms. It explores the contribution of embedded actors to exercise the institutional work actions to develop the institutional capacity (structure and agency) to transform and reproduce institutions (Lawrence and Suddaby, 2006; Lawrence, Suddaby and Leca, 2011). In addition, the role of some actors as institutional entrepreneurs in developing new institutional arrangements is being explored (DiMaggio, 1988; Maguire, Hardy and

Lawrence, 2004). In Sri Lanka, the public sector plays a vital role in the economy and society to enhance or maintain the well-being of its citizens given that it provides a significant contribution to the country's GDP. Hence, public sector accounting plays a pivotal role, especially in emerging economies like Sri Lanka where resources are constrained, and it is indispensable for the development journey. It ensures responsible financial management and lays the foundation for transparency, accountability, and progress, which are fundamental to building prosperous and sustainable societies.

The decision of various developing countries to overhaul their public financial management reforms was significantly influenced by the initiation of structural adjustment programs launched by the World Bank and IMF in the mid-1980s. These private sector practices are generally perceived as 'best practices' observed in prosperous developed countries, primarily in the Western context (Gómez-Villegas and Bergmann, 2020; Rozenfeld and Scapens, 2021). Further, they highlighted that these international funding agencies tried the same application in developing countries without considering social and cultural context (Rozenfeld and Scapens, 2021). With the intervention of international donor agencies like the World Bank and IMF, reform initiatives in public finance have been transplanted to developing nations with the label of "New Public Management (NPM)", during the last four decades (Adhikari, Kuruppu and Matilal, 2013; Yapa and Ukwatte, 2015; Boolaky and Soobaroyen, 2017; Hopper, Lassou and Soobaroyen, 2017). Under these NPMs, the public sector encourages better-informed decision-making and efficient resource utilisation (Jayasinghe *et al.*, 2021) to enhance the efficiency and effectiveness of public sector organisations. The general assumption of NPM ideologies is that business-like management practices increase the efficiency and effectiveness in the public sector organisations subject to the administrative, political and policy context of these proposed NPM reforms (Alford and Hughes, 2008; Lapuente and Van de Walle, 2020). However, the NPM principles are market-oriented, and a

well-developed judicial system and state capacity are required to implement reforms (Sarker, 2009) successfully. It is not surprising that developing countries struggle to fulfil the requirements of state capacity to implement the reform agendas (Sarker, 2009). On the other hand, during the COVID-19 pandemic, the rewards and drawbacks of NPM reforms seem to have been exacerbated (Lapiente and Van de Walle, 2020).

Under the public sector accounting reforms, many jurisdictions have introduced accrual accounting and International Public Sector Accounting Standards (IPSAS) to harmonise public financial reporting (Rossi *et al.*, 2016; Polzer, Grossi and Reichard, 2021). A pivotal aspect of public sector accounting reforms in emerging economies is transitioning from traditional cash-based accounting to accrual accounting. International harmonisation of accounting and auditing standards, including IPSAS, would benefit the broader stakeholders (Radebaugh and Gray, 2006; Boolaky and Soobaroyen, 2017). By embracing IPSAS, emerging economies enhance their credibility in international financial markets (Schmidhuber, Hilgers and Hofmann, 2022). According to some scholars, the most significant disruptive innovation in public sector accounting at the moment is the use of IPSAS (Bergmann, Fuchs and Schuler, 2019). Arguments for the worldwide adoption of IPSAS accrual accounting would enhance the information quality and transparency in public financial reporting. These standards, developed by the International Public Sector Accounting Standards Board (IPSASB) under the guidance of the International Federation of Accountants (IFAC), have become an international benchmark for public financial reporting (Amor and Damak Ayadi, 2019; Polzer, Grossi and Reichard, 2021). According to the report published by the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA), (2021) 30% of governments worldwide use accrual-based accounting for public financial reporting. Among these countries, 57% of governments



use IPSAS for public financial reporting. Currently, 40% of governments have transitioned cash to accrual-based reporting, and the balance still uses cash-based accounting.

This study uses the “institutional work” as the theoretical lens and attempts to identify the individual and collective agency of embedded actors at the local government level in implementing externally driven accounting reforms. Lawrence and Suddaby (2006) developed the fundamentals of ‘institutional work’, emphasising how actors interact with the institution and how their actions influence institutional transformation and reproduction. This institutional work concept encapsulates "the deliberate efforts of individuals and organisations towards creating, maintaining, or disrupting institutions" (Lawrence and Suddaby, 2006, p. 215). With the recent economic and social-political crisis, calls are made in the country for a strong government, including provincial and local levels, which is transparent, accountable and promotes good governance to achieve public needs. Accounting reforms at the local government level are envisaged essentially to elucidate their nuanced impact on fiscal transparency, accountability and governance. This study contributes empirically to existing studies. Firstly, it explores the implementation of new accounting changes at the local governmental levels, where less successful stories could be found related to the creation and reproduction of institutions in the context of developing countries. Second, it will provide a theoretical contribution to institutional work, mainly institutional entrepreneurship within Sri Lankan local governments. It will explore how accounting changes have been institutionalised, emphasising the creation and maintenance of new institutions and the disruption of old institutions. Despite the different shocks and stress, the local governments in Sri Lanka continue to provide public services with limited capacities to build local resilience. However, increasingly it is felt that the country needs a more inclusive and responsive local government system to enhance public accountability while facilitating sustainable regional development (UNDP, 2019).

#### **4.1.2 Research objectives, questions and contribution**

This study aims to identify the agency of embedded actors to transform the existing institution into a new institutional arrangement for the successful implementation of IPSAS at the local government level in Sri Lanka. The following research question was drawn based on the literature and theoretical discussion.

How do embedded agents engage with institutional works (creation, maintenance, and disruption) while exercising their institutional entrepreneurship in the implementation of new accounting practices/changes at the local government level?

This study makes notable contributions to the IPSAS literature in several ways. Firstly, it sheds light on the current state of IPSAS implementation in Sri Lanka, providing an in-depth analysis of the progress made and the challenges encountered in adopting and implementing IPSAS at the local government level. This provides valuable insights into the practical realities and experiences of IPSAS implementation in a specific context (Brusca, Gómez-villegas and Montesinos, 2016). Sri Lanka has made (and is still making) the greatest effort to implement IPSAS. Regarding the matter of institutional work from the actors' perspective, this study mainly focused on institutional work inside the organization as well as the active contribution of key organizational field-level actors (more micro perspective). More enthusiastic and powerful actors mainly within the organization as well as outside the organization have been engaged in institutional work by exercising their collective agency to transform the institution. This provides empirical evidence of how embedded actors exercise their reflexive and habitual agency to create new institutions for public financial reporting at the local governments in Sri Lanka. Hence, this study provides more insights into the strategies and actions of these actors for the transformation and reproduction of institutions. Furthermore, this study aims to fill a gap in the existing literature by examining the

application of all three forms of institutional work within the same study (Lawrence and Suddaby, 2006). Further, this study provides empirical evidence for the concept of institutional entrepreneurship, strengthening the scholarly literature on neo-institutional theory (DiMaggio, 1988; Maguire *et al.*, 2004). Additionally, this research could help policymakers refine their accounting strategies for the successful implementation of accrual accounting and IPSAS while ensuring the correct application of these accounting standards among government entities (Mnif and Gafsi, 2020).

The remainder of this paper is structured as follows: first, literature on accounting reforms in developing countries, particularly at the local government level, is presented. Then, theoretical considerations on institutionalism, institutional entrepreneurship, institutional work, and agency related to accounting reforms are presented. Next, the research context and methodology are presented. Empirical findings on accounting reform implementation at the local government level are presented following the discussion. Finally, the conclusion, implications, and directions for future research are provided.

## **4.2 Literature Review on Public Sector Accounting Reforms**

### **4.2.1 Accounting reform adoption and implementation**

This transformative journey is underscored by the principles and ideologies of NPM and New Public Financial Management (NPFM), which advocate for enhanced efficiency, accountability, and transparency in the public sector while boosting credibility and aiding in more informed decision-making (Yapa and Ukwatte, 2015; Bakre, Lauwo and McCartney, 2017; Sellami and Gafsi, 2019; Schmidhuber, Hilgers and Hofmann, 2022). Central to this evolution is the transition from traditional cash-based accounting to accrual accounting, which aligns financial reporting practices with the dynamics of the modern economic landscape. In pursuit of harmonisation and comparability, these reforms have also embraced

International Public Sector Accounting Standards (IPSAS), aiming to standardise accounting practices across nations. In many emerging economies and less developed countries, the adoption was promoted by international organisations such as the World Bank, IMF, and ADB through comprehensive capacity development programmes (Adhikari, Kuruppu and Matilal, 2013; Rajib *et al.*, 2019; Adhikari *et al.*, 2021; Polzer, Grossi and Reichard, 2021). When adopting the IPSAS, the country can choose first to implement cash-based IPSAS and then develop a road map for the transition to accrual accounting (Minovski *et al.*, 2016) and ending accrual-based IPSAS. That was recommended by the IMF (2011) for developing countries, including Sri Lanka. Brusca, Gómez-villegas and Montesinos (2016) highlighted that international accounting and auditing firms (Big 4) have not become critical actors in this IPSAS harmonising process in developing countries. Developing countries face significant challenges in reducing debt expenses and accessing credit markets. These hurdles arise from various factors, including limited fiscal capacity, high levels of external debt, weak institutional frameworks, and political instability. After facing a deficit, high-level debt and budgetary instability, developing countries like Sri Lanka must focus on transparency in public financial reporting (Brusca and Martínez, 2016; Schmidhuber, Hilgers and Hofmann, 2022). The inadequate accounting systems in many developing countries' public sector cannot hinder their ability to effectively manage public expenditure and handle the burden of external public debt, primarily due to improper resource allocation and lack of transparency in handling public funds (Mnif and Gafsi, 2020b). Consequently, international funding agencies have played a crucial role as supportive entities in adopting and implementing IPSAS.

With few exceptions, the adoption and implementation of IPSAS, particularly in emerging economies and less developed countries, brings many challenges due to high implementation costs and ignorance of favourable aspects of Indigenous accounting practices (Rossi *et al.*,

2016; Jayasinghe *et al.*, 2021; Polzer, Grossi and Reichard, 2022). Lack of qualified professionals, adequate education and training and enforcement (Boolaky and Soobaroyen, 2017). On the other hand, accounting reforms in the public sector require considerable capacity-building efforts to train relevant public sector officials for smooth adoption and implementation (Gourfinkel, 2022). Since these groups had their own agendas, reforms were incompatible with the interests of the country concerned (Hepworth, 2017; Polzer, Grossi and Reichard, 2022). As a result, embracing IPSASs has proved problematic at the implementation stage for emerging economies and less developed countries, including provincial and local governmental levels (Adhikari *et al.*, 2021; Dissanayake, Dellaportas and Yapa, 2021; Polzer, Grossi and Reichard, 2021). The lack of involvement of academia and professionals in these reforms' adaptation process also created tension and delayed implementation (Brusca, Gómez-villegas and Montesinos, 2016). Developing countries may have less choice in adopting IPSASs, as the drive to implement mainly stems from exogenous actors (external stakeholders) such as donor agencies and professional accounting bodies (Polzer, Grossi and Reichard, 2022). On the other hand, the lower level of competency of government accountants is mainly the ability to make professional judgments and handle complex financial information (Zeghal and Mhedhbi, 2006). Nevertheless, it is essential to acknowledge the existence of technical challenges in its implementation (Anessi-Pessina and Sicilia, 2020; Ruz Farías, 2020; Lombardi *et al.*, 2021). Boolaky and Soobaroyen (2017) suggested a proper enforcement mechanism is needed for effective implementation. However, adopting IPSAS continues to be problematic and presents a significant challenge for most nations and local governments (Mnif and Gafsi, 2020; Dissanayake, Dellaportas and Yapa, 2021).

#### 4.2.2 Accounting reforms at the local governments in emerging economies

In most developing countries, Local Government Authorities (LGAs) are pivotal in advancing economic and social development initiatives encompassing primary and secondary education, primary healthcare services, agriculture, urban and rural planning, water services, sanitation programs, and various community development projects. In an attempt to reap several benefits if these changes are successful, emerging nations are putting up efforts to adopt "so-called" best accounting practices at the local government level, as recommended by international donor organizations. Institutional pressures for the adaptation, whether stemming from international donor agencies or emanating from the central governments of these jurisdictions (Dissanayake, Dellaportas and Yapa, 2021; Harun, Eggleton and Locke, 2021). Kuruppu et al. (2016) Highlighted that local governments provide fascinating research opportunities since these local governments, especially in developing countries, are frequently regarded as a battleground where different social actors, mainly regional politicians, engage in constant rivalry for the acquisition and distribution of resources. Implementing a more centralised and professionalised management structure within local government authorities can enhance their capability to address regional issues and meet the needs of their communities more effectively.

In general, limited studies have been found related to the implementation of accounting reforms at the local governmental level in developing countries and emerging economies (Dissanayake, Dellaportas and Yapa, 2021; Harun, Eggleton and Locke, 2021; Aquino and Batley, 2022; Chirwa, 2024; de Azevedo *et al.*, 2020). In Indonesia, the local government's adoption of IPSAS (organisational level) is merely a response to institutional pressure from the central government (Harun, Eggleton and Locke, 2021). One of the notable and distinguishing characteristics of adopting International Public Sector Accounting Standards (IPSAS) within local government entities in Indonesia is the heightened involvement of

external actors. This shift is primarily attributed to the scarcity of adequately trained personnel capable of effectively navigating and managing the intricacies of the new accounting system (Harun, Eggleton and Locke, 2021). Aquino and Batley (2022) highlighted that in Brazil's context, local governmental-level accounting reforms are decoupled (no further use). Most municipalities in Brazil contacted commercial consultancy firms to operate their financial management systems (Aquino and Batley, 2022). This adoption and implementation of IPSAS, particularly in developing countries, could be challenging even at the local governmental level due to limited resources, capacity, and institutional complexity. In some cases, a lack of skilled employees and cultural and administrative resistance at the different governmental levels have created tensions among the local governments to practically implement the accounting reforms (Christensen and Parker, 2010; Agyemang and Yensu, 2018; de Azevedo *et al.*, 2020). Malawi experienced increased transparency in public finance at the local governments with the adoption of IPSAS, which was subject to continuous capacity constraints, including limited ICT facilities (Chirwa, 2024). These constraints have created avenues for some emerging economies to outsource the accounting functions of municipalities (de Azevedo *et al.*, 2020). In Sri Lanka's local government context, accrual accounting and IPSAS adoption were widespread, incomplete and delayed since some local governments were reluctant to engage with these accounting reforms (Dissanayake, Dellaportas and Yapa, 2021). There were a couple of reasons behind this delay, with some of those considering the adoption of these accounting reforms at the local government level remaining unconvinced about the possible benefits. Lack of confidence in implementing the accounting change and the existence of technical obstacles, such as asset valuation complexities that went beyond the expertise of the intended adoption (Dissanayake, Dellaportas and Yapa, 2021). Further, Dissanayake, Dellaportas and Yapa (2021) observed that the local government authorities lack the technical expertise and resources to administer

the change smoothly. Findings indicate that local government authorities need more confidence in embracing new reporting standards. Consequently, convincing these potential adopters of the advantages of the accounting change has become challenging (Dissanayake, Dellaportas and Yapa, 2021).

The paradox arises from the inherent tension between embeddedness and agency, which is higher at the local governmental level when attempting to introduce accrual-based IPSAS in the local governmental settings. At the local governmental level, these structures often prioritise stability, adherence to long-standing customs, and reluctance to change. The local governments have their institutional logic influenced by historical, cultural, and political factors, which can influence administrative and operational capacities. The actors challenge the existing institutional arrangements and advocate for change by introducing new norms, practices, and reporting systems to enhance and streamline public financial management, primarily focusing on transparency and accountability. Local governments, especially in developing countries, might encounter limitations in terms of financial resources, qualified staff, and access to training programs (Harun *et al.*, 2021; Dissanayake, Dellaportas and Yapa, 2021; Aquino and Batley, 2022; Chirwa, 2024; de Azevedo *et al.*, 2020). These constraints can impede the effective utilisation of collaborative agencies by creating or rearranging the institutional structure for public financial reporting, which hinders the adoption and implementation of IPSAS. There may be difficulties with harmonising IPSAS requirements with cultural, legal, and administrative contexts. Such is already outlined in prior work (Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023; Schmidhuber *et al.*, 2022). Striking a balance between global standards and local needs can be complex and may require adaptations and contextualisation. Further, at the local governmental level, entities may demonstrate change because of disruption to established routines, power dynamics, or perceived threats to existing interests. This embeddedness towards conventional practices can



create inertia and resistance to adopting new accounting practices such as accrual accounting and IPSAS. In addition, these local government institutions are deeply embedded within existing institutional structures, such as bureaucratic processes, political dynamics, and organisational cultures, which can lead to delays and unintended consequences during implementing reforms.

### **4.3 Theoretical Lens of the Study**

This section discusses about the proposed theoretical foundation of this study. In the recent approaches of institutional theory, two important streams of instrumental rationalities have been used in this study (Guerreiro, Lima Rodrigues and Craig, 2021). The institutional work and institutional entrepreneurship concepts are the used an actor-centric approach in this study to frame the main findings of the study. Institutionalism, which emphasises the role of institutions, has been widely recognised as a multidisciplinary theoretical approach that links socio-political structures to organisational strategies (DiMaggio and Powell, 1983; Suddaby, 2015). The basic assumption of neo-institutionalism is that organisations are completed through the logical narratives and culturally shaped realities of their institutional environment, which grant legitimacy to particular behaviour and strategies within a specific realm of activity (DiMaggio and Powell, 1983; Obayi and Ebrahimi, 2021). Discussion on institutionalism is the interaction of human agency and the institution, emphasising organisational convergence with little scope for organisational change. The primary tool was isomorphism, where organisations follow the best practices that are perceived as best practices till; they acquire legitimacy in the organisational field (DiMaggio and Powell, 1983; Aquino and Batley, 2022). Some institutional practices are merely performed ceremonially to create an appearance of compliance without substantial underlying changes. However, adopting a more agentic perspective allows for a deeper understanding of the motivations and intentions behind these practices. Institutional forces influence organisational actors more

than internal factors (Hassandoust, Subasinghage and Allen C. Johnston, 2022). Organisations are trying to absorb norms from their institutional environments to gain legitimacy, resource stability and more remarkable survival. This is called isomorphism (Mayer and Rowan, 1977; DiMaggio and Powell, 1983). Given that the fundamental aim of institutional theory focuses on changing prevailing institutional frameworks, it becomes imperative to bring the notion of a socio-technical regime into the discussion (Bulah *et al.*, 2023). Based on the recent trends in institutional theory studies, the neglect of individual-level analysis for the agency was observed (Reay, Golden-Biddle and Germann, 2006).

According to the institutional scripts of institutional theory, actors are constrained by the existing structures, and they have limited scope to change the existing institutional arrangements or go beyond the conventional boundaries (DiMaggio and Powell, 1983). Later, the Neo-institutional theory assists in clarifying the resilience and steadiness of some institutions due to their diversity and non-monolithic nature. It provides a more refined and multidimensional explanation of how institutions influence social actors and respond strategically to institutional pressures (Dimaggio and Powell, 1983; Oliver, 1991). Reproduction and transformation of institutions require “taken-for-grated assumptions.” (DiMaggio, 1991). Moreover, some beliefs are necessary for maintaining the institutions. The analysis of this institutional change in implementing accounting reforms at the local government level is being framed using the institutional work lens (Lawrence, Suddaby and Leca, 2011). First, it delineates the concept of institutional entrepreneurship (Maguire *et al.*, 2004). Subsequently, it explores the relationship between institutional entrepreneurship and institutional work to demonstrate the individual and collective agency needed to instigate institutional change in local governments.

#### 4.3.1 Institutional entrepreneurs

DiMaggio (1988) first introduced the concept of institutional entrepreneurship. Maguire et al. (2004: p. 657) defined 'institutional entrepreneurship' as "activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones". Beckert (2010, p. 155) argues that "institutional entrepreneurs can adapt alternative structural models and use them as templates for the design of institutional structures in different contexts". The social positions of institutional entrepreneurs can enable them to support the implementation of divergent changes (Battilana, Leca and Boxenbaum, 2009). According to Battilana, Leca and Boxenbaum (2009), social positions can enable institutional entrepreneurs to mobilise allies to support the implementation of divergent changes. If their social position is not powerful enough (do not enable them), try to convince actors who occupy higher-status social positions (Battilana, Leca and Boxenbaum, 2009). In this study, we focus on the role and agency of critical actors at the organizational field and organizational levels. In literature, it was found that actors who occupy positions at the periphery of the organisational field have more possibility to implement change (MacGuire *et al.*, 2004) since they have the agency for change (Haveman and Rao, 1997). Further, those actors are less embedded with the existing institution and are exposed to alternative fields, which creates more of a possibility of having 'contradictions' in the current institutions (Seo and Creed, 2002). However, the major problem is that peripheral actors have less power to implement the change. The actors positioned at the institutional field's centre are the best to implement the reforms and make the institutional change since they have access to power and resources to enact the changes. However, those actors are sometimes least motivated to implement reforms since they are experiencing benefits from the existing institutional structure (Greenwood and Suddaby, 2006).

As DiMaggio (1988, p. 14) initially established, “New institutions arise when organised actors with sufficient resources see in them an opportunity to realise interests they value highly”. Institutional entrepreneurs try to modify existing institutionalised practices using their strategic actions. (Breton, Lamothe and Denis, 2014). Institutional entrepreneurship is essential to the neo-institutional theory, highlighting how actors perform their tasks to achieve their strategic objectives. (Garud, Hardy and Maguire, 2007). Institutional entrepreneurship emphasizes a proactive approach social actors take to initiate or advocate for new institutional arrangements. This proactive agency is closely interconnected with institutional work, which encompasses a broader range of activities to shape, maintain, or disrupt institutional structures (Lawrence, Suddaby and Leca, 2011). Actors engaged in institutional entrepreneurship actively participate in institutional work to drive change and establish new institutional arrangements, effectively exercising their entrepreneurial ideas. By leveraging their agency, these actors challenge existing norms and practices, introducing innovative approaches and disrupting established institutional frameworks. Through their proactive engagement in institutional work, institutional entrepreneurs play a crucial role in shaping the evolution of institutions and facilitating the emergence of new institutional arrangements that align with their entrepreneurial visions. As mentioned by (Weik, 2011, p.467) in one of his studies, institutional entrepreneurs create institutions, which means destroying one institution and creating another. These institutional actors drive the institutional work actions to transform or change existing institutional arrangements and deinstitutionalisation (Maguire *et al.*, 2004; Lawrence and Suddaby, 2006). In institutional work, the primary goal is to draw attention to the actors' awareness and reflexivity, seeing institutions as made up of their deliberate actions (Lawrence, Suddaby and Leca 2009, p.7).

#### 4.3.2 Institutional work

The concept of "institutional work," rooted in neo-institutionalism, has garnered significant attention and application across various disciplines, notably in healthcare, energy, and, more recently, organizational studies. Institutional work refers to the intentional actions and efforts undertaken by individuals and organizations to create, maintain, or disrupt institutional arrangements, norms, and practices (Lawrence and Suddaby, 2006). Institutional work has emerged as a powerful lens through which to analyse and understand the dynamics of these diverse fields. Drawing on the tenets of neo-institutionalism, which emphasizes the influence of institutional forces on organizational behaviour and outcomes, institutional work provides a framework for examining how actors navigate and shape the institutional environment in which they operate. This approach, recognized by Lawrence and Suddaby (2006), is a smart, contextually embedded institutional conduct. In practice at the organizational level, innovative and informed behaviour of the institutionally embedded actors interact with the prevailing social and technological structures in unforeseen and surprising manners (Lawrence and Suddaby, 2006). However, this concept of institutional work has been ignored by most institutionalist theories in institutional studies (Lawrence, Suddaby and Leca, 2011). Graf and Jacobsen (2021) suggest that the concept of institutional work offers a valuable instrument for capturing how change is legitimized within the institutional environment. Aburous (2019) suggests that in related Jordanian IFRS implementation, institutional work can encompass abandoning activities or voluntarily surrendering traditionally institutionalized work activities to those viewed as experts to ensure steadiness during uncertainty.

Gawer and Phillips (2013) highlighted that the term and meaning of institutional work are almost similar to "deinstitutionalization" and "institutional entrepreneurship". Oliver (1992, p. 564) evaluation of deinstitutionalization is defined as "the process by which the legitimacy

of an established or institutionalized organizational practice erodes or discontinues". Deinstitutionalization is a specific type of institutional change that involves the gradual or deliberate dismantling or weakening of existing institutional structures, practices, or norms. It occurs when established institutions lose their influence, relevance, or legitimacy. Deinstitutionalization can lead to shifts in how organizations or societies operate and make decisions. The key difference between "institutional work" and "deinstitutionalization" lies in their focus. Institutional work is a broader concept that encompasses various actions aimed at shaping and influencing institutions, whether it involves creating, maintaining, or challenging them (Lawrence, Suddaby and Leca, 2011; Lawrence, Leca and Zilber, 2013). Deinstitutionalization is the process of weakening or dismantling existing institutions, norms, or structures. It involves challenging and questioning the established institutional arrangements and practices that may have become outdated, ineffective, or no longer aligned with the changing needs and values of society. Deinstitutionalization can be driven by various factors, such as shifts in societal values, technological advancements, or the emergence of alternative practices or ideologies. This process aims to create space for new practices, norms, or structures to emerge and gain legitimacy. Institutional entrepreneurship, on the other hand, focuses on the proactive introduction of novel concepts or methods that upend established institutional structures and generate chances for change. Institutional entrepreneurs are individuals or organizations that actively challenge and transform the prevailing institutional order by introducing novel approaches, norms, or structures (Battilana and D'Aunno, 2009; Breton, Lamothe and Denis, 2014). They play a crucial role in driving institutional change by identifying and exploiting opportunities for innovation, mobilizing resources, building coalitions, and garnering support for their ideas or practices. Institutional entrepreneurship can lead to the creation of new institutions or the transformation of existing ones, contributing to institutional evolution and adaptation.

The most comprehensive taxonomy or categorisation, which appears to have relevance and applicability for both external and internal institutional work, proposed by the Lawrence and Suddaby (2006) which includes the three main tasks of institutional work: disrupting, creating, and maintaining institutions. Senge defines institutional work as the conscious or unconscious activity of actors who bundle their competencies to achieve a particular goal (Senge, 2011). Lawrence, Suddaby and Leca (2011, p. 53) provided the following definition: “‘Work’ thereby is defined as the efforts of individuals and collective actors to cope with, keep up with, shore up, tear down, tinker with, transform, or create anew the institutional structures within which they live, work, and play, and which give them their roles, relationships, resources, and routines.” This institutional work concept presumes that institutions should assist, regulate or control the change that encourages/impacts influential stakeholders in the organisational field level (Graf and Jacobsen, 2021). Hence, new institutions will be created when organisational and individual actors are engaged. At the same time, old institutions are interrupting or just maintaining for legitimacy purposes. The central claim of this institutional work concept is to legitimise the undergoing changes in the organisations (Graf and Jacobsen, 2021). Further, they highlighted that required changes must be connected and embraced with the organisational requirements, procedures, and prevailing knowledge and beliefs of the organisations and their actors in a particular field. In this study, we are focusing on all three aspects of the Institutional work suggested by Lawrence and Suddaby (2006); disruption, creation and maintaining institutions.

This institutional work specifically concerns the intricate interplay between agency and institutions (Lawrence, Suddaby and Leca, 2009). Based on this concept, it is assumed that actors possess the deliberate capacity and engage in highly reflective forms of activities to maintain or reshape the existing institution (Lawrence, Suddaby and Leca, 2009; Zietsma and Lawrence, 2010). To fully embrace the concept of institutional work, it becomes imperative

to confront the paradox of embedded agency, an inherent contradiction between the volitional actions of actors and the constraining forces of institutions (Lawrence, Suddaby and Leca, 2009). The institutional work could be directed to the organizational internal environment as well as the organizational external environment (Gawer and Phillips, 2013). As suggested by them, external organizational factors are political actions and policy contributions engaged within the organizational landscape; there is a need to align established regulations with emerging institutions. This can be achieved by internally devising fresh approaches or endorsing alterations within the organization through clear acknowledgment of the evolving institutional context (Graf and Jacobsen, 2021). Under the umbrella of institutional work, new institutions are created through various actions, including advocacy strategies, the formulation of ruling systems, and the establishment of frameworks for property rights (Lawrence and Suddaby, 2006). These actions also encompass activities that involve the redesign of actors' belief systems, identities, organizational practices, normative principles, and the broader organizational environment (Graf and Jacobsen, 2021). This endeavour involves reshaping the significance of practices, technologies, and organizational routines.

Skills, awareness and reflexivity of the individual and collective actors emphasise that they are competent to navigate their surroundings subject to the limitations of the institutional boundaries and institutional logic (Aburous, 2019). This concept of institutional work offers a lens to explore changes at various levels, including the institutional level, the institutional field level, and changes within organizations. These changes can encompass technological advancements, legal and structural transformations (Raviola and Norbäck, 2013), banking reforms (Munzer and Pelger, 2023), and regulatory changes in the energy sector (Graf and Jacobsen, 2021). Bulah et al. (2023) identified key institutional work strategies such as the formation of normative networks, advocacy, mimicry, and theorizing. Additionally, new strategies, such as constructing identities, have emerged. Löhr, Chlebna and Mattes (2022)



recognize the critical expansions upon the initial notion of institutional work, including the social symbolic viewpoint proposed by Lawrence and Phillips (2019) and the interdisciplinary approach suggested by Hampel, Lawrence and Tracey (2017). While institutional work can be applied to any societal change process (Löhr, Chlebna and Mattes, 2022), its origins lie in practice theory and organizational studies, predominantly within the context of organizational studies (Beunen and Patterson, 2019).

#### ***4.3.2.1 Institutional work – the creation of institutions***

A larger body of research within the field of institutional work has predominantly focused on examining the deliberate actions of actors involved in the creation of institutions (Lawrence and Suddaby, 2006; Lawrence, Suddaby and Leca, 2009) . This research often portrays actors as possessing a high degree of reflexive agency, utilizing purposeful and strategic acts, including potentially manipulative manoeuvres (Maguire, Hardy and Lawrence, 2004; Weber, Heinze and Desoucey, 2008). However, there is a limited number of studies that specifically delve into the creative aspects of institutional work within institutional theory. These studies explore the amalgamation of actors' actions and their responses to newly introduced practices or activities, which impact the creation of institutions and their resulting arrangements. Remarkably, the diverse manifestations of these actions and reactions, particularly in the way they synergize to influence institutional creation trajectories, have received insufficient scrutiny. An analytical approach that systematically examines how actors' actions interact and combine to drive institutional change or stability—through promotion, negotiation, accommodation, and refinement among multiple actors—would enhance our understanding of institutional work. Such an approach would shed light on how actors' actions and others' reactions to newly introduced activities collectively shape institutional creation and influence resulting institutional arrangements (Lawrence and Suddaby, 2006). Political actions,

including the construction or reconstruction of rules, defining boundaries, conferring property rights, and educating actors in skills and knowledge, are some works involved with the creation of an institution (Lawrence and Suddaby, 2006).

#### ***4.3.2.2 Institutional work - maintaining institutions.***

Within the realm of institutional work, three main sub-components—political work, identity work, and theorizing work—play a crucial role in maintaining institutions (Lawrence and Suddaby, 2006). These sub-components encompass activities such as enabling work and policing, which aim to support and strengthen existing institutions. As a fundamental aspect of institutional maintenance work, actors actively reproduce existing norms and belief systems. The reinforcement of associated practices and the implementation of routines contribute to the construction and consolidation of established beliefs. Additionally, sustaining and preserving established institutions can be achieved by capturing the normative foundations of novel institutions and integrating them with grounded practices, routines, and technologies. This imbues them with a sense of novelty while maintaining their foundational elements. Surprisingly, scholarly studies investigating actors' actions in the maintenance of existing institutions are relatively scarce compared to research on institutional creation (Dansou and Langley, 2012; Lawrence and Suddaby, 2006; Scott, 2008). Maintenance work includes activities such as supporting, repairing, or recreating social mechanisms that ensure compliance (Lawrence and Suddaby, 2006). This involves evaluating control mechanisms like standards and regulations (Slager, Gond and Moon, 2012) that ensure the proper application of institutional prescriptions. Active and deliberate actions or strategies are essential in fostering institutional reproduction, offering significant potential for enhancing our conceptualization and understanding of the diverse modes of agency integral to institutional preservation. This highlights an alternative perspective on a distinct form of labor that involves practical problem-solving actions by actors as they strive to accomplish

their ongoing tasks, thereby contributing to the maintenance of institutional norms, rules, and values.

#### ***4.3.2.3 Institutional work – disruption of institutions***

Research on the phenomenon of disrupting institutions is relatively rare within the field of institutional work. Disruption, defined as actions aimed at attacking or undermining the mechanisms that sustain institutions (Lawrence and Suddaby, 2006), challenges the regulative, normative, and cognitive pillars that uphold widespread practices within specific institutions (Dansou and Langley, 2012; Lawrence and Suddaby, 2006). However, existing research on the actions of individuals within institutional work arrangements has predominantly addressed disruption work in conjunction with other types of institutional work (Dansou and Langley, 2012). Despite the significance of disruption, it has received limited attention as a distinct focus of investigation. Identifying disruption work as a form of de-institutionalization provides a valuable lens through which to explore the processes and dynamics involved in destabilizing and transforming established institutions (Jarzabkowski, Matthiesen and Van de Ven, 2009). Further studies that specifically examine the nature, strategies, and outcomes of disruption work are needed to deepen our understanding of this important aspect of institutional dynamics. The following table presents the subcategories of all three forms of institutional work.

**Table 4.1 Typology of forms of institutional work (creating, maintaining, and disrupting)**

<b>Form of institutional work</b>	<b>Definition</b>
Advocacy (creating)	Mobilizing both political and regulatory support through deliberate efforts and tactics of social suasion.
Defining (creating)	Constructing specific rule systems that create status hierarchies,

	boundaries for membership or grant status identity.
Vesting (creating)	Creating rule structures which grant property rights.
Constructing identities (creating)	Defining relationships between actors and their organizational field.
Changing normative associations (creating)	Re-making and/or redefining the link between sets of practices and their cultural and moral underpinnings.
Constructing normative networks (creating)	Manipulating the relationship between accepted norms and the institutional field in which they are created.
Mimicry (creating)	Associating new sets of practices with those “taken-for-granted” sets of practices to stimulate adoption and diffusion.
Theorizing (creating)	The development and classification of abstract categories in addition to the elaboration of cause-and-effect chains.
Educating (creating)	Educating individuals to support the new institutions created
Enabling work (maintaining)	Creating rules that support or reinforce existing institutions, such as creating authorizing agents or redirecting resources.
Policing (maintaining)	Guaranteeing compliance by actors through activities such as enforcement and monitoring.
Deterring (maintaining)	The establishment of coercive barriers to change in institutions.
Valorising and demonizing (maintaining)	Providing the public with both positive and negative examples that convey the normative foundation of specific institutions.
Mythologizing (maintaining)	Maintaining the normative underpinnings of institutions by effectively sustaining the myths of its history.
Embedding and routinizing	Actively incorporating the normative underpinnings of an

(maintaining)		institution into individual's day-to-day routines and activities.
Disconnecting sanctions (disrupting)		Institutional work directed at the state (i.e., government bodies) working to disconnect rewards and other government sanctions from a technology, practice, or rules.
Dissociating foundations (disrupting)	moral	Activities leading to dissociation of old norms, practices, rules, or technologies from their moral foundation within their specific cultural contexts.
Undermining assumptions beliefs (disrupting)	and	Activities which strategically undermine core assumptions and beliefs and result in decreased perceived risks associated with innovation.

---

Source: (Lawrence and Suddaby, 2006)

#### 4.3.3 Implementation of accounting reforms from institutional work lens

As a strategic response to the institutional pressure, rationalized more institutional theory using instrumental rationality (an actor-centric approach) with the help of institutional entrepreneurship (DiMaggio, 1988) or institutional work (Lawrence and Suddaby, 2006) (Lounsbury, 2008), which emphasise the agency, through the autonomy of individuals for the institutional change. Those have been applied in the accounting harmonization studies (Guerreiro, Lima Rodrigues and Craig, 2021). The successful implementation of accounting reforms, including accrual accounting and IPSAS, requires the understanding, education and continued support of key players (recognized as promoters or reform drivers), which includes politicians (bureaucracy), ministers, professional accounting bodies, and supreme audit institutions. These stakeholders may execute a unique and influential position due to their ability to convince policymakers of position power (Gomes, Fernandes and Carvalho, 2015). The concept of institutional entrepreneurship has been discussed in the seminal paper of DiMaggio (1988), which explains how actors (individuals, groups and organizations) who are interested in institutional arrangements and who mobilise resources to create new institutions

or to transform existing ones (DiMaggio, 1988). This paper has focused on the “key actors (individuals and organizations)” as agents of change in public sector accounting practice. Those agents have an interest in specific organisational structures and manage resources to influence institutionalized rules, either by supporting existing institutions (taken-for-granted rules and routines) or for the creation of new institutions (DiMaggio, 1988; Lawrence and Suddaby, 2006). Among the key stakeholders, few actors have been recognized as institutional entrepreneurs who skilfully combine several institutional works for a divergent change to adopt and implement accounting reforms (Battilana, Leca and Boxenbaum, 2009). To implement the reform, these institutional actors actively mobilize their agency by utilizing organizational resources.

According to Dillard, Rigsby and Goodman (2004) the institutionalization process of accounting reforms involves three institutional levels where a simple change is not institutionalized. First, institutional change should reflect and shape social, political, and economic levels. Second, institutional change is filtered through socioeconomic configuration at the organisational field level. At this level key groups of actors have been involved (industry groups, professional organizations, and geographical collectives) (Dillard, Rigsby and Goodman, 2004). The agent level is third, and it examines how actors within the organization adapt to specific institutions (rules or practices). At the macro level, international donor agencies, together with government policymakers assume an active role in implementing the agenda of structural adjustment reforms in developing countries. At the national level international financial agencies were dominated in the adoption of public sector accounting reforms in Sri Lanka (Adhikari *et al.*, 2013; Yapa and Ukwatte, 2015; Adhikari and Nesbakk, 2016). Hence, international financial agencies are the key agent and most influential group of actors for accounting reforms. In Sri Lanka, the World Bank and ADB made significant contributions to public financial reforms. Those international agencies, as

exogenous actors, scoped the accounting reforms in Sri Lanka and explored how exogenous actors control the reform agenda in most less-developed countries (Harun *et al.*, 2021).

Gourfinkel (2022) recognized that the key players in this public sector accounting reform are the Treasury, Supreme Audit Institutions, and professional accounting organizations. In most countries, the Ministry of Finance plays the leading role in public sector accounting reforms. Sri Lankan context, except the Ministry of Finance and Planning, a professional accounting body, The Institute of Chartered Accountants of Sri Lanka is playing a key role in the implementation of accrual accounting and IPSAS (Dissanayake and Dellaportas, 2024). Most of the reforms are designed, taught and implemented by exogenous actors (Adhikari *et al.*, 2013; Jayasinghe *et al.*, 2021). At the national level, the Ministry of Finance was the dominant domestic actor in the implementation of accounting reforms in developing countries (Harun *et al.*, 2021). At the national level, the main key non-government actor, the professional accounting bodies, played a significant role in implementing accounting reforms. In Sri Lanka, the Institute of Chartered Accountants of Sri Lanka has been empowered by law as a powerful actor in exercising accounting reforms. On the other hand, to study the perspectives of different actors who are technically expertise in recognizing issues and challenges that need to be solved on public sector accounting reforms in shaping its content (Gomes *et al.*, 2015). The study of stakeholders' perspectives regarding IPSAS implementation is an innovative concern addressed in accounting literature (Gomes *et al.*, 2015). At the local governmental level, these actors also play crucial roles, particularly regional politicians, civil servants, government accountants, and supreme audit institutions. These stakeholders are instrumental in streamlining public financial management processes and ensuring transparency, accountability, and efficiency in the utilization of public resources.

#### 4.3.4 Actors, agentic behaviour and institutional work

The necessity of conceptualising individual and group agency as institutionally embedded (thinking about institutional change) is emphasised by institutional work (Guerreiro *et al.*, 2021). Institutional work is a valuable tool for understanding accounting practices and the effort of institutional agents for accounting development over time (Aleksandrov, 2020). Institutional work can yield diverse outcomes, including institutional change, stability, or resistance (Lawrence and Suddaby, 2006). When successful, institutional work may lead to the establishment of new norms, the modification of existing rules and regulations, or the creation of alternative institutional arrangements. The primary objective of institutional work is to shape and reshape the rules, norms, and institutionalized practices that govern a given context. Various actors, such as individuals, organizations, professional bodies, and policymakers, engage in institutional work to exert influence and drive institutional change. At its core, institutional work highlights the agency of individuals and organizations in actively shaping and transforming institutional systems. Deliberate actions are undertaken to create, change, or maintain institutional structures, norms, and practices. This perspective underscores the significant role played by actors at the ground level (micro-level) and their behaviours and actions in perpetuating institutions (Lawrence *et al.*, 2009). Lawrence and Suddaby (2006) present a toolkit comprising various types of activities aimed at sustaining institutions, including enabling work, demonizing/valorising, mythologizing, policing, deterring, and embedding/routinizing. However, actors engaged in enhancing institutional work primarily focus on activities such as education, advocacy, mimicry, and theorizing. Additionally, innovative approaches to institutional work, such as constructing normative networks, valorising, and altering normative associations, have also been identified (Bulah *et al.*, 2023). The adoption of new standards (like IPSASs) constitutes a technical disruption, or it may coincide with changes in power dynamics. With such regulatory changes, the



implementation of standards may vary with the interest and influence of actors (Guerreiro, Rodrigues and Craig, 2015; Aburous, 2019). Power dynamics and disparities in resource allocation among institutionally embedded actors can impact the role and effectiveness of institutional entrepreneurs' efforts.

The paradox of embedded agency refers to the tension and challenges experienced by institutional actors who simultaneously operate within established institutional structures while seeking to exert agency or enact change (Battilana and D'Aunno, 2009). Actors must navigate this paradox by adopting strategies to overcome the associated tension and challenges. How can actors change institutions if they are conditioned by the very institutions they aim to change? This question encapsulates the essence of the paradox of embedded agency (Battilana and D'Aunno, 2009). The paradox of embedded agency: How do actors change institutions if they are conditioned by the very institutions they wish to change? (Battilana and D'Aunno, 2009). The paradox of embedded agency continues to loom large within the realm of institutional theory, primarily since institutional theorists have often sidestepped the explicit exploration of human agency. At times, there has been an argument made that institutional theory does not concern itself with individual behaviour. However, this avoidance of addressing the intricacies of human agency leaves a critical gap in understanding how individuals interact with and influence institutional structures, which remains a central challenge in the field (Battilana and D'Aunno, 2009). A notable limitation of institutional theory is its tendency to furnish explanations at the organizational and organizational-field levels, addressing phenomena that inherently entail individual behaviour, all the while failing to provide a solid foundation for constructing a theory of individual behaviour. Why it is essential to address the paradox of embedded agency has been highlighted. Then enabling conditions for the agency (field-level enabling conditions and organizational-level enabling conditions) (Lawrence *et al.*, 2009). The ongoing interactions

between individual actors and the institutional environment within which they are entrenched are a critical focal point. To address this paradox of embedded agency while building theoretical backup for this concept, it is essential to analyse the individual level and address the matters of human agency (Lawrence *et al.*, 2009). This institutional work advances a comprehensive analysis of the role of such an agency in the process of reproduction or transformation of the institution, which is like the successful implementation of IPSAS at the local governments in this case (Lawrence and Suddaby, 2006; Modell, 2022).

#### **4.3.5 Actor's agency (reflexivity, habitual and power relations)**

According to Emirbayer and Mische (1998), agency can be defined as the intentional engagement of actors within different structural environments, which, through the interplay of habit, imagination, and judgment, both reproduce and transform those structures in response to changing historical situations. This definition serves to characterize the intentional aspect associated with the concept of institutional work introduced by Lawrence and Suddaby (2006). The level of agency exhibited by an actor may depend on whether their activities are driven by a reflective reactivation of past influences, an assessment of the current situation through practical reasoning, or potential future aspirations, ambitions, or anxieties (Adler and Lalonde, 2020). It is assumed that institutions are not monolithic but rather subject to deviations from taken-for-granted scripts. This perspective highlights the ambiguous relationship between an individual's efforts, the institution, and its potential transformation (Mouritsen, 2014). To understand this complex relationship, it is important to examine how institutional actors (agents) challenge the status quo and contribute to the reproduction or transformation of institutions. Several studies have focused on the role of individuals' agency, including reflexive and habitual relationships, as well as power dynamics, in the reproduction or transformation of institutions (Modell, 2015, 2022; Ruebottom and Auster, 2018; Aleksandrov, 2020). The implementation of IPSAS was

enforced by endogenous and exogenous institutional entrepreneurs, and their personal characteristics and interests are directly linked with the successful implementation. These institutional entrepreneurs find a way to combine their strategies, interests, and ideas for the implementation of IPSAS with those of other actors at the organizational and institutional field levels.

Archer's conceptualization of agency suggests a profound transformation in how individuals shape and navigate their day-to-day activities. She defines reflexivity as “the regular exercise of the mental ability, shared by all normal people, to consider themselves in relation to their (social) contexts and vice versa” (Archer, 2012, p. 1). Reflexivity holds significance as agents are required to engage with their personal concerns and negotiate the most suitable course of action for them. In the literature, reflexivity is admitted as a critical ingredient of agency (Weik, 2011, p. 469). Archer identifies four types of reflexivity modes: communicative reflexivity, autonomous reflexivity, meta-reflexivity, and fractured reflexivity (Archer, 2003, 2010, 2012). Understanding reflexivity allows us to explore the agency of individual actors and the collective. This, in turn, guides the conception of institutional work and explores the interplay between reflexive and habitual forms of agency (Akram and Hogan, 2015; Aleksandrov, 2020; Modell, 2015, 2022). Identifying the connection between habitual and reflexive agency is important for understanding the nuances of institutional entrepreneurship (Vakulenko, 2021). Akram and Hogan (2015) highlight the importance of regular habitual actions for daily existence and the functioning of taken-for-granted routines. Adhering to habits cultivated over time provides reinforcement and useful routines in daily life (Akram and Hogan, 2015). These forms of action assume that accounting is implicated in broader actors' efforts to create, sustain, and disrupt institutions within which they are simultaneously embedded and possess reflexive capacities (Aleksandrov, 2020; Christian Hampel *et al.*, 2017; Modell, 2015). However, prior research lacks a comprehensive exploration of whether

and how actors are reflexive, and it does not offer empirical insights into the extent of their efforts in actively engaging in the development of new accounting tools over time (Aleksandrov, 2020). Motivated by this gap, this paper aims to explore the unfolding dynamic and evolving process related to the introduction of new accounting changes.

According to Aleksandrov (2020), the reflexive agency assumes that actors are competent in recognising and actively considering potential avenues for institutional change. An institutional entrepreneur must, therefore, negotiate a variety of complications, conflicts, power dynamics, and struggles while possessing the capacity for reflexivity (Major *et al.*, 2018). Habitual agency implies the presence of subconscious modes of behavior that are based on individual identities (Creed *et al.*, 2010; Willmott, 2010, 2014). Therefore, institutional work considers both the subjective form of reflexivity of actors and the role of social structures (habituality) in the transformation and reproduction of institutions (Modell, 2015, 2022; Aleksandrov, 2020). Some actors engage in subconscious "getting the work done" behaviors (performing habitual agency), while others are more reflexive in their actions. It is crucial to study the implications of such an agency in the implementation of accounting reforms, particularly in the context of local government in developing countries. Within this institutional framework, accounting plays a role in broader initiatives aimed at establishing, maintaining, and challenging institutions through agency (both reflexive and habitual). By demonstrating multiple forms of reflexivity, individual actors engage in the formation of new accounting practices. Accounting is not merely a statutory requirement but can also serve as a control and governance mechanism in local governments. The implementation of accounting reforms poses a challenging institutional work that is performed by various social actors, including national treasury, government accountants, account assistants, regional politicians, professional accounting bodies and auditors. The institutional work concept identifies the potential of actors' actions and behaviours, which do

not totally depend on external pressures for the creation, maintenance and disruption of the institution. Adler and Lalonde (2020) emphasized that an agency's reflexive capabilities can help to clearly explain the intentional actions of social actors within the scope of institutional work definition.

At the individual level of examination, institutional work actions arise from social and cognitive processes with the casual powers to endow individuals with the capacity for both habitual and more reflexive forms of agencies (Modell, 2022). Modell (2022) demonstrates that, in instances where power promotes a dominant, habitual form of agentic behaviour, the human agency tends to adhere to consistent and stable patterns of action. Conversely, when power encourages reflexive thinking, actors are more inclined to break away from established practices and pursue novelty ways of doing things. Hence, actors initially identify a course of actions related to the institutional work through reflexive consideration, and then they make these actions habitual while continuing to engage in occasional instances of reflexivity to adapt to changing circumstances (Fleetwood, 2008). Thus, it is assumed that individuals' actions within the institutional context arise from the interplay between reflexive and habitual agency. These critical assessments can play a role in advancing institutional work actions (Modell, 2022). Institutional work comprehends the dynamics between structure, agency and their interconnectedness (Lawrence *et al.*, 2011; Lawrence *et al.*, 2013; Lawrence and Suddaby, 2006). Conducting a deeper analysis of actors' diverse motivations, interests, and initiatives allows us to gain a greater insight into the overarching tendencies related to the ability and intent to institutional work actions, including creation, maintenance and disruption (Hwang and Colyvas, 2020; Lawrence *et al.*, 2009). Institutional creation work involves the intricate task of establishing regulations and crafting systems of incentives and consequences to ensure adherence to these regulations. While numerous studies have traditionally concentrated on examining singular forms of institutional work, Empson *et al.* (2013) brought

attention to the simultaneous presence of multiple types of institutional work intricately woven into the establishment, perpetuation, and disruption of the institution of professional law partnerships.

#### **4.3.6 Research gaps and proposed theoretical framework.**

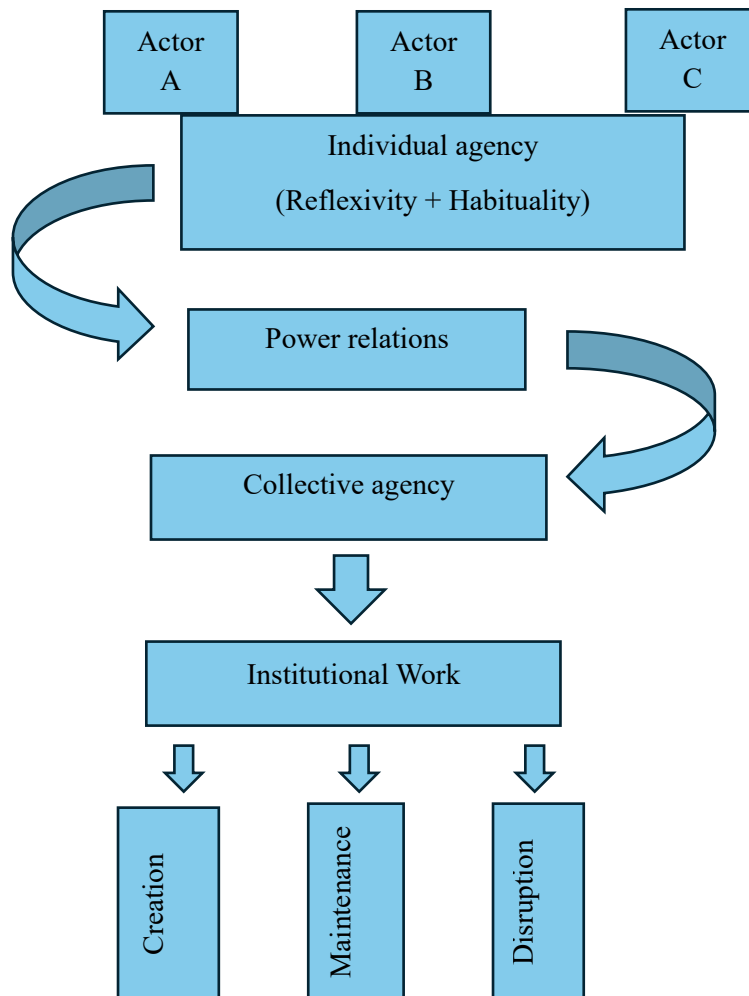
Broadly limited empirical studies on agents' perspective of financial reporting change are evident in the literature (Fontes *et al.*, 2016). Further, Vakulenko (2021) highlighted that the role of human agency in the complex process of public sector change seems to have been neglected in the recent past. Hence, this agent's perspective to explore the perceptions of key actors on how they rationalize their actions and how they interact with each other is likely to bring new insights into outcomes, issues and challenges of IPSAS reforms. Nonetheless, it is noteworthy that most of the research on institutional work has predominantly concentrated on the organizational field and organizational-level analyses, inadvertently overlooking the importance of scrutinizing the individual level (Modell, 2022; Reay *et al.*, 2006). Consequently, the exploration of the conditions that facilitate or hinder individual-level involvement in institutional work, including diverging from prevailing institutions and strategically upholding the status quo, has been relatively uncharted territory. Aburous (2019) emphasised the lack of research regarding institutional work practices and power distribution among the actors, especially the involvement of actors in maintaining the institution, which holds more power and resources. The fundamental question regarding how individual actors acquire the capacity to engage in institutional work remains largely unaddressed. In order to reconcile the paradox of embedded agency and thereby establish a solid theoretical underpinning for the concept of institutional work, it is imperative to incorporate the individual level of analysis and grapple with the intricacies of human agency. The original form of this concept allows us to focus on the micro level (Giezen, 2018). Hence, it is claimed to be more practical for local governmental-level studies. Van Helden *et al.* (2021) on

public sector accounting in emerging economies emphasized that many papers attempt to highlight the failures of accounting reforms at the local levels due to various social and political reasons. During recent years, the majority of scholars have concentrated more on central government-level public financial management reforms (fewer discussions on successful stories). Three institutional work practices of creation, maintenance, and disruption will be exercised to understand the transformation of the different institutional logics of actions in order to implement the accrual basis IPSAS at the local governmental levels. This approach becomes especially relevant in our case Sri Lankan local government case study. However, there has been very limited accounting research into local government organisations in emerging economies (Goddard and Mzenzi, 2015).

This study assumes 'public financial management in local governments' as a system and processes governing the handling of public money within these local authorities. Accounting plays a vital role in public financial management, fostering transparency, accountability, and fiscal prudence. Maintaining daily activities in both rural and urban councils and building trust and confidence among citizens, especially in rural areas, is particularly important to ensure equitable progress in developing countries. Local governments operate within a pluralistic and complex institutional environment, characterized by multiple institutional logics, structures, goals, and governance mechanisms, including rules and regulations. Scholars have explored the dysfunctional and strategic behaviours of local government authorities within this context. However, previous studies on accounting reforms in local governments in developing countries have often encountered resistance and delays, leading to unintended consequences (Dissanayake, Dellaportas and Yapa, 2020). In the implementation process, it is important to examine the forms of reflexivity and habituality displayed by social actors involved with the formation of power relations. The following theoretical framework

of the study was constructed by referring to previous literature on the institutional work perspective.

**Figure 4.1 Theoretical framework of the study**



Source: Author constructed with the support of Modell (2022)

#### 4.4 Methodology

The study uses deductive analytical logic and qualitative methodology for the data collection and analysis. A case study method was used as a research method. Due to the open-ended nature of data collection, this paradigm is the most suitable method for these types of research. Primary data was collected using a triangulation approach, which includes semi-structured interviews, observations and document analysis. Key actors in this implementation



process, such as representatives from the Ministry of Finance, government accountants, representatives from ICASL, account assistant officers or management assistants, members from international organisations, and consultants, were interviewed. The National Audit Office plays a vital role in public sector accounting practice. Therefore, it is essential to get feedback from the government auditors regarding the compliance of the SLPSAS and the quality of financial statements of public sector entities. When necessary, observation methods were exercised to study the procedures and practices of the local government accounting system in Sri Lanka. Documents include consultations and technical guidelines, legislations, regulations, other policies and available information. Observational methods are believed to be more effective in exploring the actions and strategies of the actors. High concern was always given to ensure the validity and reliability of the study data (Merriam, 1998). Different internal and external factors affect the validity or invalidity of study findings (Saunders, Lewis and Thornhill, 2012). Since validity is considered a vital factor in this research, several measures have been taken to ensure its validity. In this research, the researcher ensured the validity by selecting appropriate samples and individuals to collect data.

In qualitative methodology, the sample size is unrelated due to its philosophical position (Slevitch, 2011). Sekaran and Bougie (2010, p.262) defined population as "an entire group of people, events, or things of interest that the researcher wishes to investigate". This study's population includes all the public sector entities, including public corporations. Further, Sekaran and Bougie (2010, p.263) defined the sample as a "subset of a population. It was found that convenience sampling is a generally accepted sampling technique in qualitative research (Glaser and Strauss, 1967; Suri, 2011). Convenient sampling facilitates the researcher to collect more relevant and comprehensive information on people and/or phenomena. Therefore, the researcher believes that the interpretive paradigm, the small and

purposeful sampling method, is ideal and will be used in this study. Local authorities representing two provincial councils of Sri Lanka, named “North Central Province” and “Western Province”, were selected for the study, and the relevant officials from these local authorities responsible for public financial reporting were interviewed to collect data. Table 01 shows the description of the interviewees.

**Table 4.2 Interviewees’ profile**

<b>Name of the Organisation</b>	<b>Position</b>	<b>Interviewee’s Label</b>	<b>Number of Participants</b>	<b>Interview time</b>
State Accounts Department	Director	SAD	01	42 minutes
Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government – cabinet ministry	Chief Financial Officer	CFO	01	
Office of the Chief Secretary – North Central Province	Deputy Chief Secretary, Finance	DCS1	01	48 minutes
Office of the Chief Secretary – Western Province	Deputy Chief Secretary, Finance	DCS2	01	36 minutes
Department of Local Government – North Central Province, Sri Lanka	Chief Accountant	CA1	01	51 minutes
Department of Local Government –	Chief Accountant	CA2	01	28 minutes

Western Province, Sri  
Lanka

Department of Local Government – North	Commissioner	COM	01	24 minutes
-------------------------------------------	--------------	-----	----	------------

Central Province, Sri  
Lanka

Office of the Chief Secretary – Western	Chief Legal Officer	CLO	01	28 minutes
--------------------------------------------	---------------------	-----	----	------------

Province

National Audit Office	Audit Superintendents	NAO	01	32 minutes
-----------------------	--------------------------	-----	----	------------

ICASL	APFASL (Public Sector Wing), The Institute of Chartered Accountants of Sri Lanka	APFASL	02	43 minutes 56 minutes
-------	-------------------------------------------------------------------------------------------------	--------	----	--------------------------

Local Authorities	Accounts Assistants	AAO	10	17 minutes average
-------------------	---------------------	-----	----	-----------------------

Local Authorities	Management Assistant	MAO	02	21 minutes average
-------------------	-------------------------	-----	----	-----------------------

UNDP	Country representative	UNDP	01	43 minutes
------	---------------------------	------	----	------------

---

Source: interview data

Twenty-four semi-structured interviews were conducted with the actors representing key organisations and individuals involved with implementing a simplified version of SLPSAS at the local governments in Sri Lanka. These interviews ranged from 15 minutes to around 60 minutes. The sample selection was based on purposive techniques due to their close

connection with promoting and implementing SLPSAS at the local governments. Interviews were conducted in person in Sri Lanka; a few used WhatsApp technology. In this study, a qualitative data analysis technique, thematic analysis, was performed to answer the research question. First, the researcher transcribed all interviews. Professional translators translated those transcripts into English if any interviews were conducted using the Sinhala medium. The study utilised NVivo 13, data analysis software, to facilitate the data analysis. Following the open coding principles, data were coded (first and second order) (Hammersley, 2012). Then, codes with similar meanings and interpretations were grouped and arranged into a hierarchy. Finally, data was reviewed overall, and significant themes were identified following the theoretical lens of the study and the institutional work perspective (Lawrence and Suddaby, 2006). Further, information collected through documents and observations was incorporated with the narratives to provide more comprehensive and meaningful findings.

## **4.5 Data Analysis**

### **4.5.1 Overview of the local governments and the local governments' accounting process of Sri Lanka**

Being a South Asian country with a population of nearly 22 million by 2022, the traditional bureaucracy of Sri Lanka featured some characteristics of the British colonial legacy. With independence, the public sector financial system in Sri Lanka has historically been reinforced with a cash-based system. The general administrative structure of the country consists of the central government, provincial governments, and local governments, which function under a strong centralised decision-making process (Ramasamy, 2020). The country has introduced several administrative reforms under the NPM label with the support of the World Bank and the IMF to enhance efficacy and performance, but this has never been realised in practice (Ramasamy, 2020). At the beginning of the new millennium, Sri Lanka also had undergone numerous accounting reforms adhering to the agendas of international donor agencies such as

the World Bank, IMF and ADB (Adhikari *et al.*, 2013; Senarath Yapa and Ukwatte, 2015). Sri Lanka is a country that depends economically on international aid and lending. However, due to the colonial inheritance of the British, Sri Lanka's accounting practice has been better than its professional conduct (Adhikari *et al.*, 2013).

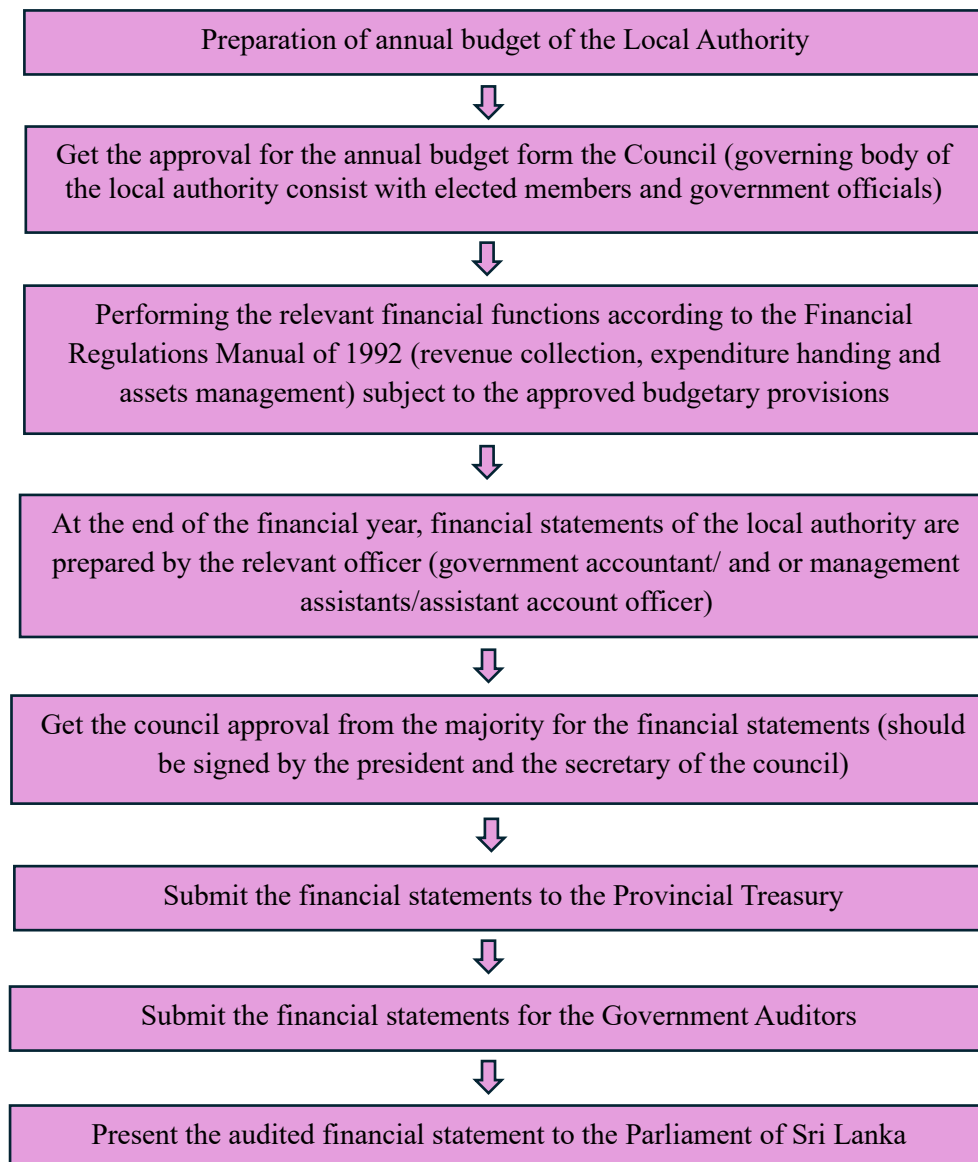
Although Sri Lanka has a historical tradition of local governments dating back to ancient times, it is essential to note that the present-day local government system in Sri Lanka does not directly stem from this ancient tradition. Instead, it can be traced back to the British colonial period. It largely reflects a system introduced and evolved by the British during the early nineteenth century. Britain was ushering in significant changes to the established administrative framework established by the Dutch. (Em. Yu. Da Silva, 2006). Firstly, three municipal councils were established in Colombo, Kandy and Galle, the country's major cities, as a part of this administrative transformation. Simultaneously, local and sanitary boards were introduced in smaller towns and villages nationwide. Much like other colonial territories, the British colonial administration paid considerable attention to the local authorities by fostering the growth of agriculture-based economies to explore local resources more effectively. In 1988, the amended Urban Council Ordinance significantly impacted the structure and administrative procedure of the urban councils in Sri Lanka. This amendment specifically designated the urban council chairman as the chief executive officer and the secretaries as chief administrative officers. This significant change marked a shift in the distribution of authority within these local authorities, offering them greater decision-making and resource allocation powers within their governing area to streamline their decision-making processes and enhance efficiency. A more centralised and professionalised management structure within these local government authorities will improve their capability to address regional issues and meet the needs of their communities more effectively.

At present, Sri Lankan local governments are comprised of 341 local authorities, which include 29 Municipal Councils (MCs), 36 Urban Councils (UCs) and 276 Pradeshiya Sabhas (PSs) (Rural Councils). There are three different regulations applicable to these three types of local authorities. A cabinet ministry called 'The Ministry of Provincial Councils and Local Governments and Sports ' administers local governments. Local governments are governed by the Urban Councils Ordinance 1939, the Municipal Councils Ordinance 1947 and the Pradeshiya Sabha Act 1987. In 1987, the 13th Amendment to the Constitution initiated a more profound effort towards decentralisation while supplanting the former district administration in Sri Lanka. The Pradeshiya Sabha Act No. 15 of 1987 formulated 257 new local authorities at the regional levels, replacing the former 24 development councils. All local government responsibilities (supervision, monitoring, and operational management) go to the provincial councils. This Pradeshiya Sabha Act outlines the role and obligations of the local governments, including the control of all matters regarding health, utilities, and thoroughfares, aiming to safeguard and enhance the welfare of the people. Local governments generate revenue through different sources, such as rates/property taxes, fines, licenses, permits, and other revenues, such as rent income/fees. In addition, budgetary allocations are made by the central and provincial governments. Borrowings from the central government and other sources of funding, such as Funds through Private Sector Partnerships

The Public Financial Management Act No. 44 of 2024 establishes statutory provisions requiring local authorities to prepare government financial statements in compliance with standards developed based on International Public Sector Accounting Standards (IPSAS). Both provincial governments and local governments must comply with the legal provisions of the Provincial Council Act No. 42 of 1987 and the National Audit Act No. 19 of 2018. In addition, all local authorities are expected to follow the financial management regulations and rules stipulated under the Provincial Councils Act of 1987, the Municipal Councils Ordinance

No. 29 of 1947, the Urban Councils Ordinance No. 61 of 1939 and the Pradeshiya Sabha Act No. 15 of 1987. The primary controlling mechanism of the local government is the annual budget, which has consistently served as a crucial tool for understanding and conveying daily operational procedures while preserving established positions (Kuruppu *et al.*, 2016). Based on the regulations, municipal and urban councils need to prepare annual budgets of accumulated reserves and income and expenditure statements that must be presented to the general assembly of provincial councils and local council meetings. However, the local government system in Sri Lanka suffers from capacity gaps in many areas, including public financial reporting and regulatory provisions. The Department of Local Government, established under the central government, plays a key role in implementing accrual accounting from the provincial government to the local government (Dissanayake *et al.*, 2021). The Provincial Government Act of 1987 assigned provincial governments, headed by the Local Government Commissioner, authority over local government functions, including disseminating SLPSAS and accrual accounting.

As explained in the previous section, there was a lack of regulatory provisions in all three local government Acts related to the accounting and auditing of local governments in Sri Lanka. The following diagram provides a comprehensive picture of the public financial management of local governments. The adoption and implementation of accrual accounting and IPSAS at the regional level are preliminary to the pressure exerted by the central government of Sri Lanka, with the intervention of ICASL and the National Audit Office. A similar situation has been experienced in many developing countries; public financial management reforms have flowed to the local government level due to the “authoritative” request of the collective actors at the central government level. (Dissanayake *et al.*, 2021; Harun *et al.*, 2021). The following figure (Figure 2) presents the accounting process of a local authority.

**Figure 4.2 Accounting process of a local authority**

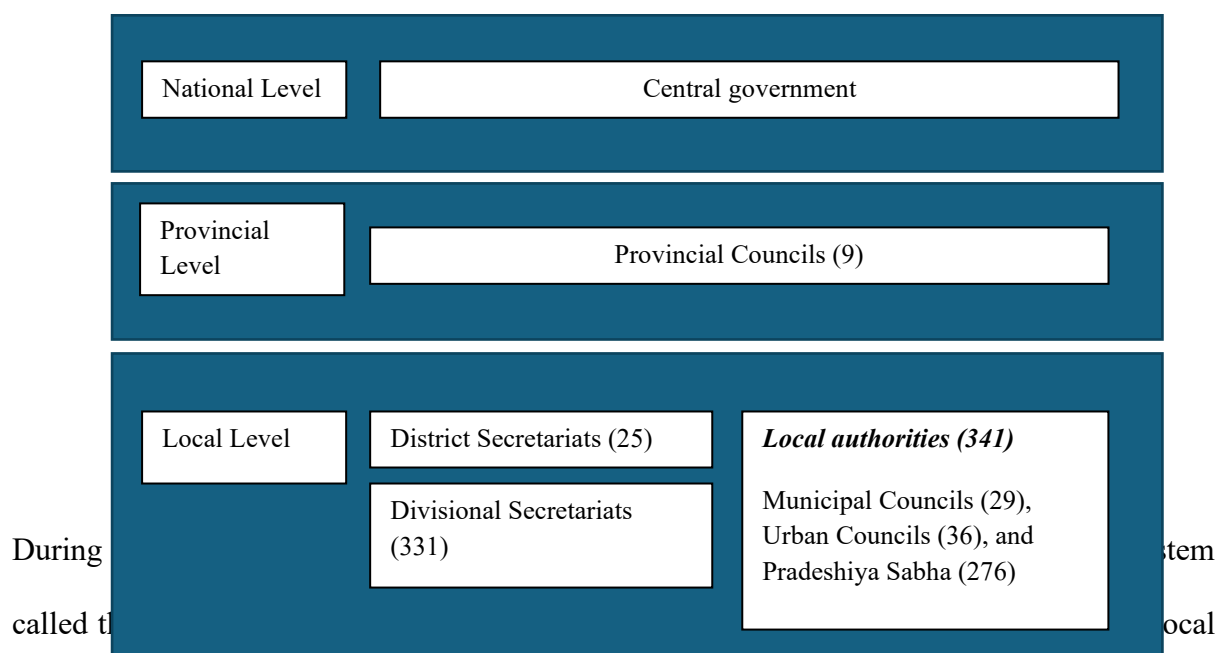
This study examined institutional work supporting IPSAS implementation across multiple Sri Lankan local government tiers. The final sample predominantly consisted of Pradeshiya Sabhas from the North Central Province, with additional representation from Municipal Councils in Western and North Central Provinces and Urban Councils in the Western Province. While all levels of local government were represented to provide comprehensive coverage of local governance structures, Pradeshiya Sabhas constituted the majority of the



sample due to their greater numerical representation nationally and the unique implementation challenges they faced. Although the implementation outcomes were observed at the local government level, it is essential to note that institutional work originated within Sri Lanka's political-administrative hierarchy. This work began at the central government level, flowed through provincial governments, and ultimately reached local governments. This hierarchical flow reflects the administrative structure of Sri Lanka, where local governments operate under the oversight of both central and provincial authorities.

Consequently, the institutional work supporting IPSAS implementation manifested differently across various governmental tiers. The analysis revealed that the most intensive ground-level implementation occurred at the Pradeshiya Sabha level, while relevant authorities at the central government and provincial council levels played critical "behind-the-scenes" roles. This multi-tiered approach to institutional work highlights the complex interplay between different levels of government in implementing accounting reforms in Sri Lanka.

**Figure 4.3 Political administrative structure of Sri Lanka**



governments, which the Head of Commissioners of Local Government directs. Final accounts and reports of the local governments are under the direct supervision of the provincial

government's chief financial officer (CFO) since the provincial treasury is responsible for handling the financial regulations of the relevant local authorities. As stated in the previous literature, MOF and ICASL acted as the change agents of the accrual accounting and IPSAS in the local governments in Sri Lanka. However, the central government failed to pressure the provincial governments to implement the proposed accounting reforms.

#### **4.5.2 Disruption of the institution**

This section of the study presents the disruption of the previous institutional arrangement for public financial reporting at the local governments in Sri Lanka. This Institutional work proposed by Lawrence and Suddaby (2006) has gained significant traction as a theory to investigate the agentic functions and actions of individuals and organisations within the institutional theory (Alvesson and Spicer, 2018). According to the institutional work ideology, institutional disruption is a concept that sheds light on the current rules and norms of institutions. It involves examining the actions and challenges that disrupt the existing institutional arrangement. This perspective helps to understand how actors challenge and potentially change the established norms and practices within institutions. Institutions undergo a process of disruption when the established practices, rules, or technologies that have traditionally characterised them are disassociated or fundamentally altered (Lawrence and Suddaby, 2006; Aliabadi *et al.*, 2021). When implementing new accounting changes in the local governments of North Central Province and Western Province in Sri Lanka, the existing accounting procedure, which was called the 'Wickramanayake accounting system' in the financial reporting, was replaced and adapted to the new rules, norms and practices for the public financial reporting. The local government Acts in Sri Lanka had no proper provisions and guidelines for the financial reporting and auditing components. The 'Wickramanayake accounting system' was a deeply rooted accounting practice at the local government level as a regional accounting practice. With the introduction of an accrual basis

and a simplified version of SLPSAS, the local governments must shift from the traditional version to the new one. The new accounting system was introduced due to the limitations of the existing accounting system and the necessity for more analytical information for decision-making purposes at the local administration level. For an extended period, there have been many issues with the administration and governance of the local governments, especially the urban councils and Pradeshiya Sabha, since there is much deviation from the central government and direct political influence. Further, it was observed that there was a lack of usage of accounting information for decision-making purposes at the local government level due to the issues with the financial reporting practice and the lack of adequacy of the required information generated through the existing accounting system. On the other hand, many local governments received disclaimed audit opinions for their financial statements, which were limited by the weaknesses of existing reporting structures.

#### ***4.5.2.1 Role of Wickramanayake's accounting system in the local government's public financial management in Sri Lanka.***

For over 40 years, all the local governments in Sri Lanka maintained the 'Wickramanayaka accounting system' accounting method. One of the Chartered Accountants, Mr. Wickramanayake, who worked as the Secretary to the Ministry of Public Administration, developed these accounting practices as a solution for the lack of resources (physical and human) for the preparation of financial statements of the local government organisations in Sri Lanka at that period. There was no written evidence for it anywhere in that village council system. That system has been considered a formal practice at the local government level for several decades. Later, the relevant rules were gazetted, and according to those rules, a set of financial statements was prepared. Therefore, the accounting system of local government was not written anywhere, and there were no relevant statutory provisions in the local government Acts. In most local authorities, except Municipal Councils and some urban councils, one of

the clerical staff members (management assistants) performs the accounting function for the local governments. This means there is no professional accounting background, including government accountants, at many of the local governments in Sri Lanka. In this Wickramanayake accounting system, standard formats were created by Mr Wickramanayake, which were called PS forms. The responsible officer for the accounting functions at the local government will complete these formats by filling in the required data. At the end of the financial year, financial statements will be generated through this formatting system. As all agreed at the local government level, this is a straightforward procedure for preparing the financial statements for the local government. In the local government, the governing body is called the “council” (Sabhawa in the Sinhala language) and consists of elected members and some of the government's civil servants. One of the leading members behind this reform, representing ICASL, mentioned this accounting practice and why it was popular among the people of all three levels of local governments in Sri Lanka.

*“I think that was why the Wickamanayaka system became very popular; what they have done in the Wickamanayaka system is straightforward. They have designed forms, and anyone who does not know accounting can fill them out. This is a filling up of forms (not accounting). It was an accrual system but not sophisticated then; it was a double-entry accounting system. He (Mr Wickramanayake) was a chartered accountant and then became the secretary at the Ministry of Public Administration. He was able to implement this very successfully, you know, without any issue because the authority was there. So, he implemented a prevalent system, which was gazetted, and they followed it because no professional accountants were needed to implement it. Especially at the rural level or the lowest local government, called ‘Pradeshiya Sabha’, since it does not have a government accountant. The one employee recruited as a management assistant (clerical staff member) will perform these functions at the Pradeshiya Sabha level. Then, these specific formats were given to them to fill out*

*regularly. These clerical staff, or account assistants, did not have (did not want) a good accounting knowledge although they have called 'accounts assistance' ...." (APFASL 01)*

Further he added,

One of the main advantages of this accounting practice was that anyone without proper accounting knowledge could prepare the final accounts of the relevant local government through this structural way. Some people can argue that since the local governments do not have proper accountants or account assistants with good accounting knowledge and background, this Wickramanayake accounting system is the ideal method of accounting. Most other provinces (except North Central and Western Provinces) are unwilling to go for the new accounting change because of the lack of technical staff or not having the competent staff to perform or apply new accounting standards. However, this accounting system lacks its role of accounting as a social practice that uses accounting information for the management and decision-making of the local government (Gomes and Sargiacomo, 2013). One of the accounting assistant officers in a Pradeshiya Sabha of North Central province highlighted the breadth and depth of this 'Wickramanayake accounting system' and how it differentiated from the new accounting system, which is accrual-based IPSAS.

*"In the Wickramanayake account system, it was done by filling a format. It was designed so that even someone with no experience in accounting could do it. Implementing the new system without having accounting experience is difficult. Even a security officer can do this format filling. There is a format, and you must put data in that format...." (AAO 3)*

It was proposed to disrupt this institutional arrangement of Wickramanayake accounting practice with the external pressures exercised by the international donor agencies and international accounting bodies under the theme of harmonisation of accounting practices through the central government intervention in Sri Lanka (Dissanayake *et al.*, 2021). For 40

years, this so-called ‘Wickramanayake account system’ institutionalized and served Sri Lanka to the continuation of the local government system. This Wickramanayake accounting system was a simple, proactive, and innovative method of recording transactions and preparing financial statements in the local government system, especially for the Pradeshiya Sabha, which is within its institutional capacity. It had its own rules and structures that challenged the status quo. The ignorance of this local accounting practice might create many consequences since it was maintained for nearly 40 years in the local government system in Sri Lanka. Especially when it comes to the other provinces except for North Central and Western in other provinces, from higher-level authorities to the operational level staff, there might be resistance to the new accounting change, challenging the traditional mind-set of the staff at the local governments. In Sri Lanka, most of the local governments run with minimal facilities and survive with the central government's financial assistance. Some of the officers, including governors and local government commissioners, may be encouraged to continue the existing practices because of the deep roots and simplicity of the norms, as well as practices at the local level with their available resources.

DiMaggio (1988) introduced this idea of institutional entrepreneurship to defend the emergence of new institutions—the Embeddedness of the local-level actors towards institutionalised practice. The lack of professionalism in public finance at the local government level enabled innovative actions to create this accounting practice (Wickramanayake accounting system) at the local government level by a person called Mr Wickramanayake. This accounting practice reflects the agency, power, and interest to complete the accounting change in the local governments, making an institutional change. As an alternative accounting practice that was able to be implemented within the institutional environment (under the available conditions/resources of the local governments), It was able to promote institutional change while solving a problem related to the public financial

reporting at the local government level in their organisational field for forty years subject to several limitations (Hardy and Steve Maguire, 2008; Sánchez-Matamoros *et al.*, 2014). The content and structure of this accounting practice needed to be expanded with the emergence of diverse institutional logic, especially with the professional associations, to cater to the wider public financial requirements of local governments. However, with the structural changes proposed by the donor agencies, this traditional accounting practice needed to change by highlighting its inherited limitations as well as the importance of having a more transparent reporting structure at the local level. These institutionally embedded actors utilised their political and social skills to mobilise other institutional actors toward the change of accounting practice through adopting accrual-based SLPSAS at the local government level in Sri Lanka. With the broader theme of governance and accountability, recent accounting changes are being implemented as solutions for the inherited issues of the local government system of Sri Lanka, especially in the 'Pradeshiya Sabha'. With the introduction of accounting standards (State Accounts Circular No: 265/2018), and compulsory implementation, the Wickramanayake accounting system was disrupted by the embedded actors to create new institutions at the local governments in the North Central Province and Western Province related to the public financial reporting (Gidley, 2020; Lawrence and Suddaby, 2006).

#### **4.5.3 Creation of institution**

Lawrence and Suddaby (2006) identified various forms of institutional work that aimed to establish institutions. Analyse the actions actors took to create new institutional arrangements and practices that support adopting and implementing recent accounting changes, including introducing new rule structures and procedures. Here, a new accounting system is made under the adaptation and implementation of a simplified version of the Sri Lanka accounting standard (SLPSAS). This includes the creation of new rules and norms as well as the

establishment of supportive institutional structures for successful implementation. This study demonstrates that creating institutions can involve collaborative co-creation and competitive convergence, with multiple actors engaged. This section presents the collective agency of the institutionally embedded actors to develop the structures and norms to generate new institutions. With the accounting standards adoption (a simplified version of SLPSAS), this creation includes defining the rules system and growing support for those rule systems with the support of multiple actors, including the ICASL and NAO (Lawrence and Suddaby, 2006). Further, this creation assesses the strategies and initiatives employed to address the challenges, such as resource constraints and administrative complexities, faced during the transition period of the new institutional structure. It includes the planning and execution of the transition to the new arrangement of public financial reporting at the local government level.

Perceived legitimacy of the accounting change influences the stakeholders' (actors) perception, acceptance or resistance to the change and how the local government-level actors have created a supporting culture to encourage the acceptance of new accounting change. This helps to understand the agency and strategic efforts of the individuals and organisations driving towards institutional change and addressing emerging/emerging challenges and barriers during this transformation. It also sheds light on the political support and influence behind this SLPSAS implementation. The wider stakeholders have accepted this accounting change. The following statement highlights the favourable perception of accounting change. One representative from the ICASL (APFASL), who also directly works with the UNDP Local Government project, made the following statement regarding the initiatives to create a new accounting system for the local government.

*“Our accounting system should grow internationally or according to the standards. Then, an international comparison can be made. Projects are coming one by one. For them to come,*



*the accounting system (in the local government) should follow the standard. “I think the new accounting system is good....”*

*“There have been some relatively major changes with the new accounting system, like identification of capital assets, depreciation, etc. Now, we are doing proper accounting. With the new account system, more freedom and opportunities have been found to create accounts....” (APFASL 02)*

Under this new accounting change, operational-level staff of local governments was given more freedom to exercise their accounting knowledge and technical skills compared with the ‘Wickramanayake accounting system’. The previous accounting system was so simple, and there was no opportunity for them to exercise their professional judgment as account executives or account officers. But now it has come to the professional side and could explore accounting as a social practice in which local governments can use accounting information for management and decision-making functions (Gomes and Sargiacomo, 2013). In order to prepare the set of financial statements in the local governments based on SLPSAS, the (responsible personnel) should have sufficient knowledge and practice regarding accrual accounting, accounting standards, and relevant accounting concepts and practices, as highlighted by most of the account assistants at the local governments of the North Central Province.

#### ***4.5.3.1 Institutional change (transition to new accounting system)***

Here, it examines the dynamic process of changing the institution to implement the simplified version of public sector accounting standards (SLPSAS) for local governments. The first is developing a streamlined version of the accounting standard for the local government. Then, mainly, how the legal structure has been changed to implement the new accounting change at the local government level in Sri Lanka. As well as the creation of a legal background for the successful implementation of this simplified version. This includes the critical analysis of

how the institutionally embedded actors assume the role of change agents and build the power relations to challenge and transform existing institutional arrangements that hinder the successful implementation of the accounting standard (Guerreiro *et al.*, 2021; Modell, 2022). Local governments have been adopting what was known as the Wickramanayaka accounting system, which Chartered Accountant Wickramanayaka introduced around the 1970s. Based on the request made by the Ministry of Provincial Council and Local Government, the Public Sector Wing of ICASL has developed a single standard (a simplified version) combining relevant sections of other Sri Lanka public sector accounting standards (SLPSAS). According to Act No 15 of 1995 Accounting and Auditing Standards, the sole authority to develop the accounting standards within the territory of Sri Lanka go to The Institute of Chartered Accountants of Sri Lanka. An accrual-based standard covers most aspects of accounting for the local authorities to ensure that all local authorities follow a uniform accounting system. One of the members representing the Sri Lanka Public Sector Accounting Standards Committee, and who directly involved with developing this simplified version of accounting standards, mentioned the following statement.

*“Now, we thought of, you know, looking at the current development and all that to have a proper accrual system and also to comply with the international accounting standards. Based on the IPSAS, we have prepared and formulated a single standard. Now, we have 20 standards (20 SLPSASs) for the public sector.*

*But for the local authorities, we wanted to have a single, simplified standard incorporating almost all the standards published by the IPSAS so that they can, because, in the periphery, the professionalism is varied, you know, difficult immediately to bring all the standards applicable to them....” (ALFASL 01)*

CA Sri Lanka introduced this single simplified standard in 2017 and made the publication in three languages (Sinhala, Tamil and English) under the copywriting of ICASL. Later, the president's secretariat wanted these simplified accounting standards to be implemented by the local governments. Then, they sent out a circular to all the provincial councils since the local government in the relevant province was administrated by the relevant Provincial Councils. Later, ICASL also formulated the gazette notification so that they could go ahead and publish this simplified standard. According to the constitution, the Line Ministry at the central government and the minister at the provincial councils must follow the new system of accounting to be legalised. One member of the APFASL shared his experience and background behind developing this simplified standard. It observed the agency of multiple actors for the development of a simplified version of accounting standards, and a key role was played by the ICASL by exercising the power relations as change agents in this transformation (Modell, 2022; Modell *et al.*, 2017).

*“If we take local government bodies, there are no government accountants. That is why this has been simplified. It has been simplified to suit all three types of local governments. However, there are obstacles in the legal framework according to the Act and Ordinance. They think that it is necessary to change them and implement this....”* (APFASL 02)

This published local government accounting standard of ICASL applies to all three levels of local authorities in Sri Lanka (Municipal Councils, Urban Councils and Pradeshiya Sabha). Also, ICASL, especially the APFASL, has been actively involved in getting support from higher authorities to implement this as soon as possible, as highlighted by the representatives of ICASL. In addition, funding agencies were incorporated to get financial assistance for institutionalising this accounting change at the local governments through the Associate of Public Finance Accountants in Sri Lanka (APFASL). It demonstrated the reflexive agency of

ICASL since ICASL was able to exercise its power deal with the World Bank to get enough funds to develop the standard (Modell *et al.*, 2017; Aleksandrov, 2020). This reflexivity created the ICASL (APFASL) as an institutional entrepreneur who supported to creation new institution (DiMaggio, 1988; Maguire *et al.*, 2004). The way things have happened at the central level, explained by the president of APFASL, is mentioned as follows.

*“So, we made this applicable to them, and then we got the president's secretary to issue the circular. So, the secretary to the president has issued a circular for immediate implementation of this simplified version of SLPSAS at the local governments (SAD Circular No. 265/2018 dated 10 May 2018) ....”* (APFASL 01)

The creation of a legal framework under the political capacity for successful implementation was quite challenging since three different local governments have separate administrative rules and regulations. As per the 13th amendment of the constitution of Sri Lanka, with the establishment of nine Provincial Councils, the administration of local governments was handed over to the Provincial Councils. Under the Provincial Councils, a separate department called the Department of Local Government was created to administrate local governments of the relevant province. Therefore, the minister in charge of the subject (Local governments at the provincial level) should be the pioneer in introducing a new accounting system under the provisions of the Provincial Council Act. According to that Act, the minister in charge of the provincial subject can introduce this new accounting system. However, a decision had been taken at the national level by the Committee of Public Accounts (COPE) that the accounting system of the local government should be changed. This adoption and implementation pressure mainly came through the central government. Then, through mediation with the honourable president, a written letter was sent to all the Provincial Governments asking them to prepare the necessary background to implement this new accounting system (accrual-based

SLPSAS) in the local authorities. Since local authorities come under the provincial councils as a dissolved subject, it should be implemented through provincial councils by creating or/and amending the relevant by-laws. However, since the Provincial councils have been inactive since 2019, this implementation has been delayed. However, with the provisions of the constitution, the governors of each Province have the authority to take necessary actions to implement this new accounting system in their capacity. With the consent and approval of governors, the commissioners of local governments can implement it for all nine provinces. The Deputy Chief Secretary Finance of the North Central Province made the following statement emphasising the background behind the creation of a legal structure for the implementation.

*“The line ministry (The Ministry of Provincial Councils and Local Government) had advised to change only the format without changing the rules and regulations. However, according to the by-law, it is not possible to introduce a new format without changing the rules and regulations. Therefore, we had to change the rules and regulations and gazetted them. Then, the governor in charge of the province passed this Law. Then, only the Western Province and the North Central Province changed the rules and regulations and gazetted them. That is why it is being implemented only in those two provinces....” (DCS 01)*

Since 2019, Provincial Councils have been inactive since the period of the Council was over till, they appointed new members by an election. Then, all the power was transferred to the Governors of the relevant province according to the provision of the 13 amendments to the constitution of Sri Lanka. When The Line Ministry of Provincial Councils and Local Governments first approached the commissioners of local governments in each province, they understood the Chartered Institute and some of the commissioners of local governance. The CFO of North Central Province further emphasised that during the discussions with the commissioners of local governments, some commissioners were very positive and agreed to

implement but subject to the Governor's approval. However, some commissioners in other provinces (except Western and North Central Provinces) were reluctant and unwilling to accept implementing accounting standards, highlighting the lack of human and physical resources. The Deputy Chief Secretary Finance of North Central province, who was behind in these all-accounting reforms, mentioned how the legal framework/structure has been changed to implement this simplified version of SLPSAS.

*“What happened at that time was the commissioner and legal officer of the local government department prepared the legal background for us with the support of the local government's line ministry. I think I attended two meetings in Colombo with the instructions given. There, we made those few rules with the local government commissioner of the western province and its legal officer.... After that, it was necessary to get the Governor's approval to implement it. Two documents were prepared then. The governor can implement that with the recommendation of the chief secretary and myself. The provincial council and the minister in charge of local government should put it on the provincial council. Because of that, the governor must approve all the financial affairs because with the amendment to the constitution numbered 27 of 1990, with that act, the governor himself received financial powers. Accordingly, as the head of financial affairs and chief accountant of the provincial council, we have forwarded to the governor to get support to approve the rules change. From there, he signed, and the implementation was approved. That was the story behind this implementation....” (DCS 01)*

The CFO of the Provincial Council and Chief Accountant at the Local government department in the North Central Province were directly involved and gave the leadership to establish the regulatory framework for the new accounting system. The above statement emphasises the political work (advocacy, defining, vesting – rules) of embedded actors for the transformation of the existing institutions into a new institution (Lawrence and Suddaby,

2006). Then, they changed the accounting formats of the local governments to match the accrual accounting and accounting standards (SLPSAS) and altered all the document forms in the local government's financial reporting by amending the rules and issuing the gazette. With the power given to the Commissioner of Local Government, a circular was issued through the Commissioner, and all necessary training and developments were done with his intervention and leadership. However, with all these difficulties, the Western Provincial Council and the North Central Provincial Council have been able to adopt this standard. Now, these two local governments have not only the standard but also the new system of accounting with the guidelines and all that being published. However, as highlighted by the members of APFASL, only two provinces have started implementing this. They have been preparing and presenting accounts in compliance with the standard. So, this must be followed by all other seven provincial councils. However, the ICASL has been chasing behind all the other provinces. CFOs and Chief Accountants of these two Provinces were perceived as competent enough to navigate their institutional environment with their reflexivity and purposive actions (Lawrence and Suddaby, 2006; Aburous, 2019). The authorities managed the resources for the transition without relying on external funding sources. However, the accountant of the Local Government Provincial ministry in the North Central Province has requested a separate fund allocation from the Chief Secretary for the Local Government Department. The next question was how they developed the necessary human resources for this implementation. This means that it cannot be done without human resource development and training, even if people at the lower level are told to do it.

#### ***4.5.3.2 Political support and accrual-based budgeting.***

Here, the discussion is based on the support and constraints of the political actors and their influence on the creation of new institutional arrangements at the local government level. The importance of political support for establishing new structures, rules, and norms to facilitate

the implementation of recent accounting changes or public sector accounting standards has been widely discussed (Adhikari, Kuruppu and Matilal, 2013; Yapa and Ukwatta, 2015; Adhikari and Jayasinghe, 2017). This included lobbying, coalition-building, and framing the reforms in a way that aligns with the interests and priorities of key political actors at the provincial and local government levels. In this case, the power relations and the political interest have positively shaped the decision-making, resource allocations, and, finally, the implementation of the new accounting change. The mobilization of political support was achieved through the direct and deliberate actions of the CFO, chief accountants, and other higher authorities at the provincial and central government levels. However, the initiatives were made, especially when the political actors were inactive at the Provincial Council level and with the support of Governors who played the active role of Chief Ministry of the Province (equal power and authority). These actors were successfully able to convince the Governors of the importance of streamlining the public financial reporting in local governments. As mentioned in the previous paragraph, the governor handled all the power and responsibilities regarding the implementation stage. The role and reflexivity of politicians behind this creation of the institution were reflected through the following statements made by the chief accountant of the North Central Province.

*“Yes, when we introduced this, there was politics. Then, we did not have any problems at the council level. Then, this was approved and gazetted through the minister in charge of the provincial council. But after 2019, all the power of the minister in charge of the subject and the local council had gone to the provincial Governor. Mr. Tissa Hewawitharana was the provincial Governor at that time. Needed help was received from him, too. At the time of gazetting, there was a governor called Mr. Jayasinghe. It also received his necessary support because it had the proper foundation.*

The participant continued by stating,



*As I said, we wanted to re-approve the budget under the new format (accrual-based). All the local government bodies in the province re-approved the budgets prepared based on the new format (accrual-based) without any problem. Therefore, it is correct to say that it received 100% support from the political authorities ....” (CA 01)*

As the first step of the accounting change, the annual budget of each North Central Province and Western Province local government needs to be converted into an accrual basis. However, local councils have already approved their cash-based budget for the implementation stage. Then, officers wanted re-approval for the accrual-based budget from the local governments. In that case, all the regional politicians (council of local government) supported re-approving the accrued-based budget before implementing the new accounting system. It provided another evidence of the reflexivity and collective agency of these actors who consciously and strategically reshape the institutional settings to create new institutional arrangements for the successful implementation of SLPSAS at the local governments (Lawrence *et al.*, 2011).

#### ***4.5.3.3 Reconfiguration of belief systems of individuals for accounting change***

This includes investigating strategies to shape the individual actors' beliefs, values, and ideologies regarding the local governments' accounting change. For the accounting change, the use of persuasion, socialisation, and role modelling towards implementing SLPSAS (Lawrence and Suddaby, 2006). To implement the reforms successfully, the agency of individual actors plays an essential role, especially in this case, those who work as account assistants/account assistant officers in local governments. The construction of identities of individual actors is important for the transformation and creation of new institutions (Lawrence and Suddaby, 2006; Löhr, Chlebna and Mattes, 2022). To construct identities and new belief systems for the operational level staff, the different actors in these two provinces

have created a supportive background that is reasonably good. As mentioned by most respondents, the main reason behind this successful initiation of these two provinces were the change of attitude and beliefs, as well as the collective agency of institutionally embedded actors. The role of change agents in implementing accounting change is reflected in the following statement by one of a senior government accountant:

*“If the attitudes do not change, if we remain conservative, the accounting system called Wickramanayake, which we do not know, will go forward from time immemorial. We know that international standards are changing day by day. Many things have changed, and technology has changed. In my opinion, we should go with these things. The main problem of reluctance to change is the attitude, which needs to be changed, and the human resources capacity needs to be developed....”* (DCS 02)

Another critical component is the leadership toward the reconfiguring normative network among the embedded actors in this transformation (Lawrence and Suddaby, 2006; Hampel, Lawrence and Tracey, 2017). Particularly the highest authority in the provincial council on public financial management, including the CFO and chief accountants combined with the local government commissioners. It was observed that these actors, including the Commissioner of Local Governments of these two provinces, have taken a lot of interest in promoting this change. They have been able to implement this reform because of the cooperation they have received from all the officials, including the central government. It demonstrates the changing of the normative association by redefining the relationships with these actors, particularly with the newly created position called “account assistant officer” at the North Central Province. This special position called “account assistant officer” was created to perform public financial management functions for the local governments of the North Central Province. For this position, only people with a sound accounting background (a higher diploma equal to level 6 plus practical experience) were recruited. Then, it created

new avenues to reconfigure normative networks with new beliefs and norms of new positions, as well as building new relationships and networks among this account assistant officer. One of the leading positions, the chief accountant position, mentioned how he provided leadership and guidance for the accounting change/successful implementation, as well as the importance of continuously monitoring and evaluating progress.

*All these things went under my direct intervention and guidance....*

*There will always be problems with these technical matters when this transition happens. That means the implementers (operational-level staff) often have issues. If they don't get an answer to those problems on the spot, they will not be able to do this (implementation of SLPSAS) properly. I was giving my fullest contribution under my capacity to solve these issues...*

*"As I was involved in this process (adoption and implementation of SLPSAS), I observed that the government institutions are trying to separate to a large extent. I don't see a lot of mutual bonding and mutual support (between government departments). But here was different; I believe that what is being implemented in this North Central Province is my powers and strength...." (CA 01)*

The leadership and guidance given to the operational level staff at the local governments (towards the account assistant/account assistant officers) was highlighted by the Chief Secretary of Finance at the North Central Province mentioned. Also, many officers at the higher level appreciated the coordination and collaboration between these actors to exercise their agency for the implementation of accounting change. The chief secretary stated.

*"Mr. A" is an accountant with real capacity and updated knowledge who worked in the department of local government. Then, I got a lot of support from him to implement this*

*accounting standard. Our province has two municipal councils and 27 Pradeshiya Sabha. Then it was possible to implement these reforms in the local governments....” (DCS 01)*

Most of the operational-level staff (account assistant/account assistant officers) mentioned that they always contact the accountant at the local government department (they call him “our accountant, sir”) when they need to clarify something or when they have an issue. Almost all the account assistant officers/management assistants mentioned that they have good leadership and guidance from the Provincial Council and the Department of Local Government. If there was effective and strong leadership, the cultural constraints could be eliminated (Moon and DeLeon, 2001). During the interview, one of the account assistant officers stated,

*“I think it can be implemented successfully in about two more years.*

*We are working according to the instructions and leadership of our accountant, sir. We are continuing this task (implementation of SLPSAS) under the guidance of sir....” (AAO 01)*

It needs to highlight collaboration among the account assistant officers/management assistants who are directly involved in the accounting functions of the local governments. One of the important things that I noticed in the North Central province is that if there is an unclear accounting matter or practical issues, most members discuss the matter informally and try to come to a joint agreement related to the financial reporting aspect (based on their judgemental knowledge). Almost all local governments in the province follow the same procedure for that case by exercising networking and collaboration norms. They were able to build good networks, norms, and value systems with leadership and collaboration from the actors in order to capture the full depth of institutional transformation (Lawrence and Phillips, 2019; Lawrence and Suddaby, 2006).

#### ***4.5.3.4 Capacity building and technical knowledge enhancement (Education)***

To cope with the new institutional arrangement (new accounting system), the knowledge and capacity of individual actors need to be enhanced (Lawrence and Suddaby, 2006). This provided evidence of how embedded actors draw on material objects such as education, training and knowledge transferring, which are necessary to perform institutional work to create the new institutional arrangement (Monteiro and Nicolini, 2015). On capacity development concerns offering training and creating the opportunity for acquiring necessary skills, changing attitudes, norms, and practices, as well as technical knowledge of the ground-level staff for successfully implementing accounting standards at the local government level. This starts from the institutional development, where it discusses the legal instruments and the other aspects of the organisational development as well as the individual capacities of the staff. It includes the mechanisms for improving the technical knowledge of account assistant officers/management assistants, as well as other relevant officers, including the role of training programmes and knowledge transfer and learning networks—knowledge-sharing activities to ensure continuous learning and improvements. Most of the account assistant officers mentioned underwent training programmes related to this implementation.

It requires an increase in the knowledge and skills on adopting accounting standards at the local level since they practice a simple accounting procedure. This transition required a knowledge shift and sound knowledge of the application of accounting standards. Then, this application of accounting standards requires updated knowledge. Maintaining the technical component of accounting standards is therefore necessary; to do this, training sessions must be organized to sustain the standards' level of technical knowledge through ongoing professional growth. One of the assistant account officers made the following statement related to the arrangement of training programs on accounting standards.

*“There were training programs organised on the accounting standards through the Local Government Training Unit at the Provincial Council. Later, they started a Local Government Diploma Programme to cover additional Public Financial Management and Administration training. Which includes a module related to the accounting standards....” (AAO 06)*

As per the APFASL perspective, they have initiated several training programmes to bring this into practice at the local level. APFASL has conducted training on trainers and undertaken new programs when they introduced the new standard. However, recently, they have had nine province workshops to facilitate the implementation, preparation, and presentation of accounts to reflect an accurate and fair picture in the financial statements. Most operational staff had a positive and favourable attitude regarding the training and development programmes. This training and education are very crucial for the creation or reproduction of the institution as a key component of transformation (Lawrence and Suddaby, 2006; Guerreiro, Rodrigues and Craig, 2015; Guerreiro, Lima Rodrigues and Craig, 2021). As mentioned by a representative from the ICASL (APFASL), Sri Lanka is the primary training arm, strengthening the usage of the accounting standards in Sri Lanka.

*“There is a separate training section of the provincial council. That's what training should be done. We first trained trainers under it. Those trainers normally do the training at local government institutions. As far as I understand, the content of that training was not enough. Because of that, we will need more training when we implement it. The diploma program (Local Government Diploma Programme) is being implemented with the same target in mind....” (APFASL 01)*

In addition, UNDP supported human resources development at the local government level in several ways. The organization has mainly supported conducting a Local Government Diploma Programme for the employees and elected members of the local governments to

strengthen the local government professionals. In addition, UNDP is funding to enhance the professional knowledge of operational-level staff (account assistant officers/management assistants) with the support of retired government accountants and auditors. As mentioned by the representatives of APFASL, the participants and authorities were very keen on this initiative. Around 200 candidates got the diploma, and they are very interested in contributing to the development of the local communities in various capacities. The workshop on how to prepare and present financial statements was conducted in all nine provinces with the support of UNDP and ICASL, specifically focusing on accrual accounting and accounting standards. The contribution made by UNDP to enhance the capacity of human resources under the Capacity Development of Local Government Programme is reflected in the following statement made by the UNDP representative.

*“What we have done is mobilise retired auditors or accountants who have worked in or have exposure to the local governance system. And we have given 10 to 13 local authorities to each of them. And we have identified around 13 points for them while they are working with the accounts department of each local authority and the secretaries. So, we call this learning by doing. By providing on-the-job assistance to those who handle the accounts, planning, reporting, and answering the audit queries. Thereby, we try to improve their financial and audit function, check and balances, make them accountable to the public and the other donors and government institutes including the Auditor General....”* (UNDP 01)

In addition, recently, UNDP and APFASL collaboratively developed an ‘audit manual’ for the local governments to enhance transparency and accountability with the support of the Ministry of Local Government. APFASL designed the diploma programme, including a “Sri Lanka Public Sector Accounting Standards for Local Authorities” module. This diploma programme is another milestone on the road map to enhance the professional knowledge of public servants in the Local Government sector. Financial management functions that strive

to use financial resources effectively, openly, and responsibly have received special attention. The officers who deal with the preparation of budgets, financial and performance reports, and annual reports, as well as general management staff, internal auditors and revenue management officers, are the primary audience of this diploma programme. One of the senior representatives of APFASL made the following statement.

*“Yeah, I know, for four provinces, including Northern, Eastern, North Central and UWA. Four provinces, with the help of UNDP and that diploma program, were successfully implemented in the sense that we have conducted this. We have had exams, and qualified students have been given diplomas. I think 200 candidates have a diploma from the Institute of Chartered Accountants of Sri Lanka. That is a diploma in local government financial management. Yes. So, we have emphasised the need to implement this accrual system and apply this standard (simplified SLPSAS). We have had a module (out of 10 modules) in this diploma programme on this new accounting system and standards called ‘Sri Lanka Public Sector Accounting Standards for Local Authorities’ ....” (APFASL 02)*

The APFASL has designed the course and brought it to lecturers at the national level who have more experience in local governments. For example, some of the lecturers included the Directors from the Treasury (MOF), members from ICASL, and the Secretary of the Ministry of Public Administration. A qualification was added to the local government's assistant account officers/management assistants. However, there were critical comments from the government accountants that the accounting content of this diploma programme is not sufficient; it is more related to the administration even though the assistant account officers/management assistants were the targeted group. Somehow, this diploma programme contributed considerably to the initial capacity development of the accounting staff to cater to the new accounting change, especially at the Pradeshiya Sabha level. Technical ambiguity,



lack of training, resources, and support were the major obstacles to the successful implementation of accounting reforms in developing countries like Sri Lanka (Adhikari *et al.*, 2021; Jayasinghe *et al.*, 2021; Polzer, Grossi and Reichard, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). However, in the local governments of these two provinces in Sri Lanka, multiple actors are supported to enhance the technical knowledge of the operational-level staff on accounting standards through capacity development programmes. ICASL demonstrated its power relations by transforming its views into actions with the financial assistance of UNDP to reduce technical ambiguity and implement SLPSAS in local governments (Guerreiro, Rodrigues and Craig, 2015).

#### **4.5.4 Role and power relations among reform creators, reform promoters and reform enforcers**

Many developing countries, including Sri Lanka, have been questioned in the adoption and implementation of many reforms, including public financial management, and ignorance of the local circumstances. In these countries, government accounting practices were shaped by indigenous factors, including the capacity, strength and power of civil servants and professionals in the adoption and implementation process (Jayasinghe *et al.*, 2021; Lassou and Hopper, 2016). In Sri Lanka, at the central government level, reform implementation failed and created tension, especially in lack of political support and lack technical knowledge, even though the professional association was at an advanced level (Adhikari *et al.*, 2021; Dissanayake and Dellaportas, 2024). However, this case provided evidence of the power relations of civil servants combined with professional associations and donor agencies like the World Bank and UNDP, implementing new accounting practices at the local government level. Modell (2020, p. 38) explained the “power” in relation to the institutional work perspective as “a dynamic and relational phenomenon that does not automatically

‘belong’ to specific actors, but which continuously negotiated as an integral part of the institutional work involved in the mobilization of collective agency”. When the central government and provincial governments are in tension and struggling to implement these reforms, somehow, local governments have initiated the successful implementation with the support of multiple actors. The elite actors, including Provincial Governors as political actors, CFOs and CAOs together with Local Government commissioners as civil servants at the provincial level together with APFASL officers of the ICASL as professionals, exercised their power as individual actors to dis-embed and translate into collective agency to create the new institutional arrangement (Aleksandrov *et al.*, 2018; Lassou and Hopper, 2016; Modell, 2022).

By enhancing the technical aspect of accounting standards through the capacity development programs, knowledge power was transferred to operational-level staff, mainly account assistant officers and management assistants, with the direct involvement of ICASL as a professional association. It increased the reflexivity of these operational-level staff members by strengthening their knowledge and skills in accrual accounting and accounting standards. On the other hand, the creation of an “account assistant officer” position in the North Central Province and recruiting the staff with the required qualifications (level 6 plus practical experience) was also exercising the power of the civil servant with the support of political actors. These actors’ power and opportunities influence the procedures and practices at the institutional field level to create a supportive environment for the new institution (Masum and Parker, 2020). In institutional work, cases nurtured that agents might be more powerful or become powerless subject to their competence to engage with a reflexive agency, which lets them mobilize the collective agency (Aburous, 2019; Biygautane, Clegg and Al-Yahya, 2020; Modell, 2022). In the implementation of new accounting practices, as institutions were created, actors (accountants and operational staff) continued their habitual practices by

developing a hybrid identity that accompanied habitual and reflexive forms of agency for institutional change (Aleksandrov, 2020). This case showed how reflexivity generates coordinated discussions that can result in collective activity and a powerful institutional shift. (Aleksandrov, Bourmistrov and Grossi, 2018).

#### ***4.5.4.1 Role and reflexive agency of the Institute of Chartered Accountants of Sri Lanka, including APFASL.***

The Institute of Chartered Accountants of Sri Lanka (ICASL), especially the APFASL as the public sector wing of ICASL, has attempted to facilitate the implementation of public sector accounting standards at the central government level and the local government level. As mentioned in the previous section, APFASL is currently running a project with UNDP for local authorities; they have conducted a diploma programme for members (elected) and employees of local governments related to public financial management. On the other hand, as highlighted in the above section, based on the request made by the Ministry of Provincial Councils and Local Government, ICASL has developed a single standard—an accrual-based standard for the local authorities to ensure harmonisation of accounting practices at the local governments. One of the representatives of APFASL mentioned their contribution to developing a simplified version of public sector accounting standards and their contribution to the Local Government Diploma Programme.

*“Yes. The public sector wing has been established to cater to the needs of the public sector. Yes, Including the local authorities. I think we cover the entire ministries, departments, statutory bodies, provincial councils, local authorities, everything we covered....”*

The representative continued stating.

*In that diploma programme, the ICASL was developed to improve the accounting technical knowledge and local government administration skills of account assistants and secretaries (account assistant officers/management assistants and elected members of the local*

*governments). Because UNDP is funding, ICASL has designed the course and brought it to lectures at the national level....” (APFASL 02)*

Furthermore, every year, APFASL holds an annual report competition for the three tiers of government—the national, provincial, and local levels—across the whole island. The annual report competition, organized by CA Sri Lanka, was recently financed by the UNDP. The CA Sri Lanka there received funding from UNDP, which they used. One of the most important factors is that the competition was extended to the local government level in the previous year (2023). Nearly all the North Central province's municipal administrations took part in the competition and placed. As stated by an APFASL spokesperson,

*“We are giving all inputs necessary to facilitate the implementation, and we are going to have a national competition that is not only local authorities but all the public sector institutions. We already have 250 applications for competition this year, and around 100 local authorities are there. So, the local authorities are also very keen to participate in this competition. These are the best annual reports, including the audited financial statements and the annual reports of the institutions concerned. Gradually, I think this diploma program has created an enthusiasm, and now this competition, the best annual report competition, has also created an enthusiasm. So hopefully in a year or two, we can ensure that all the provinces follow this....” (APFASL 01)*

Establishing a good accounting culture at all local governmental levels and professionalizing the local government accounting system are major accomplishments of ICASL at the local government level. An important example of the power dynamics and reflexive agency used to establish a new organization and successfully execute new accounting changes is the ICASL initiative (Modell, 2022; Dissanayake and Dellaportas, 2024). Specifically, via intentional activities, they have moved their authority and expertise to the operational level. Still, the

other provincial councils have not come to terms with their responsibilities, and APFASL must do more to establish its legitimacy with the public sector, particularly municipal governments.

#### ***4.5.4.2 Role of donor agencies***

Foreign governments and foreign funding agencies have been supporting local authorities' capacity building. So, not only the current contribution of UNDP but also the ADB and the World Bank have, from time to time, been given funding to build the capacity of the local governments in Sri Lanka. There have been significant improvements in the local governments with the funding support of these donor agencies. The role of the UNDP from their perspective is highlighted by one of the members of the UNDP, who closely works with this local government capacity development programme.

*“As you noted, we are working with 134 local authorities in four provinces. We developed this diploma program in English, Tamil, and Sinhala. And we have all the knowledge modes in all three languages. We also conducted free of charge, mobilising all the resources and supporting the Chartered Institute (ICASL), the respective chief secretaries, accountants and the local government commissioners (government civil servants). So, that we bear the cost. Even the transport costs also bared by us....” (UNDP 01)*

Further, to enhance governance and accountability, UNDP and ICASL have combined and developed an audit manual in three languages exclusively for the local authorities. They serve as a reference point and reference manual and can even find answers to their questions or queries on internal controls and governance. Currently, the UNDP and APFASL have three levels of approaches towards the local governments of Sri Lanka to strengthen their capacities. This local government diploma programme and audit manual were significant outcomes of their collaborative agency, which facilitated the creation of a new institution for

public financial reporting at the local government level in Sri Lanka (Aleksandrov, Bourmistrov and Grossi, 2018). One of the officers represented ICASL, who played a key role in this reform, highlighted the role of the international donor agencies in the new accounting change at the local governments in Sri Lanka.

*“They are also very keen (donor agencies). I think UNDP has been very keen to ensure this. Now, they also got us to do an internal audit manual. We not only conducted the diploma program but also developed the internal audit manual with their support. Where is the accounting system, how they do it, and all that? There will be a check and balance with the implementation of this internal audit manual. So, we have also given a copy of the internal audit manual to each local authority. You know, one to be kept in, they have a display box....”*

(APFASL 01)

The most important achievement is that UNDP and the World Bank support the local authorities. The World Bank provides around 70 million US dollars and EU 30 million US dollars, totalling 100 million US dollars for the betterment of the local governments (UNDP Report, 2018). This is given to the government of Sri Lanka through the Ministry of Local Government. They implemented a project called LDSP, the Local Development Support Project. At the same time, the EU provided 10 million to UNDP for capacity development. Another 7 million was given to the British Council under the same program called STRIDE to work on mediation boards and social cohesion. These findings strengthen and enhance capacities, including public financial management by local governments. The UNDP Capacity Development for Local Government, UNDP (from 2018 to 2023) was a major effort by development partners, including the World Bank and the British Council, to strengthen the local governance system in Sri Lanka. In addition, ADB-funded projects aimed to improve local infrastructure and services delivered effectively by local authorities in less developed areas in Sri Lanka. In addition, the World Bank funded, under Institutional Development,

US\$3.69 million to strengthen the capacity of local governments' computerization of accounting software, training, capacity building and rollout of the new accounting system in LGAs (World Bank, 2018). These evidenced the continued support of donor agencies, which provide financial assistance as well as infrastructure development for the successful implementation of accounting reforms at the local government level by enhancing the institutional capacity (both structure and agency).

#### ***4.5.4.3 Role and support of the National Audit Office***

There was not much direct involvement of the National Audit Office for the local governments due to a lack of capacities of the National Audit Office on local governments. However, their support for implementing the simplified version of the accounting standard is notable. This was highlighted by one of the government accountants during the interview. With the implementation, NAO has paid increased attention towards this implementation by appointing a separate assistant auditor for the monitoring function. An informant from NAO remarked,

*“The people in it (NAO) did not give me that big problem. The National Audit Office gave me maximum support. They gave me maximum support even while operating in the Western Province. Because I even did the training for the audit examiners. Then they do the audit according to what we did ....”* (NAO 1)

One of the interviewed government accountants at the provincial government level added the following statement.

*“After that, a separate assistant auditor general was appointed for the audit in the second year of the implementation. He then trained all auditors as independent trainers about local government bodies. So, I don't think we had any obstacles from that side. Received an excellent support....”* (CA 01)

When it inquired from the ground level regarding the extended support of auditors, most of them mentioned that they are supporting this implementation. Most assistant account officers/management assistants also said auditors provide adequate guidance. However, initially, they didn't have good support or a reasonable perception regarding the government auditors. As noted, one of the leading personalities (senior government accountant) behind this accounting change mentioned the following statement.

*"We encountered audit queries during the audit process, eventually leading the auditors to disclaim our audit opinion. This disclaimer was not favourable for us, and it was disheartening to view it in a negative light. Despite our best efforts, we faced challenges communicating with the auditors to address these queries. It seems unfair that those who did not attempt to implement this (implementation of SLPSAS at the local governments) did not receive any queries, while those who attempted received audit queries ...."*

The informant continued.

*They should compare with other government institutions and other local government institutions. Then, they looked at the accounts of the institutions waiting to do it and tried to give it that way. At that time, I was very disappointed that I had worked so hard to do this work (implementation of SLPSAS at the local governments). We felt a shame that we did not make any effort to implement this after spending so much time and money. When the institute (ICASL) brought and trained us and gave us such leadership, they started working with that kind of positive mind...." (DCS 01)*

It emphasises inconclusive thoughts on the role being played by the national audit office at the local government level, particularly related to the implementation of accounting reforms. They need to enhance their support to implement these accounting reforms at the local government level since local governments are running with limited resources and do not have



a well-developed accounting culture. In that instance, the National Audit Office has to provide them with additional assistance and direction for their growth as an accountable participant in this reform process. In order to achieve more accountability and openness in the administration of public finances, the NAO should also move to extend its services to local governments. The empirical evidence shows their lack of agency with regard to the municipal administrations.

#### **4.5.5 Maintaining the new institution.**

Actions and strategies that have been taken by the actors tend to maintain the newly created institution. The original concept of maintaining institutions refers to stabilising and upholding them, which may be less conspicuous but equally significant than other efforts (Dover and Lawrence, 2010; Lawrence and Phillips, 2019). It has been identified the maintaining the institution as a means of preserving the status quo, whereby technologies, institutions, or practices, whether existing or new, are sustained beyond their original purpose, either to uphold the current state or to facilitate further development based on the updated circumstances, as discussed by Dover and Lawrence (2010). Under the maintenance of institutions, institutions are supported by adhering to the enforced rule system while reproducing the norms and practices (Lawrence and Suddaby, 2006; Lohr *et al.*, 2022). They ensure compliance through enforcement, auditing, and monitoring activities, thereby facilitating policy feedback. Here, the discussion is related to the actions and strategies the actors have taken to sustain and reinforce the institutional arrangement. It was evidenced that several initiatives were made by the actors to sustain the newly established accounting arrangement at the local government level in Sri Lanka. Continues monitoring, evaluation, and adjustment of processes and compliance mechanisms, as well as continues training to ensure the ongoing implementation of public sector accounting standards at the local

government level. Also, as explained in the previous section, the National Audit Office expanded its service to the local governments with the passing of the new Audit Act in 2018.

#### ***4.5.5.1 Empowering the account assistant officers and management assistants.***

In the North Central Province, a carder position called 'Assistant Account Officer' has been created to cater to the local governments' accounting-related works, especially 'Pradeshiya Sabha', since these local governments didn't have qualified accounting staff to perform accounting-related functions. Usually, a management assistant (clerical staff member) performs accounting tasks at these local governments. This position was created to give a professional touch to the local government accounting practices in the North Central Province, and 36 employees were recruited for the above position in 2016. One of the assistant account officers made the following statement regarding the history and background of this position.

*"This position is available only in the North Central Province and no other provinces. Generally, local councils (Pradeshiya Sabha) do not have a government accountant. Therefore, they created an account assistant officer position in the North Central Province and hired 36 people. Those with an accounting degree (or Higher National Diploma in Accounting qualification). Recruited only for 25 Pradeshiya Sabha in North Central provinces. We completed eight years of service now...."* (AAO 2)

The history behind the creation of this Assistant Account Officer goes back to around ten years. This position was created as a result of a collaborative effort made by civil servants in the government with the support of political actors at the provincial government level. This was a significant milestone in the provincial government's history since the decisions were taken for the betterment of local government administration of the North Central Province. Afterwards, it paved the way for municipal governments to successfully adopt accrual-based

IPSAS. It reflected the supportive role of political actors and the power of civil servants for accounting reforms in developing countries (Lassoua and Hopper, 2016). One of the leading actors behind the creation of this position, as well as these accounting reforms at the North Central Province, highlighted this statement.

*“The government audit did not give a good opinion of the accounts in our province (financial statements of local governments) at that time. We proposed to the chief minister, who was the finance minister and the minister in charge of local governments as well. We wanted to get the accounts the right way and get a good audit opinion again. The World Bank loan (a budget supporter loan) was usually only given to those with a good audit opinion. This budget supporter loan was given for local government improvements through the Word Bank. After that, we suggested that the problem with these accounts is the lack of good staff at the local governments. We suggested recruiting people to our province as ‘Account Assistant Officers’ who have earned a Higher National Diploma in Accountancy (HNDA)*

The informant continued.

*This position is not available in other provinces because of the efforts of our minister at that time and because he agreed to our request. It also helped me move forward and implement it (accounting standards adoption) successfully. Otherwise, it would not have been possible if an ordinary secretary or a managerial assistant went to prepare these final accounts. Now, because of the interest and dedication of these account assistant officers, we were able to bring them to that place and implement these accounting standards successfully at the local governments....” (DCS 01)*

Since they have a professional accounting background, these account assistant officers have successfully handled accounting and finance matters at the local governments in the North Central Province since 2016. Later, when introducing the simplified version of the SLPSAS

for the local governments, they were in an excellent position to implement this standard in their local government jurisdiction. They were readily able to comply with the existing rules, procedures, and new norms in the new institutional contexts because they had solid accounting backgrounds and professional expertise. This helps to achieve the enabling work, policing, and embedding institutional tasks (Lawrence and Suddaby, 2006). The following statement reflects how this position has helped to successfully implement and maintain this practice's consistency in the North Central Province. One of the government accountants at the provincial council level mentioned this.

*“The position of Assistant Accounts Officer helped me a lot in the North Central Province. All the local governments in the North Central Province have recruited those who have done HNDA, which means HNDA is a B.com equal degree. Those who had obtained an HNDA degree were recruited for that position at that time. Then they have technical knowledge....”*

The same informant added by stating.

*“At the same time, the position of Assistant Accounts Officer is why this has been successfully implemented in the North Central Province. Since 2016....”* (CA 01)

With this professional accounting flavour, these account assistant officers play a role similar to government accountants. This specific position and connected roles and responsibilities convey the normative foundation of specific institutions (Lawrence and Suddaby, 2006). This position is available only in the North Central Province, and in the other provinces, the management assistant will perform accounting functions for local governments. Even though other Provincial Governments tried to establish this position, it was unsuccessful due to objections from the Public Service Commission at the Central Government level. Due to the uniqueness of this position, several limitations are attached to this position compared with other government positions. Mainly, the account assistant officers can get the transfers only

within the North Central Province, and they cannot get a transfer to other provinces due to the unavailability of this position in other provinces. If one member wants to take a leave or go for holidays, including maternity leaves, someone from the same position should cover that person's duties. They act as government accountants at the local government level and make significant changes from the accounting perspective at the local councils. Since they led the implementation of IPSAS at the local government level, they have been considered institutional entrepreneurs. This position helps to maintain and sustain the newly established institutional arrangement to implement the accounting change at the local governments in North Central province. However, most highlighted the need for promotions and transfers attached to this position since these are available in the North Central Province. As mentioned by one of the Assistant Account Officers,

*“It is very hard to get a transfer. Some people work from home (finalise the account), even if they take leave or if they are on maternity leave....” People in the office (Pradeshiya Sabha) do not want to understand that. There are no promotions in this position. Our position is higher than that of a management assistant, but we cannot go higher. Management assistants can go up to a secretary of a ministry ...” (AAO 05)*

Some actions need to be taken to enhance the job satisfaction of these account assistant officers since they feel that they are stuck in a position without any promotions. They are comparing this position with the other institutions in the provincial public service, not only local councils. They suggest creating this position in other provinces or institutions in the North Central province since the Public Service Commission has already approved 89 carder positions. If not, they doubt their career progress. These assistant account officers act as institutional entrepreneurs to create a new institutional arrangement in the North Central Province to implement the accounting change (DiMaggio, 1988; Maguire *et al.*, 2004). This

position was unique and has facilitated the successful implementation of the simplified version of SLPSAS by the local governments of the North Central Province. The main reason the other provinces are struggling to implement this accounting standard is the need for more professional knowledge (accounting technical knowledge) at the operational level.

#### ***4.5.5.2 Preserving institutions with technologies and practices beyond the initial scope.***

It was generally accepted that the transparency and accountability of the local government's public financial reporting could be improved with more technological interventions such as BPR and IFMIS (Nissinboim and Naveh, 2018; Chirwa, 2024). In this case, the institution's maintenance possesses the actions taken to develop the necessary infrastructure (human and technology) to continue the accounting reforms. Further, how the power dynamics of involved actors have influenced allocating and utilizing resources to maintain the institution. In most local governments, the necessary facilities, including computerized systems, have not yet been adequately established to collect the information related to preparing financial statements. These management assistant and account assistant officers should do a-z or arrange everything by themselves when preparing the final account while doing other day-to-day functions assigned to them. Many resources (structures and agents) are required to maintain the new institutional arrangement for implementing accounting standards in the local governments. However, only a few local governments currently use advanced systems like computerized accounting systems to record transactions and generate financial statements. During the interviews, several account assistant officers highlighted the necessity of a computerised accounting system. Currently, 14 local government agencies in the North Central Province and most local authorities in the Western Province are using in-house developed automated accounting software, and some local authorities are using commercial accounting software. However, some of the account assistant officers emphasized the difficulties they encounter without a proper computerized accounting system for the

bookkeeping and preparation of financial statements. One of the account assistant officers made the following statement.

*“Currently, we don’t have an accounting system. It would be easier if there was an accounting system. If we can enter details into the system from the shroff, the problems will be reduced. We spend a lot of time daily on bookkeeping. In that case, the time allocated to the accounting side has decreased ....”* (AAO 8)

Also, there should be a way to collect the relevant information (appropriate automated system) for the administrative functions of the Pradeshiya Sabha that need to be established. In order to maintain the accrual accounting system and apply accounting standards at the local government level, it is necessary to use modern facilities and technologies which fulfil the “embedding and routinizing” of institutional work actions (Lawrence and Suddaby, 2006; Lohr *et al.*, 2022). That might help these account assistant officers perform their functions effectively and generate high-quality financial reports to achieve the desired objectives of these accounting reforms.

#### ***4.5.5.3 Financial statements usage for decision-making and financial literacy among regional politicians.***

One of the main objectives of accounting information is the usage of decision-making purposes for effective public financial management at the local level. With the implementation of SLPSAS at the local government level (with new accounting change), experienced some structural change in the administration of local governments (specially Pradeshiya Sabha), observed more trends to use this accounting information (generated through new accounting change) by the regional politicians for the administrative purposes of the local governments. There is a possibility and trend of using accounting information for decision-making purposes at the local government level. The main objective of introducing

this accounting standard was the harmonisation of accounting practices and the usage of this accounting information for the decision-making purposes of the local councils. As highlighted by the officers and operating level staff, there has been a significant change in the financial reporting landscape of the local governments in the North Central Province and Western Province in Sri Lanka. The reason is that in the past (under the Wickramanayake accounting system), accounting records or journal entries were usually passed only once a year. Monthly journal entries, however, have been implemented using this new method. A monthly control account should be used to total the journal's ledgers. The following comment was given by one of the account assistant officers.

*“There are changes because of this as an analysis report. When we say the public, the members of a council are there to represent the public. Then, it is generated as an analytical image here. Therefore, we have been asked to submit a monthly report to the council. It is also said that all receipts and payment certificates should be published. It is also essential for the public. (AAO 10)*

Under the Wickramanayake system, the only thing that they have done is to make a final account. Under the old accounting system used by local governments, yearly reports were not implemented. More frequent reporting indicates the effectiveness of public financial reporting and the usage of this information more frequently for local governments' administrative or managerial purposes (Liguori, 2012; Kroll, 2015). However, this needs to be studied in-depth due to the importance of contextualizing accounting information, especially by politicians (Giacomini, 2020). These assistant account officers were very keen on the "annual report competition" organised by the ICASL and are now preparing annual reports. The new accounting system included everything except one report in North Central Province. Then, with that accounting system, the three national level places, Gold, Silver, and



Browns, will come to the North Central Province from all the Provincial and local government levels. That means the accounting and reporting culture at the local governments of these two provinces has made significant changes. The following statement from an assistant account officer reflects that modification.

*“Therefore, the accounting culture has changed. That means even people's attitudes have changed regarding accounts. Earlier, accounting was only from a single point of view. Now everyone has understood that it is a big journey that the council must go through collectively....”* (AAO 03)

However, as many assistant account officers and management assistants mentioned, the use of the new report and information generated through the recent accounting change for decision-making is still at the primary level. The utilization of accounting information in policymaking at the local government level varies based on the specific purposes and the “policy cycle” stage introduced by Howlett, Ramesh and Perl (2009). As witnessed by account assistant officers, accounting information can be utilized for administrative purposes during all phases of the policy cycle, including agenda-setting, policymaking, decision-making, policy implementation, and policy evaluation (Giacomini, 2020). However, most local governments and regional politicians do not use this accounting information for administrative and decision-making purposes at the local government levels. They are doing whatever they think and what they want. As mentioned by several account assistants, when they make decisions, they do not consider the council's financial situation. That implies some issues with the financial literacy of these regional politicians. Participants mentioned that action is needed to enhance the financial management literacy among the provincial politicians since most of the elected members of these local governments, especially Pradeshiya Sabha, are less literate on public financial management. The frustration and

difficulty of dealing with politicians at the local government level is reflected in the following statement of one of the assistant account officers at the local government.

*“It's hard to work with them. When we do something right, the reactions we get from them are complicated. It can be seen more in the warehouse accounting system. Even the documents that work with us are often not posted. We get questions from them. On the other hand, MPs are not posted at all. Even if we do it correctly, they say we are doing the wrong things. They say our reports are wrong. Such questions often come up....”* (AAO 06)

The above statement reflects the difficulty in dealing with politicians and their influence in administrative matters and public finance. It brings many challenges to the successful maintenance of the institution. Other measures must be implemented to improve the application of this data throughout the policy cycle to sustain the recently implemented accounting adjustment. Effective and efficient use of accounting information generated through a new accounting system guarantees the embedding and routinising of institutional work by reproducing existing norms and belief systems (Lawrence and Suddaby, 2006).

#### ***4.5.5.4 Issues and challenges in maintaining newly established institutions for public financial reporting.***

This heading covers the mechanisms to identify and address issues and barriers encountered while implementing a simplified version of public sector accounting standards at the local government level, including the effectiveness of problem-solving strategies. One major problem is that local governments need more professional accounting backgrounds. As most assistant account officers mentioned, most local government employees are political appointments. There are some issues with the educational background, including that of regional politicians. Maintaining professional standards in that situation is challenging since the only responsible person is the account assistant officer or relevant management assistant.

Only the account assistant or management assistant knows about these local governments' accrual accounting and accounting procedures. Other staff need more technical knowledge regarding the accounting procedures and are uninterested. Therefore, they could be more serious about maintaining these practices. It is challenging to keep the required structures to continue the accounting practices and new accounting changes at the local government level. That situation is reflected through the following statements by a few accounts assistant officers.

*“Only we know about accrual accounting procedure. The members of this local council do not know about accrual accounting. To proceed with accrual accounting, the file must be created properly. Documents should be properly maintained. Most of the people in this local council got their jobs through political connections. It's hard to keep up with these people. They don't follow what we say. It's hard to do our job with these people....” There are problems in adapting employees to this system (new accounting system). Apart from that, there are no problems...” (AAO 4)*

Another challenge encountered in managing the officers and higher authorities (civil servants) is implementing this and maintaining the status quo. The successful implementation of SLPSAS required collaborative efforts by the actors, and it was a challenging task in local government settings. All these civil servants and politicians initially supported bringing it to the implementation stage. However, in Sri Lanka, a conflict was observed between the executive services of the public sector, especially the administrative and accounting services. Hence, this implementation has experienced practical difficulties in managing the administrative-level staff (civil servants) and getting their support. In this case, government accountants played active roles as CFOs and CAOs. Maintaining the continued support of civil servants, especially administrative officers, was identified as a challenging task. One of the key persons behind these accounting reforms, representing government accountants,

highlighted how hard it was to manage the executive officers and higher authorities in implementing this new accounting change.

*“We implement this with the support of administrative services. We are also a public service (government accountants). It was in the FR there (FR 125 and FR 128), clearly mentioned as their responsibility (administrative officers) to implement this. When we are going to do this (accrual accounting and IPSAS) or introduce something new, the support given to it by the higher management is very low. They think that this (proposed change) will be a big problem. It is at a point where if this happens, this will happen. I know very well that the general treasury is currently trying to implement these reforms.... but still struggling.... (DCS 01)*

Further she stated.

*They do not do anything to motivate those people. They are, in a way, putting us down. I think that is the biggest issue. Now I am retired, I can say anything without fear. While I was there, I had to balance with those people. Otherwise, without the help of those guys, I could not go even that little bit. So, there were many cases of harassment we had to face in this journey ....” (DCS 01)*

The above statement reflects the public administrative drawbacks experienced in most developing countries due to structural issues. Also, with the five-year transfer procedure of government employees, local government departments' administrative leadership (government accountants and local government commissioners) might change from time to time. It is challenging to maintain the situation with the change of leadership. At the provincial level (Department of Local Government), there should be a mechanism to respond to and solve issues raised by the local government's account assistants/management assistants related to accounting functions (reporting as well) and administration. That response must be quick and easily accessible. If not, this implementation gets delayed, creating more tension for the account assistant/management assistants. Then the other thing is that a leader who can

immediately answer the problem that arises while doing that should be formed at the professional level. Otherwise, it won't be easy because a system cannot depend on a single person. Also, suppose there are issues with the updated knowledge (knowledge gap). In that case, immediate actions should be taken by the executive level (government accountants and administrative officers) to resolve this knowledge gap by connecting professional associations. Otherwise, there is a doubt about the maintaining this new institutional arrangement.

Another challenge is the unnecessary influence of politicians and officers when they try to exercise the requirements of the accounting standards. By applying accounting standards, officers of the local governments (including elected members) expect to enhance the transparency and accountability of public financial reporting. However, when adopting this accounting standard, these account assistant officers may have to disclose some information that is directly connected with the politicians and other office staff. There may be some issues with independence and job security while performing these tasks since they must closely deal with the politicians. One of the assistant account officers shared his experience as follows,

*“This is the first time I am disclosing related party transactions. Otherwise, they (politicians and office staff) will raise issues when we go to reveal it. MPs and office staff have used heavy machinery but have not been paid. I made a disclosure. The chairman signed the account without looking at it.*

*But I disclosed that it doesn't matter what happens this year. We are trying to apply as many accounting standards as possible. The number of other disclosures has also increased. Financial and non-financial things related to the council are disclosed through accounting notes to increase transparency more than usual....” (AAO 06)*

The above statement reflects the challenges of enhancing transparency with the new accounting system at the local government level. These operational-level staff will have to deal with the political power and need to build moral obligations to disclose more information to enhance transparency and accountability. As a developing country, with these political logics and practices, achieving transparency and accountability in public financial reporting is challenging (Lassoua and Hopper, 2016). On the other hand, it challenges the maintenance of the institution because it restricts adherence to the established norms, values and practices of the institution (Lawrence and Suddaby, 2006).

## **4.6 Discussion**

### **4.6.1 Institutional work, agency and power relations**

Institutional work enables a contemporary analysis of how actors impact institutions daily and how institutions influence individual and organisational actors (Gidley, 2020; Lawrence and Suddaby, 2006). This adoption of the institutional work perspective has been motivated by the limited observations of accounting research and the ability to emphasize the role of agency and power in institutional processes and its contribution to institutional reproduction or institutional change (Lawrence and Suddaby, 2006; Modell, 2022). How the individual agency has been transferred into a collective agency with the influence of power relations has been studied. This study explored how the new institution has been created related to the new accounting change at the local government level in Sri Lanka with the support of an institutional work perspective. The following table summarises the three forms of institutional work actions: creation, maintenance and disruption of the institutions related to implementing accrual-basis public sector accounting standards at the North Central Province and Western Province local governments in Sri Lanka representing all three levels of local authorities (Lawrence and Suddaby, 2006).

**Table 4.3 Forms of institutional work (creating, maintaining, and disrupting)**

<b>Form of Definition</b>	<b>Empirical evidence</b>
<b>institutional work</b>	
Advocacy (creating)	We are mobilising political and regulatory support through deliberate efforts and tactics of social suasion. Received support from the Governors of the Provincial Council and civil servants to create the legal background for a new accounting change.
Defining (creating)	Constructing specific rule systems that create status hierarchies, boundaries for membership or grant status identity. A new set of rules, guidelines, and procedures for public financial reporting in local governments is needed.
Vesting (creating)	Creating rule structures which grant property rights. State Accounts Department Issued the State Account Circular No. 265/2018 making it compulsory for the local governments.
Constructing identities (creating)	Defining relationships between actors and their organisational field. Redefined the reporting procedures and practices and redefined rules and responsibilities of account assistant officers and management assistants.
Changing normative associations (creating)	Re-making and redefining the link between sets of practices and their cultural and moral underpinnings. Developed and redefined new norms, values and new systems and procedures related to a new accounting system.
Constructing normative networks (creating)	They manipulate the relationship between accepted norms and the institutional field in which they are created. Created new networks and relationships related to public financial reporting in local governments.
Mimicry	You are associating new sets of Managed the new adoption and

(creating)	practices with those “taken-for-granted” sets of practices to stimulate adoption and diffusion.	implementation to comply with existing procedures, resources and technologies.
Educating (creating)	Educating individuals to support the new institutions created	Conducted Awareness, training and development programmes as well as capacity development programmes, including the local Government Diploma Programme.
Enabling work (maintaining)	It creates rules that support or reinforce existing institutions, such as authorising agents or redirecting resources.	Assigning tasks for the account assistant officers for this implementation
		A spectrum of tactics to maintain the regulatory status quo
Policing (maintaining)	We guarantee that actors' compliance is achieved through activities such as enforcement and monitoring.	Compliance with the new rules and regulations of public financial reform was assured by the enforcement agents like Auditors.
Deterring (maintaining)	The establishment of coercive barriers to change in institutions.	Making efforts to institutionalise the new change, then it won't be changed.
Valorising and demonising (maintaining)	It provides the public with positive and negative examples that convey the normative foundation of specific institutions.	The new accounting system provides more benefits to enhance transparency and accountability in public financial reporting.
Embedding and routinising	We are actively incorporating the normative underpinnings of	Continue the newly established norms, rules, practices, and



(maintaining)	an institution into an procedures to enhance the individual's day-to-day institutionalization of new routines and activities. accounting changes.
Disconnecting sanctions (disrupting)	Institutional work directed at the state (i.e., government bodies) is working on system" at the local government disconnecting rewards and level. other government sanctions from technology, practice, or rules.
Dissociating moral foundations (disrupting)	Activities lead to dissociating old norms, practices, rules, or procedures and practices related to technologies from their moral the "Wickramanayake accounting foundation within their specific system". cultural contexts.

---

Source: Lawrence and Suddaby (2006)

Recently, Sri Lanka returned to the accrual accounting movement legally with the 2018 budget proposal, even though the country has taken steps since 2003. However, the findings show that the central government needs help moving forward with accrual accounting. Like other developing countries, the adoption and implementation of IPSAS by local governments in Sri Lanka currently show lower compliance with several IPSAS-related policies (de Azevedo *et al.*, 2020; Dissanayake *et al.*, 2021). In Sri Lanka, these NPM reforms in public financial management are usually applied across all three government levels; however, they are currently more active in local governments but less active in central and provincial because of the Treasury's lack of guidance and follow-up actions. The actions related to creating and maintaining the institution is compelling in implementing a simplified version of SLPSAS at the local government level. The inconsistencies in the existing institutional arrangements with the changing requirements encourage the change facilitating the control

systems and decision-making and the possibility of introducing accounting performance-based measurement systems to the local governments in Sri Lanka (Sharma, Lawrence and Lowe, 2014). This study investigated the agency of the embedded actors and how this paradox happened at the local government level (Battilana and D'Aunno, 2009).

Despite facing numerous challenges such as the COVID-19 pandemic and the subsequent economic crisis, most local governments in Sri Lanka continue to provide services to the community, albeit with significant difficulties, particularly due to a lack of income sources. Specially at the lower levels of local government, Pradeshiya sabhas depend on fund allocations from the central government. With these difficulties, the implementation of accounting reforms has become more and more challenging not only at central governmental levels but also at local governments of many developing countries (Liberato *et al.*, 2023). In a situation where the implementation of accrual accounting and IPSAS were problematic (Adhikari *et al.*, 2021; Dissanayake and Dellaportas, 2024), two provincial governments have recently endeavoured to implement SLSAS at the local governmental level in Sri Lanka while introducing structural changes. This was a significant achievement as a developing country, even in a crisis, while some governments are decoupling the accounting reforms (de Azevedo *et al.*, 2020). This study applied the concepts of institutional work and institutional entrepreneurship to explore the implementation (Lawrence and Suddaby, 2006). Currie *et al.* (2012) highlighted that institutional work involves the ongoing involvement of institutional actors in partially re-enacting established routines and practices. This engagement can bring changes and dynamism within a particular field and reinforce and strengthen existing institutional structures. This study shows how the actors engage with institutional work to re-enact established routines and practices related to public financial reporting in local governments. Focusing on the disruption of existing institutional arrangements and creating and maintaining new institutional structures are necessary to successfully implement the

SLPSAS at the micro level (Grafström and Windell, 2012; Wright *et al.*, 2015). Under that, this study extensively discussed how the unique regulatory background was created to facilitate change and how the institutional capacity was improved to create and maintain the new institutional structures (Lawrence and Suddaby, 2006; Arenas, Strumińska-Kutra and Landoni, 2020). To implementation, new circulars and guidelines were issued, resulting in collaborative efforts by political actors, professionals, and civil servants (Lawrence and Suddaby, 2006; Lassoua and Hopper, 2016). Under the creation of the institutions, mainly the actors changed the existing institutional arrangement related to budgeting (cash-based budgeting) into accrual-based budgeting. One of the necessary conditions (as per the literature) would be to have an accrual-based budgeting system, which must be aligned with the accrual-based accounting standard. We observed a lower level of participation and involvement of political actors in these reforms, yet they have achieved a certain level of success. Similar evidence could be found in other countries related to the implementation of the reform at the local government levels. For instance, a study conducted by Fuentes and Borreguero (2018) provides similar evidence in the context of Spanish. These actors exercised their power relations to convert their individual agency into a collective agency to create new structures for local government financial accounting and reporting (Modell, 2022; Vogler, 2016). The structures refer to the institutional framework, norms, and regulations that shape and influence the implementation process (Lawrence and Suddaby, 2006). This institutional work encompasses the intentional actions of agents in shaping and transforming institutions into a new direction.

This study provides evidence of the collective and divergent actions of the embedded actors for institutional change in public financial reporting at the local level. With the introduction of accounting change, the increasing use of accounting language and procedures was observed by the local government administration and involving them in the decision-making

activities (Giacomini, 2020). These account assistant officers and management assistants who are involved with the accounting and financial reporting functions created perceptions that they are doing similar work as government accountants. Before introducing the accounting change under the NPM, the accounting system was on a cash basis, and there were no proper financial statements. Under the institutional capacity, strengthening human resources plays a critical role since the implementation is subject to the human agency rather than the technical factors, and professional education plays an important role (Polzer *et al.*, 2021; Schuler *et al.*, 2023). The hired employment of the local governments in the North Central Province directly impacts the institutional capacity of this implementation due to their higher professional standards and more knowledge power compared with the clerical staff of other local governments. These programmes, such as the diploma programme with the UNDP, training associated with the initial professional development as well as continued professional development provided by the APFASL, are the necessary resources to facilitate significant modifications in established business-like accounting practices in this case (Polzer, Gårseth-Nesbakk and Adhikari, 2020; Schuler, Grossi and Fuchs, 2023; Dissanayake and Dellaportas, 2024). This enhanced institutional capacity helps to establish the structures and systems necessary for practical cooperation and coordination among agents. In the absence of the institutional capacity to support the local governments to implement NPM reforms, ICASL, under the APFASL in collaboration with the UNDP, initiated capacity development programmes which facilitate the successful implementation of the accrual-based SLPSAS at the local governments in Sri Lanka especially considering the lowest level of local governments, “Pradeshiya Subhas” since less human and physical capacity compared with the municipalities. Institutional capacity is highly context-dependent (Cid and Lerner, 2023) and is one of the dimensions contributing to institutions' vertical and horizontal integration to implement public financial management reforms. However, with the position of assistant

account officers, these local governments were able to strengthen the professional accounting knowledge which is necessary for the role of these agents in the implementation of SPSAS at the local government level, can impede the progress due to the contextual and structural deficiencies, along with limited resources and capacities. These initiatives have strengthened local governments and scaled up institutional capacities to successfully implement SLPSAS.

In the Sri Lankan case, ICASL's role of agency and power as the professional association was significant compared to other countries, not only in the central government but also in local governments (Dissanayake and Dellaportas, 2024). They applied their power relations to connect political actors at the central and provincial government with the civil servants to create the new institution. The APFASL (ICASL) has developed the simplified version of SLPSAS for the local authorities, under their power and authority given by the No. 15 of 1995 Accounting and Auditing Standards Act. When it comes to the capacities of local governments, even though these local governments have constitutional autonomy, the lowest levels of local councils have little independence since most of them are dependent on central government funding. They cannot run their budget due to little tax income and high expenses. Under this circumstance, the maintenance of the newly established institution is challenging. In this case, at the local government, newly established institutions require ongoing maintenance of institutional orders to ensure their continuity (DiMaggio, 1988, p. 12). Therefore, these institutions need to be supported, corrected, or recreated as necessary to maintain their institutional integrity (Lawrence and Suddaby, 2006; Zilber, 2009). Subject to the creation and maintenance of the new institutional structures require the development of institutional capacity at the local government level. Literature has found a lack of institutional capacity within local authorities to effectively perform public financial management in the local government, which ultimately impacts the service delivery of the local governments, particularly the lack of competent staff (Fuentes and Borreguero, 2018). Administrative

capacity comprises human, economic, and material resources and management abilities to implement the accounting change (Fuentes and Borreguero, 2018). Even though the Treasury (State Accounts Department) issued this circular (SAD 268/2018) to implement at the local authorities, there were significant issues in terms of having issues with the capacity, especially the human resources, to go ahead with IPSAS adoption and accrual accounting which can be seen the similar situation in some other developing countries like Brazil (de Azevedo *et al.*, 2020). Except for North Central and Western Province in Sri Lanka, other provinces are struggling mainly with political logic and a lack of competence among staff. In this newly established institution, the adoption of ICT logic for the maintenance of institutions under the “embedding and routinising” is at a reasonable level. However, institutions can expand the higher use of ICT logic, including digitalization and social media, for the effective maintenance of the institution (Chirwa, 2024).

Studies highlighted the importance of the collaborative agency of institutional actors and the reflexivity of actors for the creation and maintenance of new institutional arrangements (Aleksandrov *et al.*, 2018; Guerreiro *et al.*, 2021; Modell, 2022). This transformation is a dynamic interaction between institutional work and existing social-political and economic conditions (Lawrence and Suddaby, 2006). Ultimately, citizens' increased quality of life of relevant local government (Gonçalves *et al.*, 2024). Actors have exercised their reflexive agency (especially ICASL) by using their knowledge capital, political connections and power. Further, this accounting change adaptation made the avenue for local governments to use more ITC and digital appliances for their operations while expanding the agentic behaviour of the ground-level employees of these local governments (Panagiotopoulos *et al.*, 2023). Implementing IFMIS (computerised information systems) enables local government institutions to streamline the financial management processes (Chirwa, 2024). With this strategic implementation of ICT (IFMIS), financial management practices have become more

transparent and accountable as well as increasing the local government institutions' accuracy and timeliness of financial management by utilising a system that enables them to enhance data quality (Chirwa, 2024b) while by using this system; local government institutions can improve their ability to implement their budgets effectively. In some developing countries, these accounting changes were witnessed to improve accountability and transparency and optimise resource usage in the local authorities, especially the adaptation of IPSAS by the local governments (Chirwa, 2024). However, leadership and institutional capacity issues, especially with the limited ICT resources, bring challenges and problems at the local government level, as experienced in some Provincial Councils in Sri Lanka. Hence, several scholars highlighted the need for capacity-building initiatives and infrastructure updates at the local governments (Fuentes and Borreguero, 2018; Chirwa, 2024). Also, the usage of accounting information willingly for internal decision-making purposes is still under limited scope in developing countries, including Sri Lanka, due to more political intervention (Lassoua and Hopper, 2016). However, there can be more transparent different stages of approach in some developed and developing countries regarding the usage of accounting information in all phases of the policy cycle, including agenda-setting, policymaking, decision-making, policy implementation, and policy evaluation, such as in Italy (Giacomini, 2020; Giacomini *et al.*, 2016), in Portuguese (Gomes *et al.*, 2023). These developing countries need to develop that culture to get the desired outcomes of the proposed accounting reforms.

#### **4.6.2 The emerged institutional entrepreneurs in this new institution**

This study identified several institutional entrepreneurs who performed institutional work functions to create new institutional arrangements to implement new accounting systems at the local government level (DiMaggio, 1988; Maguire *et al.*, 2004). In this case, some of the civil servants and operational level staff at the local governments of these two provinces

performed institutional work as endogenous forces of change to create new institutions. These institutional entrepreneurs' mobilised resources, including political position, education and training, and social connections, to disrupt the existing accounting system and create a new accounting system. Government civil servants at the Provincial Council level, including several government accountants who played the role of CFOs and CAOs combined with the Local Government Commissioner, mobilized the available resources strategically to legitimize the proposed accounting change (DiMaggio, 1988). Further, the role of institutional entrepreneurs continues with the position of account assistant officer and management assistant as operational level staff in the local governments of the mentioned two provinces. In the realm of new accounting practice, these account assistant officers play an active role by mobilising available resources such as accounting training and technical knowledge, social connections and ICT to reshape the local government field according to their convictions. In the context of institutional change, entrepreneurs drove their agency to initiate and orchestrate the necessary actions and resource allocation to implement a new accounting system (Xu, Ji and Dellaportas, 2021; Baños and Carrasco, 2019). Sometimes, this situation creates opportunities for actors to challenge and critically engage with dominant institutional logic. As a result, the incorporation of individual knowledge, values, and norms contributes to the adoption of new accounting changes (Abrás and Mahameed, 2023; Xu *et al.*, 2021). They are shaped and transformed by the institution corresponding to the envisioned solution (Xu *et al.*, 2021) as institutional entrepreneurs, as experienced in this case. Assistant account officers and management assistants involved as Institutional entrepreneurs, since they are similar to the accountants of the local government institutions or heads of accounts units, can be instrumental in invoking new accounting practices (Sharma *et al.*, 2014). Within the new institution, these employees have become a part of the accounting and accountability structures of the local governments since their scope and responsibilities



have widened compared with the previous accounting system (Sharma *et al.*, 2014). These officers have actively influenced the transformation of institutions, disrupting existing ones and creating new institutions (Beckert, 1999; Weik, 2011). As entrepreneurs, these specific actors possessed the power to mobilise the resources and other actors to implement accrual accounting and IPSAS.

In addressing the nature and roles of institutional entrepreneurs in the SLPSAS implementation process at the local governments in Sri Lanka, this study identified both individuals and organizational actors operating as institutional entrepreneurs across various levels from national level to local government level. At the individual level, select civil servants and operational staff emerged as institutional entrepreneurs by leveraging their embedded positions within local governments to translate technical accounting concepts into contextually relevant practices. Specifically, account assistant officers in the North Central Province held a special position in this SLPSAS implementation process. Beyond resource allocation, these actors demonstrated a critical capacity for navigating and reconciling multiple competing institutional logics. In this case, these civil servants (administrative staff and government accountants) navigated the transition from traditional state-bureaucracy toward a market-oriented logic underpinning accrual accounting and SLPSAS at the local government level. It was a challenging task to reorient politicians and change the regulations in a system where procedure-based logic dominated traditional public administration (Thornton *et al.*, 2012). This institutional complexity was particularly evident when actors had to simultaneously satisfy international accounting standards while addressing local administrative priorities and resource limitations, especially at the rural local governments in North Central province (Greenwood *et al.*, 2011; Thornton *et al.*, 2012).

As an organizational entrepreneur, the ICASL functioned by exercising its reflexive agency and professional legitimacy to bridge the professionalization of local government financial reporting with local administrative realities by introducing professional logics into the bureaucracy (Dissanayake and Dellaportas, 2024; Modell, 2022). A distinctive contribution of these institutional entrepreneurs was facilitating cultural change within local governments, where they strategically reframed accounting reform to modernize public financial reporting at the local government level while enhancing transparency and accountability. This transformation repositioned accounting and financial reporting as strategic governance tools rather than mere compliance exercises, constructing new professional identities by introducing professional standards and practices to the local government level. Drawing on Thornton et al. (2012) and Pache and Santos (2013), these findings demonstrate how institutional entrepreneurs in developing country contexts must possess heightened political acumen to manage power relations in local government governance and administration.

The study identified several specific strategies employed by main actors who exhibited the skills of institutional entrepreneurs to overcome resistance and drive adaptation of the simplified SLPSAS at the local government level. First, these actors leveraged their professional legitimacy and technical expertise to persuade skeptical stakeholders. Second, they strategically created coalitions with politically influential actors, using what Lounsbury and Crumley (2007) term "boundary spanning" - connecting previously disconnected institutional domains to mobilize support. Third, effective change agents employed targeted capacity development initiatives through diploma programs, workshops, and mentoring sessions that addressed both technical and cultural barriers to adoption, aligning with Greenwood and Suddaby's (2006) concept of "theorization" wherein actors develop abstract models to facilitate acceptance. These strategies proved particularly effective when deployed by individuals and organizations possessing key characteristics of institutional

entrepreneurship. These actors were simultaneously positioned within both the professional accounting field and local government structures, providing legitimacy across domains (Pache and Santos, 2013). Additionally, they utilized extensive personal networks across provincial and national levels that enabled resource mobilization, especially through the role played by the ICASL in connecting with international donor agencies like UNDP (Gabbioneta *et al.*, 2019). Finally, they demonstrated the ability to translate technical accounting concepts (IPSAS) into locally meaningful frameworks (simplified version of SLPSAS) that resonated with different stakeholder groups, effectively managing available physical and human resources at the local government level (Empson *et al.*, 2013). For example, one civil servant (government accountant) in the North Central Province successfully gained political support by explicitly connecting the accounting reforms to transparency initiatives through securing approval for the annual accrual-basis budget with the support of elected officials, demonstrating what Ezzamel *et al.* (2012) identify as "strategic framing" to harmonize reform objectives with existing norms, procedures, and values. Another highly effective strategy to enhance the technical capacity of account assistant officers was the introduction of a specialized local government diploma programme with a dedicated accounting module, developed through strategic collaboration between UNDP and ICASL. This initiative exemplified what Battilana *et al.* (2009) describe as 'implementation tactics' for institutional change, as it was specifically targeted at ground-level staff responsible for the day-to-day execution of the adaptation process. By translating complex accounting standards into practical, context-specific training materials, this approach embodied the institutional work of 'educating' (Lawrence and Suddaby, 2006) and helped bridge the knowledge gap between theoretical reforms and actual implementation practices.

#### **4.7 Conclusion, contribution and future research**

Adopting international accounting standards such as IFRS and IPSAS is recognized as a powerful legitimization force' (Lawrence and Suddaby, 2006). In order to achieve successful implementation of these international accounting standards, multiple actors actively and strategically engage in institutional work at various societal levels to promote the adoption of a particular institution. It provided empirical evidence on the actors' agency and role of power relations to promote the institutional transformation related to accounting functions of the local governments in Sri Lanka. The capacity of individuals and organizations within and beyond the local governments to act and make choices that influence the implementation of a simplified version of SLPSAS. This institutional work recognizes that institutions are not static but are continuously constructed and reconstructed through the actions and interactions of different actors within the institutional environment. These institutional work actions, consciously and unconsciously, might reinforce or challenge the existing institutional arrangements (Lawrence and Suddaby, 2006).

This study explored the possible evolution of public-sector accounting at the local government level under the traditional mode of NPM reforms and public administration. Theoretically, this study explores the recent approaches of institutional theory perspective for institutional change and provides empirical evidence from developing countries' perspectives. An extensive discussion on the role of actors responding to institutional pressures and how they manipulate or change the institution by accentuating that institutions are a product of actions. This study provided empirical evidence for institutional entrepreneurship, emphasising how some actors leverage resources to create new institutional arrangements. In addition, this research contributed to the existing literature by extending the institutional work discussion in accounting research. More research is needed on how individual agency

transformed into a collective agency with the influence of power relations to change the institution. This study contributed to filling this gap and identified how actors' reflexivity shaped coordinated deliberations to transform into a collective agency. Intentional or purposive rather than structurally determined actions of human agency in institutionalizing new accounting practice at the local government public financial reporting. In this study, there are embedded actors but agents whose activities shape institutional change, while some actors act as institutional entrepreneurs. This institutional work challenged and negotiated or changed existing rules, practices, beliefs, and values. The individuals and organizations involved share agency with diverse actors, none of whom possess complete control over the outcomes. They collaborate to disrupt existing institutionalized forms and collectively create new structures.

As per the grounded information, it could be assumed that the new accounting change in the local government would be more appropriate and better suitable for the local governments since it enhances the qualitative characteristics of accounting information. The accounting system has been transferred to a more advanced level by applying accounting standards to local governments, facilitating effective and efficient decision-making. However, there are some complexities which are not compatible with the local governments, and users believe that the information produced in this new accounting system is not very useful. Since the provincial and central government levels are still not using accrual accounting and SPSAS, the preparation of consolidated financial statements combined with provincial governments and central governments is impractical. However, it provides some hints for the provincial and central government levels that this adoption and implementation is an achievable task.

This research enhanced our understanding of how some actors worked as institutional entrepreneurs who led the institutional change and engaged with specific institutional work

practices while implementing accrual accounting and SLPSAS. This study has contributed to the literature by explicitly recognized the role of embedded actors and their actions in creating and maintaining the institution while developing the institutional capacity (Lawrence and Suddaby, 2006). Institutions provide the structure and norms that guide and constrain actors' choices and actions. At the same time, power relations and reflexivity allow actors to shape and influence the institutional context through their intentional actions (Modell, 2022). Under the new change, civil servants, together with the political actors at the Provincial government level, have modified the existing institutional orders by creating/establishing new norms and practices. This study contributed to the dynamic interplay between structure and agency and emphasized the impact of human agency in changing the institution over time. These employees were mobilized for new accounting change as a new economic language at the local government level that targeted to replace 40 years of domestically developed accounting practice in Sri Lanka. A sophisticated accounting system was created with the primary intention and the professional association of APFASL, which is technically perfect for the local authorities with this simplified accounting standard. These officers have become converged into "professional experts" compared with other local governments in other provinces (Caccia and Steccolini, 2006). This study highlighted the role of leadership and charismatic actors in the process of institutional change (Caccia and Steccolini, 2006) under the creation and maintenance of the institution. Secondly, the extant literature highlights how these agents have attempted to play the role of institutional entrepreneurs while performing the institutional work actions at the local level. This paper contributed to the institutional work literature by exploring how the embedded actors' reflexivity transformed into a collaborative agency with their power relations to create a new institution. The influence of political logic and the instrumental role of ICASL (a professional association) in facilitating reflexivity transfer were significant in this local government case in Sri Lanka.

External pressures from funding agencies, mainly the World Bank, under structural reforms such as NPM, were introduced to change the existing norms and practices at the local government level. Regarding the practical implications, guidance to be successful in the other provinces emphasises the importance of collaboration, creating supportive infrastructure, and providing standardized solutions for the inherited issues of the local governments, especially at the lower level of local governments, such as Pradeshiya Sabha. Public service organisations, especially the local authorities, need more audits and evaluations to ensure efficiency and effectiveness. These structural changes, including monthly reporting, recording assets and liabilities, application of accounting standards, and the annual reporting competition organized by the ICASL, created more avenues for evaluations and auditing functions. The management and performance of local governments continue to receive significant attention from researchers, policymakers, and citizens alike (Walker and Andrews, 2015). This study provides more empirical evidence on the lower level of local governments, called “Pradeshiya Sabha.” Since these local governments are in more rural areas, these findings help to make policy developments compelling at the local government levels in countries like Sri Lanka. Especially the implementation of public financial reforms in more rural local governments of developing countries. Further studies should focus more on the extensive use of this accounting information produced through accrual accounting and IPSAS by the political actors and civil servants within the policy cycle.

## **CHAPTER FIVE**

### **CONCLUSION, CONTRIBUTIONS, LIMITATIONS, AND AVENUES FOR FURTHER RESEARCH**

#### **5.1 Introduction**

The final chapter of this thesis consists of the study summary, contributions, and practical implications. Furthermore, this chapter highlights the limitations of this study and avenues for further studies. This thesis consists of three main papers (Chapters Two, Three, and Four) designed to achieve the main objective of the thesis, namely, to investigate the adoption and implementation of accrual accounting and International Public Sector Accounting Standards from the central government level to the local government level, from the perspective of developing countries. The first chapter was a general introduction to the thesis. Then, the second chapter presented Paper One of the PhD research, which gave an overview of the status and institutional arrangement of the proposed accounting reforms in Sri Lanka. It studied the institutional pressures for the reforms and the strategic responses undertaken by the actors for the reforms. Paper One employed the neo-institutional theory (institutional isomorphism) as the theoretical lens to frame the study findings, combined with Oliver's strategic response model. Chapter Three presented Paper Two of the study, which focused on more agentic/actor-centric aspects of accounting reform implementation at the central government level in Sri Lanka. The objectives were to identify challenges and issues in executing accounting reforms (IPSAS) at the central government of Sri Lanka, including the role of different institutionally embedded actors and their role and power dynamics in implementing accounting reforms. Paper Two employed the institutional logic perspective to frame the empirical findings of the study. Chapter Four of this thesis presented Paper Three of my PhD thesis. Paper Three expanded to study the implementation of accrual basis IPSAS at the local government level. The objective was to explore how the new institutional



arrangement was created, considering the institutional capacity and agency of embedded actors, to facilitate the successful implementation of IPSAS at the local government level in Sri Lanka. Paper Three utilised institutional work and institutional entrepreneurship concepts as the theoretical lens. All three studies adopted interpretive epistemology as the research paradigm and qualitative method as the research design to answer the research questions and achieve the research objectives of all three papers. The case study methodology was utilised as the research strategy for this thesis, allowing the use of multiple data collection techniques, including primary and secondary data, in all three papers (Creswell, 2014). This study has attempted to expand neo-institutional theory studies from traditional institutional isomorphism, adding more agent/actor-centric aspects. This has enabled not only the understanding of external pressures in shaping the adoption and implementation of accounting reforms in emerging economies but also shed light on the agentic role of embedded actors in shaping these accounting reforms in emerging economies. One of the main criticisms of neo-institutional theory was the extensive focus on external circumstances and ignorance of the impact of inter-organisational factors on institutional change (Dillard *et al.*, 2004). This thesis delves into the discussion of neo-institutional theory, elucidating the institutional change and reproduction from the traditional institutional perspective to institutional emerging once, such as institutional logics, institutional work and institutional entrepreneurship (Fernando and Lawrence, 2014). The empirical investigation expanded from macro-level analysis to detailed micro-level implementation, tracing the diffusion of these concepts from central government structures to local governmental bodies in emerging countries.

## 5.2 Summary and Conclusions

As explained above, this thesis consisted of three sub-studies that expanded from the macro-institutional to the micro-institutional level. The study's overall objective was to explore the adoption and implementation of accrual accounting and IPSAS from the perspective of emerging economies, focusing on Sri Lanka, from the central government to the local governmental level. During the last few decades, several accounting reforms have been materialised in public sector organisations all around the world to standardise accounting practices (Steccolini, 2019; Adhikari *et al.*, 2021; Van Helden, Adhikari and Kuruppu, 2021). With these reforms, the landscape of public financial reporting has changed and resulted in a new type of accountability, budgeting, and reporting system (Grossi and Argento, 2022). However, many developing countries still face significant obstacles in the quality of public financial reporting, including consistency and comparability, resulting in the de-coupling and loose coupling of these proposed accounting reforms. Even though these reforms were strongly supported by donor agencies such as the World Bank and IMF, the implementation of these accounting reforms was delayed and created unintended consequences due to some constraints (Schmidhuber, Hilgers and Hofmann, 2022; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023; Polzer, Adhikari and Phuong Nguyen, 2023). This study also supported those multiple logics that created extra tension for the implementation and delayed it at the central and provincial governmental levels. However, some initiatives have been made for successful implementation by several local governments in Sri Lanka.

The first study (Paper One) explored the adoption and implementation of accrual-based IPSAS in Sri Lanka as an overview. This paper explored the status of accrual accounting and IPSAS adoption at the different institutional levels, as well as compared with some other countries in the Asia and Africa region. It used the neo-institutional perspective (isomorphism) to support Oliver (1991) strategic response framework. Institutional pressures

for accounting reforms were explained using institutional isomorphism. Then, following Oliver (1991) strategic response model, these strategies for the reform initiatives were analysed. The study used secondary data to explore the status of accounting reforms in developing countries, particularly in Sri Lanka. Documents published by international accounting organisations, international donor agencies, government organisations and local accounting bodies were reviewed and analysed. The results indicated that public sector accounting reforms in Sri Lanka were primarily institutionalised under the coercive pressure exerted by international donor agencies, such as the World Bank, IMF, and ADB, through their funding arrangements at the macro-institutional level (Adhikari, Kuruppu and Matilal, 2013; Yapa and Ukwatte, 2015; Adhikari *et al.*, 2021). The Institute of Chartered Accountants of Sri Lanka (ICASL), as the leading professional accounting body, also played a significant role in providing normative pressure for the adoption and implementation process when compared to other countries in the region (Dissanayake and Dellaportas, 2024). The central government's Treasury circulars acted as coercive pressure at the provincial and local government levels. Some institutions sought to emulate these best accounting practices and serve as role models for others. Key actors who were directly involved with the implementation employed strategies of 'compromise', 'avoidance', and defiance' in response to these institutional pressures, leading to institutional decoupling. More favourable strategic responses were observed at local governments, state universities and state-owned enterprises compared to the central government organisations in the Sri Lankan context.

Paper Two focused on the in-depth analysis of the role and power dynamics of embedded actors in the implementation of these accounting reforms, particularly at the central government level. The study expanded from institutional isomorphism to more agentic/actor-centric aspects of accounting reform implementation. First, the study revealed the current issues and challenges of implementing accounting reforms at the central government level in

Sri Lanka. The study focused on the role of key actors directly involved in adopting and implementing accounting reforms at the central government level. The MOF, ICASL, and NAO were the key actors involved as reform propagators, promoters, and enforcers. Government accountants served as the focal point of the analysis of this study. Then, the role of the main actors and agentic interplay were explored while paying close attention to the power dynamics between the main actors in the implementation process of IPSAS. In this second paper, the institutional logic perspective under neo-institutional theory was used as the theoretical frame of this study. The empirical data were collected mainly through 28 semi-structured interviews conducted with representatives from these three institutions, including several government accountants, and supported by official documents from different organisations. Data were analysed using thematic analysis methodology following open coding to axial coding; later, themes were developed and presented with the support of the theoretical frame of the study and institutional logic perspective. At the central government level in Sri Lanka, several logics were examined as pivotal factors contributing to the delays and unintended consequences of reform implementation, ultimately leading to institutional decoupling. These multiple logics compete with one another and have created tension for the implementation of accrual accounting and accrual-based IPSAS at the central government level. The findings are in line with prior work showing that accounting reform implementation at the central government level created delay and tension as well as causing a power struggle among the key actors (Yapa and Ukwatte, 2015; Adhikari *et al.*, 2021; Polzer *et al.*, 2023). Issues relating to the legal identity of SLPSAS, a lack of political support, inadequate technical capacity of government accountants, resistance to change, and limited leadership at the Treasury were the main barriers to successful implementation. In addition, the power dynamic between the main actors, particularly the MOF and NAO, created further tension in terms of materialising reforms. These power dynamics were particularly evident in

the cash-based SLPSAS adoption project proposed by the MOF for the transition period and in how the NAO responded to the project. The bureaucratic logic of these two institutions has heightened the tension regarding the implementation of proposed accounting reforms at the central governmental level, as the expected support specified by the MOF was not received from the NAO. State and market logics were the main drivers behind these reforms at the outset, whereas professional logic proceeded with the establishment of APFASL of ICASL. However, the implementation of reforms has yet to be materialised, and this has been further impeded by the continuity of the bureaucratic structures in public sector organisations. The normative pressures exercised by the ICASL through the professional logic of ICASL were significant in Sri Lanka compared with other developing countries (Dissanayake and Dellaportas, 2024). Nevertheless, there is a need to enhance the legitimacy of the ICASL, particularly among the public sector community, especially government accountants. However, there are opportunities for adopting more ICT, mainly digital technology and social media, to stimulate the implementation and accrual of accounting and IPSAS.

The study's third paper expanded to a more micro level, focusing on the local government level of the country. It explored the implementation of SLPSAS at the local governments of two selected provinces of the country. The study selected the local governments of the North Central Province and the Western Province, and explored the implementation of accrual accounting and SLPSAS, with the support of institutional work and institutional entrepreneurship. This is mainly how the embedded actors put into practice the institutional work to implement a new accounting system at the local government level. Furthermore, some actors evolved as institutional entrepreneurs, mainly through the creation of institutions to implement new structures for public financial reporting at the local governmental level. This paper explored the roles of various actors, the evolution of their individual agency into a collective force, and the interplay of reflexivity and power dynamics that influence

institutional change for the successful implementation of accounting reforms at the local governmental level in Sri Lanka. The study employed the ideas of institutional work to to organize the study's empirical findings. The data analysis of the study was framed using the three main key concepts of institutional work: creation, maintenance, and disruption of institution. In particular, the focus was placed on explaining the reflexive agency of actors and how they exercise their power relations in carrying out institutional work to transform the existing institution (Aleksandrov *et al.*, 2018; Modell, 2022; Modell *et al.*, 2017). The findings showed that actors took initiatives to disrupt the existing accounting system at the local governments, which had been in place for more than 40 years as an informal arrangement for public financial reporting at the local government level in Sri Lanka. To create a new institutional arrangement, civil servants received support from political actors through the strategic intervention of the ICASL as a professional association. The reflexive agency of the ICASL was significant in creating a new institution of public financial reporting in local governments in these two provinces. The public sector wing of ICASL, some civil servants (government accountants), and the operational-level staff performed their role as institutional entrepreneurs in this transformation with their ability to leverage resources. The emergence of institutional entrepreneurs and institutional work exercised by these actors provided more insights into other provinces and central government organisations, and the possibility of implementing these accounting reforms successfully following the bottom-up approach. However, the study found that the maintenance of the newly established institution is challenging due to several limitations of the country's local government system, such as a lack of training and close monitoring as well as the lack of intervention of the National Audit Office in the local governments due to limited availability of resources. This should be addressed carefully with the support of political actors. Also, the

use of this information by the administrative staff and local politicians for administrative functions should be enhanced to get the intended benefits of these accounting reforms.

### **5.3 Individual Study Contributions**

Most importantly, this thesis contributes to the existing field of knowledge in public sector accounting in emerging economies and how it is significant to make an impact. This thesis significantly enhances the theoretical landscape, offering valuable insights and advancing the scholarly discourse in the institutionalisation of public sector accounting. First, it presents each paper's contributions separately, followed by the overall contribution of this thesis. All three papers are based on the broader context of the neo-institutional theory perspective (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Theoretical lens of the thesis starts with institutional isomorphism and expands to institutional logic and institutional work (DiMaggio and Powell, 1983; Lawrence *et al.*, 2009; Lawrence and Suddaby, 2006; Thornton *et al.*, 2012; Thornton and Ocasio, 1999, 2008). This thesis explored the role of external pressures (exogenous pressures), as well as the role of agency and agentic interplay between embedded actors for institutional change or institutional decoupling. From a more macro-level perspective down to individual institutions, this thesis examined how the actors interact with the structures and exercise their agency to facilitate or constrain the adoption and implementation of proposed accounting reforms within public sector organisations.

The first paper gives an overview and discusses the status of accounting reforms at the different institutional and organisational levels in Sri Lanka. As is the case with many other developing countries in Asia and Africa, these reforms were introduced as pressure exercised by the donor agencies mainly attached to loans and grants conditions (Hopper, Lassou and Soobaroyen, 2017; Van Helden and Uddin, 2016; Adhikari *et al.*, 2021; Jayasinghe *et al.*, 2021). In addition, donor agencies such as the World Bank and IMF wanted to legitimise their

actions, and these reforms were conditioned with the structural changes of the public sector institutions in developing countries, including Sri Lanka. In local settings, studies show that since these developing countries are in search of external resource grants, they had to adopt these reforms without considering the real need for these reforms and the countries' capacities and local needs (Hopper *et al.*, 2017). By applying Oliver's strategic response model, this research uniquely framed the responses within the five categories of strategic response model, offering a distinct contribution to the existing knowledge by giving a deeper understanding of public sector accounting in Sri Lanka. The combined effort of institutional isomorphism and the strategic response model not only brings fresh perspectives in exploring institutional pressures but also effectively contextualises the institution's response to these reforms within the strategic response model, particularly in emerging economies (DiMaggio and Powell, 1983; Oliver, 1991). This paper enhances the current debate on public sector accounting reforms in emerging economies and updates the existing literature on the current status of accounting reforms in developing countries, particularly in Sri Lanka. By widening the scope of institutional analysis, this study showed the diverse responses made by the different public sector organisations within the institutional dynamics and power of structures of the embedded actors (Guerreiro *et al.*, 2021). Differential responses, perception of isomorphism, legitimacy, and loose coupling of three levels of government were evident (heterogeneity) (Goddard *et al.*, 2016). At the central government level, there was strong evidence of a lower level of legitimacy and less moral commitment towards the implementation of proposed accounting reforms advocated by external stakeholders, such as donor agencies. The evidence highlighted the conflict of interest and knowledge on the adoption and implementation of public sector accounting reforms by different public sector organisations.



The second paper of the thesis used the perspective of institutional logic, which is one of the institutional rationalities of neo-institutional theory (Friedland and Alford, 1991; Thornton, Ocasio and Lounsbury, 2012). It identified the main multiple logics behind these reforms and competing logic, which created delays, unintended consequences, and tensions for the implementation. This paper identified the particular logics and contributed to the institutional logic literature from emerging economies in general (Conrath-Hargreaves and Wüstemann, 2019; Jayasinghe *et al.*, 2021; Aquino and Batley, 2022; Abras and Jayasinghe, 2023), increasing the complexity of the institutional environment (institutional context) where multiple logics exist to impose conflicting requirements due to cultural, political, and social norms on individuals or organisations to behave in the setting of emerging economies. Hence, this paper contributed by explaining contextual logics using the wider aspects of neo-institutional theory. At the central government level, tension arose during the implementation stage due to varying stakeholder expectations and reactions to the reforms. The study contributes to the public sector accounting literature by signifying the effect of political logic in shaping the proposed accounting reforms in emerging economies, leading to resistance to change. Coercive isomorphism was more evident at the central government level than at the local government level (Goddard *et al.*, 2016). However, at the local governmental level, normative isomorphism through professional association was significant due to the considerable impact of state-bureaucratic logic compared to other emerging economies. This study stands out from existing research by highlighting the complex power of political actors and the power dynamics of politically driven actors such as the MOF and NAO, which created more tensions and delays for reform implementation. It identified how major institutions in a country created the power dynamic while playing different roles as reform creators, implementers, and enforcers. In Sri Lanka, the main struggle between the MOF and NAO is to exercise their constitutional provisions as major political actors. It provides

process-centric narratives to give a holistic picture, as well as actor-centric narratives, by gaining deeper insight into their agency, aiming to enhance the reform strategies in emerging economies. Furthermore empirically, it expands the current debate on PSA literature related to the issues and challenges for the implementation of accrual accounting and IPSAS.

The third paper of this thesis focused on the micro perspective, illustrating how local governments implement these reforms in developing countries. Theoretically, it demonstrates the importance of using neo-institutional theory holistically by incorporating institutional work and institutional entrepreneurs. It explored how embedded actors assume the role of institutional entrepreneurs while performing institutional work actions, a perspective that has rarely been used in prior studies. The efficacy of such a holistic framework lies in showing the challenges inherent in PSA in emerging economies and how certain actors overcome these challenges up to certain showcasing their entrepreneurship skills (DiMaggio and Powell, 1983; Lawrence and Suddaby, 2006; Modell, 2022). This paper contributed to the literature on institutional work by exploring how the reflexivity of actors transformed into a collective agency with their power relations to restructure or change the institution (Lawrence and Suddaby, 2006; Modell, 2022). The normative association of ICASL works as an institutional entrepreneur to transform the institution with the support of civil servants and account assistant officers. This paper has provided empirical evidence and filled the gap in the literature on local governments' accounting reform in the emerging economies. Also, most of the local governments studied in the literature are municipal councils, which cannot be generalised to the local governments in many developing countries, as these countries often have more rural local government institutions. Hence, Paper Three provided more unique empirical evidence from more micro-level local governments in emerging economies. In developing countries, these rural local governments are significantly different from the municipal councils in terms of resources and capacities. The paper provides empirical

evidence of how a few institutionally embedded actors became institutional entrepreneurs at the local levels who initiated change in the institution and became successful to a certain extent in areas where the literature lacked successful implementation stories of accounting reforms in emerging economies. The impact of political logic and the instrumental role of professional association played a significant role (power), which created the reflexivity of the agents with their power. This paper provides empirical evidence that the successful implementation was reached to a certain extent through the direct involvement of professional associations and donor agencies, especially when the resources and bureaucratic support were limited.

#### **5.4 Overall contributions of the thesis**

This adoption and implementation of accounting standards is still a political tool that has been highly embedded in the context beyond its technical role as a strategic instrument operating in the socio-political landscape in emerging economies to achieve transparency and accountability. Most developing countries, including Sri Lanka (the context of this study) are highly politicised when it comes to implementing these neo-liberal reforms, as the findings show. This adoption and implementation are attached to the socio-political conditions of the context. However, in developing countries, the technical aspect of accounting reforms was not as significant compared with the role of ‘political logic’, which emerged as a higher order of logic in shaping the behaviour of embedded actors by creating more tension in emerging economies due to limited resources and the political and administrative culture. In Sri Lanka, the technical knowledge of government accountants is substantial compared with that of other developing countries (Yapa and Ukwatte, 2015; Rajib *et al.*, 2019; Adhikari *et al.*, 2021). These studies identify the donor agencies’ important role in the structural reforms of developing countries. How are these international organisations trying to achieve legitimacy by transplanting the concepts and ideologies developed in the global north towards the global

south? Even in recent periods, including the post-COVID-19 economic crisis, the IMF has significantly influenced the streamlining of public financial reporting in Sri Lanka, which is attached to the loan conditions. Recently, similar situations have been observed in some other developing countries, such as Pakistan and Nigeria. State bureaucracy and political logic adversely influenced and delayed accounting reforms at the central government level (De Silva Lokuwaduge and De Silva, 2020; Adhikari *et al.*, 2021; Liberato, Choban de Sousa Paiva and Serrasqueiro, 2023). On the other hand, the current institutional arrangement does not promote the implementation of IPSAS and accrual accounting, since government priorities have been changed, particularly with the post-COVID-19 economic crisis and adverse economic conditions. Several stakeholders joined with these reforms at the local level, especially when they encouraged funding and other aid from donor agencies. The main intention of these stakeholders appeared to be to spend the funds received from donor agencies including the World Bank, IMF, and ADB rather than effectively implementing the reform to achieve the desired objectives. Sri Lanka is perhaps different from other developing contexts. For instance, the role of politicians is limited in many other contexts, as accounting is considered more of a technical tool requiring skills and competence. However, in the Sri Lankan context, this study's results show the significant role of political actors in implementing the reforms. In terms of the capacity and technical knowledge of government accountants, Sri Lanka stands far ahead of other developing countries. However, these reforms have become politicized, leading to confrontations between the bureaucracy and professional accountants instead of fostering partnerships. Each group is driven by its own interests, thereby causing delays in the implementation of reforms.

This thesis makes a significant contribution to the PSA literature, especially in emerging economies. The empirical and theoretical contributions of this thesis are distinguished from the previous literature for four main reasons, as explained below. First, it enriches the neo-

institutional discourse theoretically, adding depth to the ongoing debate of PSA literature, including various streams of institutional theory discussion. The organisational complexity arising from the diverse social, political, and cultural contexts associated with the adoption of accrual accounting and IPSAS in emerging economies leads to varied organisational responses due to the presence of competing and multiple logics. Through the holistic perspective of neo-institutional theory, this study aimed to enhance an understanding of the institutional complexities involved in the transition process towards IPSAS/accrual accounting. By adopting a combined approach, this framework enables a comprehensive analysis of the constraints and incentives crucial for the successful implementation of these accounting reforms in emerging economies (Guerreiro *et al.*, 2021; Lounsbury, 2008).

Second, this thesis offers novel insights into the complexities of public sector reform processes in developing countries, facilitating a deeper understanding of contextualized logics and how these logics influence the agency and agentic interplay of the actors. Through an in-depth examination of institutional complexity in a non-Western context, this research addresses the lack of existing knowledge regarding the ‘translation and customization’ (or transplantation) of global accounting standards into the non-Western context (Ezzamel and Xiao, 2011; Guerreiro *et al.*, 2021). DiMaggio and Powell (1983) argued that normative pressures stem from professional affiliations and culture. Third, this study provides empirical evidence to prove that the argument is based on the extensive influence of ICASL in the Sri Lankan context, which is more significant in Sri Lanka compared with other emerging economies (Dissanayake and Dellaportas, 2024). Even in the absence of active political actors in the reform implementation stage, professional associations in Sri Lanka played an active role in managing the required resources. This study presents empirical evidence of the distinct role played by ICASL or its public sector wing as institutional entrepreneurs. ICASL effectively assumed this role by engaging in institutional work actions to secure the necessary

resources for reform implementation. This involved strategically establishing relationships with international donor agencies, such as the World Bank and ADB, as well as with international accounting bodies such as IFAC. In their pursuit of maintaining control over PSA in Sri Lanka, ICASL addressed resource-related challenges, particularly focusing on issues such as capacity development through training programmes and the expansion of authority over the PSA profession.

Fourth, this study explores the shift in power dynamics from coercive (state/SAD) to normative (ICASL) associations, reflecting the prevalent use of power within the PSA field to drive organisational change (Suddaby *et al.*, 2007) and examines the power dynamics among embedded actors. Paper Two of the thesis contributed by highlighting how power struggles among dominant state actors, particularly MOF and NAO, led to tensions, resulting in delays in reforms. Conversely, the third paper in this study emphasises the reflexive agency of embedded actors achieved through the power relations as institutional entrepreneurs who transform existing institutions through facilitating the successful implementation of accrual accounting and IPSAS at the local governments in Sri Lanka. This thesis contributes to the PSA literature, significantly facilitated by the holistic approach of neo-institutional theory.

Overall, this thesis makes distinctive theoretical contributions by reconceptualizing institutional theories through the lens of a stratified governmental system in an emerging economy context. The research challenges conventional institutional frameworks by identifying previously unexplored theoretical mechanisms that operate specifically within resource-constrained environments where global-local tensions shape institutional processes (Hopper, Lassou and Soobaroyen, 2017; Alawattage, Hopper and Wickramasinghe, 2021). In extending institutional isomorphism theory, this study introduces the hierarchical isomorphic translation where coercive pressures from international agencies undergo systematic transformation as they pass through multiple governmental layers, creating distinctive

hybridized forms of institutional pressures that bear little resemblance to their original manifestation (DiMaggio and Powell, 1983; Guerreiro, Lima Rodrigues and Craig, 2021). This explains why accounting reforms in emerging economies frequently produce unintended consequences that defy conventional isomorphic predictions (Goddard *et al.*, 2016; Jayasinghe *et al.*, 2021; Adhikari *et al.*, 2021). The study advances the strategic response model by empirically demonstrating how actors in emerging economies develop a heightened capacity to rapidly shift between strategic postures in response to changing power dynamics, particularly when navigating relationships with essential donors and funding sources for these developing countries (Oliver, 1991; Pache and Santos, 2010; Ferry, Ahrens and Khalifa, 2019). Regarding institutional logics, this research introduces the concept of context-dependent decision frameworks where the primacy of different logics is not fixed but fluctuates based on resource availability, power dynamics, and political contingencies. This creates a distinctive form of institutional complexity where actors actively resist dominant logics and continually renegotiate which logic takes precedence under changing circumstances, highlighting the agency and strategic maneuvering of institutional participants (Thornton, Ocasio and Lounsbury, 2012; Conrath-Hargreaves and Wüstemann, 2019). Furthermore, this study conceptualizes embedded agency through 'resource-contingent reflexivity' and 'power-dynamics,' where actors' capacity for institutional reflection and action is directly mediated by their access to material and symbolic resources, authority, and power, explaining why agency manifests differently across institutional layers in emerging economies (Battilana and D'Aunno, 2009; Modell, 2022). The research makes a significant contribution to institutional work theory by identifying 'translational institutional work' – specific practices through which global accounting standards are not merely adopted but fundamentally transformed through localization processes that accommodate existing institutional arrangements (Lawrence and Suddaby, 2006; Ezzamel and Xiao, 2011). Finally,

this study advances institutional entrepreneurship theory by demonstrating how entrepreneurial capacity in emerging economies is determined by actors' positioning within 'cross-institutional resource networks' that span governmental boundaries, international agencies, and professional associations (Battilana, Leca and Boxenbaum, 2009; Suddaby, Cooper and Greenwood, 2007; Ferry, Ahrens and Khalifa, 2019). By mapping these distinctive theoretical mechanisms across three levels of government, this research demonstrates how institutional theories require fundamental reconceptualization when applied to emerging economies where power asymmetries, resource dependencies, and competing institutional demands create complex patterns of institutional change that cannot be adequately explained by existing theoretical frameworks derived from Western organizational contexts (Hopper, Lassou and Soobaroyen, 2017; Van Helden and Uddin, 2016; Adhikari *et al.*, 2021).

### **5.5 Practical Implications of the Research**

This research tends to focus on several practical implications, which has implications for several stakeholders. First, the citizens of the country who pay the taxes look for transparency and accountability in the country's public financial reporting. One of the main objectives of accounting reforms is to enhance accountability and transparency. Citizens could see the status of the implementation of these accounting reforms and why the implementation was delayed. Then, the policy development findings could provide some insights into the policy changes related to the accounting reforms facilitating effective implementation. The study found the importance of bridging power relations and eliminating the power dynamics of the key actors for the successful implementation of accounting reforms in public sector organisations. Hence, this study provides more practical insights into building power relations and creating reflective agency among the embedded actors to achieve the desired



objectives of these reforms, especially at the central government level in Sri Lanka, as well as for other emerging economies (Modell, 2022) with similar institutional arrangements. In addition, this research emphasises the importance of PSA education in developing countries. Public universities produce most government employees. However, these universities have limited their accounting education to the IFRS. A very limited scope is available for very few university degrees, giving some weight to PSA education, including IPSAS. The country requires more openness towards accounting education in the public sector. As mentioned by the representative of ICASL, who made a significant contribution to the PSA reforms, I already made a connection with them and created avenues for how my study findings support the policy developments related to accrual accounting and SLPSAS implementation in Sri Lanka, especially at the central government level.

Furthermore, as a doctoral candidate hailing from a developing country and benefiting from government funding, I have had a significant opportunity to contribute to the socio-economic advancement of the nation. Motivated by this prospect, the selection of this research area for an extensive study holds great significance.

## **5.6 Limitations of the Study**

This study has several limitations, particularly with the methodology and data collection. In all three papers of this thesis, the qualitative interpretive approach was used as the research methodology. In qualitative research, the researcher is more attached to the research process and in close contact with the research. To eliminate that risk, the researcher used a triangulation approach, including document analysis, and some informal discussions were employed to verify the statements made by the interviewees, as proposed by Eisenhardt and Graebner, 2007). An important aspect to consider regarding the qualitative research methodology is its generalisability, which is a complex exercise (Steccolini, 2023). This

means that the conclusions drawn from this study may not be broadly applicable to other emerging economies and developing countries. Since Sri Lanka might be different from other emerging economies due to education and professionalization in PSA, this study extends the understanding of PSA reforms in emerging economies from a holistic aspect. On the other hand, with the post-COVID-19 economic crisis, the coercive pressure imposed by the IMF requirements has reinforced tension with regard to the implementation of reforms. Further studies of different contexts and more country-based studies on PSA reforms in emerging economies are therefore warranted (Ezzamel and Xiao, 2011; Adhikari *et al.*, 2021; Guerreiro, Lima Rodrigues and Craig, 2021; Polzer *et al.*, 2023). The fieldwork of this study started at the peak of the post-COVID-19 economic crisis of the country and therefore encountered several limitations in the data collection process. Access to some important stakeholders was therefore not possible due to the situation of the country during that period. The absence of generalisability is a critical point of contention in qualitative research, particularly when utilising a single case study approach. To mitigate the methodical limitations highlighted above in the study, a triangulation approach was used, because it enhances the ability to generalise the study's findings. Furthermore, the following sections present some avenues for further studies.

### **5.7 Avenues for Further Studies**

There are some avenues for future research in adopting and implementing accrual accounting and IPSAS in developing countries. Context and institutional complexities have been observed in public sector organisations in many developing countries (Jacobs, 2012). More research opportunities are needed with blended theories and methodologies, to give a more comprehensive picture of the institutionalisation of these accounting reforms and make sense of these contextual differences in developing countries. These alternative theories might include Habermas, Foucault, Latour, Bourdieu, and others (Jacobs, 2012). It also challenges

synthesising neo-institutional theory blended with other theoretical perspectives (Hopper and Major, 2007). There is potential to use the actor-network theory (Bourdieu), the applications of which are limited in PSA. To comprehend the intricacies of the institutional and political environments within PSA, several scholars have emphasised the need for the utilisation of theory with greater purpose and knowledge (Jacobs, 2012). Furthermore, the use of Bourdieu's notion of "power as capital in a field" may assist in clearly revealing the institutional complexity and the agential role and power relations of actors. This may shed more light on agency and structure, bringing out the power dimension connected with the adoption and implementation of accounting reforms. Methodologically, it suggests the use of mixed-method research to overcome the inherited limitations of the qualitative interpretive approach (Jayasinghe *et al.*, 2021; Kuruppu, Adhikari and van Helden, 2021).

In empirical settings, we need more comparative studies with other developing countries, especially South Asia, as well as the expansion of comparative studies into African and South American contexts. In addition, more studies are needed on the usefulness of information generated through accrual accounting and IPSAS, particularly for public administration and decision-making purposes. Politicians, including regional politicians, use this information for their decision-making purposes, to enhance transparency and accountability, and to reduce the corruption of developing countries. Furthermore, PSA reform research needs to be expanded into more cultural perspectives and compares them with other developed and developing countries. In addition, accrual accounting and IPSAS are important for budgetary accounting, government financial statistics, and the preparation of a "republic account". Also, there is the possibility of incorporating digital technology and social media into the implementation of accounting reforms. Finally, how do these reforms relate to expanding their perspectives on matters concerning the public interest, such as accountability or sustainability (Heiling *et al.*, 2022). Future research should extend beyond the scope of the

NPM to explore how these reforms could enhance the well-being and democracy of society, a demand increasingly voiced by the public in many developing countries such as Sri Lanka, Nigeria, and Bangladesh, which are prominent emerging economies seeking greater democracy (Kuruppu *et al.*, 2021). Moreover, future researchers in PSA must examine how these reforms facilitate localised development by addressing specific local issues within these emerging economies (Adhikari and Jayasinghe, 2022; Kuruppu *et al.*, 2021).

## References

- Abdelnour, S., Hasselbladh, H. and Kallinikos, J. (2017) 'Agency and Institutions in Organization Studies', <https://doi.org/10.1177/0170840617708007>, 38(12), pp. 1775–1792. Available at: <https://doi.org/10.1177/0170840617708007>.
- Abdulkarim, M.E., Umlai, M.I. and Al-Saudi, L.F. (2023) 'Culture, language, and accounting reform: a new perspective on IPSAS implementation', *Journal of Accounting and Organizational Change*, 19(2), pp. 376–400. Available at: <https://doi.org/10.1108/JAOC-01-2022-0006/FULL/PDF>.
- Abimbola, O.A., Kolawole, A.A. and Olufunke, A.O. (2017) 'Impact of International Public Sector Accounting Standards (IPSAS) Adoption on Financial Accountability in Selected Local Governments of Oyo State, Nigeria', *Asian Journal of Economics, Business and Accounting*, 3(2), pp. 1–9. Available at: <https://doi.org/10.9734/AJEBA/2017/33866>.
- Abras, A. and Jayasinghe, K. (2023) 'Competing institutional logics and power dynamics in Islamic financial reporting standardisation projects', *Accounting, Auditing and Accountability Journal*, 36(1), pp. 238–266. Available at: <https://doi.org/10.1108/AAAJ-03-2020-4487/FULL/PDF>.
- Aburous, D. (2019) 'IFRS and institutional work in the accounting domain', *Critical Perspectives on Accounting*, 62, pp. 1–15. Available at: <https://doi.org/10.1016/J.CPA.2018.10.001>.
- ACCA (2017) 'IPSAS implementation: current status and challenges', *The Association of Chartered Certified Accountants*.
- ADB (2018) *Public Financial Management Systems Sri Lanka: Key Elements From a Financial Management Perspective*. Manila, Philippines. Available at: <https://doi.org/10.22617/TCS189197-2>.
- Adhikari, P. et al. (2015) 'Diffusion of the Cash Basis International Public Sector Accounting Standard (IPSAS) in less developed countries (LDCs) - The case of the Nepali central government', *Research in Accounting in Emerging Economies*, 15, pp. 85–108. Available at: <https://doi.org/10.1108/S1479-356320150000015004/FULL/EPUB>.
- Adhikari, P. et al. (2021) 'Unintended consequences in implementing public sector accounting reforms in emerging economies: evidence from Egypt, Nepal and Sri Lanka', *International Review of Administrative Sciences*, 87(4), pp. 870–887. Available at: <https://doi.org/10.1177/0020852319864156>.
- Adhikari, P. et al. (2023) 'Guest editorial: Public sector accounting in emerging economies in the evolving post-COVID-19 era', *Journal of Public Budgeting, Accounting and Financial Management*, 35(3), pp. 297–308. Available at: <https://doi.org/10.1108/JPBAFM-06-2023-203/FULL/PDF>.

Adhikari, P. and Gårseth-Nesbakk, L. (2016) 'Implementing public sector accruals in OECD member states: Major issues and challenges', *Accounting Forum*, 40(2), pp. 125–142. Available at: <https://doi.org/10.1016/J.ACCFOR.2016.02.001>.

Adhikari, P. and Jayasinghe, K. (2017) 'Accounting Forum "Agents-in-focus" and "Agents-in-context": The strong structuration analysis of central government accounting practices and reforms in Nepal "Agents-in-focus" and "Agents-in-context": The strong structuration analysis of central government accounting practices and reforms in Nepal', *Accounting Forum*, 41, pp. 96–115. Available at: <https://doi.org/10.1016/j.accfor.2017.01.001>.

Adhikari, P. and Jayasinghe, K. (2022) 'Public Sector Accounting in Developing Countries: What We Know and What we Still Need to Know in General and in the African Context in Particular'.

Adhikari, P., Kuruppu, C. and Matilal, S. (2013) 'Accounting Forum Dissemination and institutionalization of public sector accounting reforms in less developed countries: A comparative study of the Nepalese and Sri Lankan central governments Dissemination and institutionalization of public sector accounting reforms in less developed countries: A comparative study of the Nepalese and Sri Lankan central governments', *Accounting Forum*, 37, pp. 213–230. Available at: <https://doi.org/10.1016/j.accfor.2013.01.001>.

Adhikari, P. and Mellemvik, F. (2010) 'The adoption of IPSASs in South Asia: A comparative study of seven countries', 10, pp. 169–199. Available at: [https://doi.org/10.1108/S1479-3563\(2010\)0000010012](https://doi.org/10.1108/S1479-3563(2010)0000010012).

Adhikari, P. and Mellemvik, F. (2011) 'The rise and fall of accruals: a case of Nepalese central government'. Available at: <https://doi.org/10.1108/20421161111138495>.

Adler, C. and Lalonde, C. (2020) 'Identity, agency and institutional work in higher education: a qualitative meta-synthesis', *Qualitative Research in Organizations and Management: An International Journal*, 15(2), pp. 121–144. Available at: <https://doi.org/10.1108/QROM-11-2018-1696/FULL/PDF>.

Agyemang, J.K. and Yensu, J. (2018) 'Accrual-Based International Public Sector Accounting Standards: Implementation Challenges Facing the Metropolitan, Municipal and District Assemblies in the Ashanti Region of Ghana', *International Journal of Accounting and Financial Reporting*, 8(2), p. 59. Available at: <https://doi.org/10.5296/IJAFR.V8I2.12860>.

Ahn, P.D. and Jacobs, K. (2019) 'Accountants' incessant insecurity: Focusing on the identities of CPAs hired in the South Korean public service', *Accounting, Auditing and Accountability Journal*, 32(8), pp. 2421–2450. Available at: <https://doi.org/10.1108/AAAJ-01-2017-2815/FULL/PDF>.

Akram, S. and Hogan, A. (2015) 'On reflexivity and the conduct of the self in everyday life: reflections on Bourdieu and Archer', *The British Journal of Sociology*, 66(4), pp. 605–625. Available at: <https://doi.org/10.1111/1468-4446.12150>.

- Albu, C.N., Albu, N. and Alexander, D. (2014) 'When global accounting standards meet the local context-Insights from an emerging economy', *Critical Perspectives on Accounting*, 25(6), pp. 489–510. Available at: <https://doi.org/10.1016/j.cpa.2013.03.005>.
- Aleksandrov, E. (2020) 'Actors' reflexivity and engagement in the formation of new accounting tools during university hybridization', *Qualitative Research in Accounting and Management*, 17(1), pp. 51–81. Available at: <https://doi.org/10.1108/QRAM-01-2019-0008/FULL/PDF>.
- Aleksandrov, E., Bourmistrov, A. and Grossi, G. (2018) 'Participatory budgeting as a form of dialogic accounting in Russia: Actors' institutional work and reflexivity trap', *Accounting, Auditing and Accountability Journal*, 31(4), pp. 1098–1123. Available at: <https://doi.org/10.1108/AAAJ-02-2016-2435/FULL/PDF>.
- Alford, J. and Hughes, O. (2008) 'Public value pragmatism as the next phase of public management', *American Review of Public Administration*, 38(2), pp. 130–148. Available at: <https://doi.org/10.1177/0275074008314203>.
- Alsharari, N.M. (2020) 'Accounting changes and beyond budgeting principles (BBP) in the public sector: Institutional isomorphism', *International Journal of Public Sector Management*, 33(2–3), pp. 165–189. Available at: <https://doi.org/10.1108/IJPSM-10-2018-0217/FULL/PDF>.
- Alvesson, M. and Spicer, A. (2018) 'Neo-Institutional Theory and Organization Studies: A Mid-Life Crisis?', <https://doi.org/10.1177/0170840618772610>, 40(2), pp. 199–218. Available at: <https://doi.org/10.1177/0170840618772610>.
- Amans, P., Mazars-Chapelon, A. and Villesèque-Dubus, F. (2015) 'Budgeting in institutional complexity: The case of performing arts organizations', *Management Accounting Research*, 27, pp. 47–66. Available at: <https://doi.org/10.1016/J.MAR.2015.03.001>.
- Amor, D. Ben and Damak Ayadi, S. (2019) 'The profile of IPSAS-adopters', *Accounting and Management Information Systems*, 18(2), pp. 262–282. Available at: <https://doi.org/10.24818/jamis.2019.02005>.
- Andrades, J., Martinez-Martinez, D. and Larrán, M. (2024) 'Sustainability reporting, institutional pressures and universities: evidence from the Spanish setting', *Sustainability Accounting, Management and Policy Journal*, ahead-of-print(ahead-of-print). Available at: <https://doi.org/10.1108/SAMPJ-07-2023-0455/FULL/PDF>.
- Andrew, J., Baker, M. and Guthrie, J. (2021) 'Accounting, inequality and COVID-19 in Australia', *Accounting, Auditing and Accountability Journal*, 34(6), pp. 1471–1483. Available at: <https://doi.org/10.1108/AAAJ-07-2020-4688>.
- Andrews, M. (2012) 'The logical limits of best practice administrative solutions in developing countries', *Public Administration and Development*, 32(2), pp. 137–153. Available at: <https://doi.org/10.1002/PAD.622>.

- Anessi-Pessina, E. and Sicilia, M. (2020) 'Do Top Managers' Individual Characteristics Affect Accounting Manipulation in the Public Sector?', *Journal of Public Administration Research and Theory*, 30(3), pp. 465–484. Available at: <https://doi.org/10.1093/JOPART/MUZ038>.
- Antipova, T. and Bourmistrov, A. (2013) 'Is Russian Public Sector Accounting in the Process of Modernization? An Analysis of Accounting Reforms in Russia', *Financial Accountability & Management*, 29(4), pp. 442–478. Available at: <https://doi.org/10.1111/FAAM.12021>.
- de Aquino, A.C.B. *et al.* (2020) 'Legitimizing the standard-setter of public sector accounting reforms', *Public Money & Management*, 40(7), pp. 499–508. Available at: <https://doi.org/10.1080/09540962.2020.1769381>.
- Aquino, A.C.B. de and Batley, R.A. (2022) 'Pathways to hybridization: Assimilation and accommodation of public financial reforms in Brazil', *Accounting, Organizations and Society*, 98, p. 101297. Available at: <https://doi.org/10.1016/J.AOS.2021.101297>.
- Archer, M.S. (2003) *Structure, agency and the internal conversation*. Cambridge University Press. Available at: <https://doi.org/https://doi.org/10.1017/CBO9781139087315>.
- Archer, M.S. (2010) 'Routine, reflexivity, and realism', *Sociological Theory*, 28(3), pp. 272–303. Available at: <https://doi.org/10.1111/J.1467-9558.2010.01375.X>.
- Archer, M.S. (2012) *The reflexive imperative in late modernity*. Cambridge University Press.
- Arenas, D., Strumińska-Kutra, M. and Landoni, P. (2020) 'Walking the tightrope and stirring things up: Exploring the institutional work of sustainable entrepreneurs', *Business Strategy and the Environment*, 29(8), pp. 3055–3071. Available at: <https://doi.org/10.1002/BSE.2557>.
- Argento, D., Bartocci, L. and Natalizi, D. (2024) 'Collective institutional entrepreneurship for the EPSAS programme: The missing link', *Public Money and Management* [Preprint]. Available at: [https://doi.org/10.1080/09540962.2024.2335637/ASSET/570479CF-51BF-4A55-BA62-13C49421B444/ASSETS/GRAPHIC/RPMM\\_A\\_2335637\\_F0001\\_OC.JPG](https://doi.org/10.1080/09540962.2024.2335637/ASSET/570479CF-51BF-4A55-BA62-13C49421B444/ASSETS/GRAPHIC/RPMM_A_2335637_F0001_OC.JPG).
- Argento, D., Peda, P. and Grossi, G. (2018) 'The enabling role of institutional entrepreneurs in the adoption of IPSAS within a transitional economy: The case of Estonia', *Public Administration and Development*, 38(1), pp. 39–49. Available at: <https://doi.org/10.1002/PAD.1819>.
- Arts, B. and Tatenhove, J. Van (2004) 'Policy and power: A conceptual framework between the “old” and “new” policy idioms', *Policy Sciences*, 37(3–4), pp. 339–356. Available at: <https://doi.org/10.1007/S11077-005-0156-9/METRICS>.
- Avelino, F. and Rotmans, J. (2011) 'A dynamic conceptualization of power for sustainability research', *Journal of Cleaner Production*, 19(8), pp. 796–804. Available at: <https://doi.org/10.1016/J.JCLEPRO.2010.11.012>.



- Aversano, N. *et al.* (2020) 'Accounting for heritage assets: An analysis of governmental organization comment letters on the IPSAS consultation paper', *International Journal of Public Sector Management*, 33(2–3), pp. 307–322. Available at: <https://doi.org/10.1108/IJPSM-12-2018-0275/FULL/PDF>.
- de Azevedo, R.R. *et al.* (2020) 'Financial Management Information Systems and accounting policies retention in Brazil', *International Journal of Public Sector Management*, 33(2–3), pp. 207–227. Available at: <https://doi.org/10.1108/IJPSM-01-2019-0027/FULL/PDF>.
- Azhar, Z. *et al.* (2022) 'Accrual Accounting at Different Levels of the Public Sector: A Systematic Literature Review', *Australian Accounting Review*, 32(1), pp. 36–62. Available at: <https://doi.org/10.1111/AUAR.12357>.
- Azure, J.D.C., Alawattage, C. and Lauwo, S.G. (2024) 'Politics of fiscal discipline: counter-conducting the World Bank's public financial management reforms', *Accounting, Auditing and Accountability Journal*, 37(4), pp. 1012–1040. Available at: <https://doi.org/10.1108/AAAJ-04-2022-5761/FULL/PDF>.
- Bakre, O., Lauwo, S.G. and McCartney, S. (2017) 'Western accounting reforms and accountability in wealth redistribution in patronage-based Nigerian society', *Accounting, Auditing and Accountability Journal*, 30(6), pp. 1288–1308. Available at: <https://doi.org/10.1108/AAAJ-03-2016-2477>.
- Bakre, O.M., McCartney, S. and Fayemi, S.O. (2022) 'Accounting as a technology of neoliberalism: The accountability role of IPSAS in Nigeria', *Critical Perspectives on Accounting*, 87, p. 102282. Available at: <https://doi.org/10.1016/J.CPA.2020.102282>.
- Ball, A., Soare, V. and Brewis, J. (2012) 'Engagement Research in Public Sector Accounting', *Financial Accountability & Management*, 28(2), pp. 189–214. Available at: <https://doi.org/10.1111/J.1468-0408.2012.00542.X>.
- Barton, A. (2005) 'Professional Accounting Standards and the Public Sector—a Mismatch', *Abacus*, 41(2), pp. 138–158. Available at: <https://doi.org/10.1111/J.1467-6281.2005.00173.X>.
- Baskerville, R. and Grossi, G. (2019) 'Public Money & Management Globalization of accounting standards: Observations on neo-institutionalism of IPSAS'. Available at: <https://doi.org/10.1080/09540962.2019.1580894>.
- Battilana, J. and D'Aunno, T. (2009) 'Institutional work and the paradox of embedded agency', *Institutional Work: Actors and Agency in Institutional Studies of Organizations*, 9780521518550, pp. 31–58. Available at: <https://doi.org/10.1017/CBO9780511596605.002>.
- Battilana, J., Leca, B. and Boxenbaum, E. (2009) 'How Actors Change Institutions: Towards a Theory of Institutional Entrepreneurship', *The Academy of Management Annals*, 3(1), pp. 65–107. Available at: <https://doi.org/10.1080/19416520903053598>.
- Becker, S.D., Jagalla, T. and Skærbæk, P. (2014) 'The translation of accrual accounting and budgeting and the reconfiguration of public sector accountants' identities', *Critical*

*Perspectives on Accounting*, 25(4–5), pp. 324–338. Available at: <https://doi.org/10.1016/J.CPA.2013.05.004>.

Beckert, J. (1999) ‘Agency, Entrepreneurs, and Institutional Change. The Role of Strategic Choice and Institutionalized Practices in Organizations’, *Organization Studies*, 20(5), pp. 777–799. Available at: <https://doi.org/10.1177/0170840699205004>.

Beckert, J. (2010) ‘Institutional Isomorphism Revisited: Convergence and Divergence in Institutional Change\*’, <http://dx.doi.org/10.1111/j.1467-9558.2010.01369.x>, 28(2), pp. 150–166. Available at: <https://doi.org/10.1111/J.1467-9558.2010.01369.X>.

Berg, B.L. (Bruce L. (1998) ‘Qualitative research methods for the social sciences’, p. 290. Available at: <https://search.worldcat.org/title/36017194> (Accessed: 23 March 2024).

Berg Johansen, C. and Boch Waldorff, S. (2017) ‘What are institutional logics – and where is the perspective taking us?’, *New Themes in Institutional Analysis* [Preprint]. Available at: <https://doi.org/10.4337/9781784716875.00007>.

Bergmann, A. (2012) ‘The influence of the nature of government accounting and reporting in decision-making: Evidence from Switzerland’, *Public Money and Management*, 32(1), pp. 15–20. Available at: <https://doi.org/10.1080/09540962.2012.643050>.

Bergmann, A., Fuchs, S. and Schuler, C. (2019) ‘A theoretical basis for public sector accrual accounting research: current state and perspectives’, *Public Money & Management*, 39(8), pp. 560–570. Available at: <https://doi.org/10.1080/09540962.2019.1654319>.

Besharov, M.L. and Smith, W.K. (2014) ‘Multiple Institutional Logics in Organizations: Explaining Their Varied Nature and Implications’, <https://doi.org/10.5465/amr.2011.0431>, 39(3), pp. 364–381. Available at: <https://doi.org/10.5465/AMR.2011.0431>.

Beunen, R. and Patterson, J.J. (2019) ‘Analysing institutional change in environmental governance: exploring the concept of “institutional work”’, *Journal of Environmental Planning and Management*, 62(1), pp. 12–29. Available at: <https://doi.org/10.1080/09640568.2016.1257423>.

Bietenhader, D. and Bergmann, A. (2010) Principles for sequencing public financial reforms in developing countries, *International Public Management Review · electronic Journal*. Available at: <http://www.ipmr.net>.

Biondi, L. and Lapsley, I. (2014) ‘Accounting, Transparency and Governance: the Heritage Assets Problem’, *Qualitative Research in Accounting & Management*, 11(2), pp. 146–164. Available at: <https://doi.org/10.1108/QRAM-04-2014-0035>.

Biondi, Y. (2016) ‘The HM “Treasure’s Island”: The Application of Accruals-based Accounting Standards in the UK Government’, *Accounting in Europe*, 13(1), pp. 81–102. Available at: <https://doi.org/10.1080/17449480.2016.1142096>.

- Biondi, Y. and Boisseau-Sierra, M. (2017) 'Financial sustainability and public debt management in central government', *Financial Sustainability in Public Administration: Exploring the Concept of Financial Health*, pp. 167–191. Available at: [https://doi.org/10.1007/978-3-319-57962-7\\_7/FIGURES/1](https://doi.org/10.1007/978-3-319-57962-7_7/FIGURES/1).
- Biygautane, M., Clegg, S. and Al-Yahya, K. (2020) 'Institutional work and infrastructure public–private partnerships (PPPs): the roles of religious symbolic work and power in implementing PPP projects', *Accounting, Auditing and Accountability Journal*, 33(5), pp. 1077–1112. Available at: <https://doi.org/10.1108/AAAJ-04-2019-3982/FULL/PDF>.
- Boolaky Doorgakunt, L.D. *et al.* (2022) 'Revisiting International Public Sector Accounting Standards Adoption in Developing Countries', *International Journal of Public Administration*, 45(13), pp. 948–963. Available at: <https://doi.org/10.1080/01900692.2021.1925692>.
- Boolaky, P.K., Mirosea, N. and Omoteso, K. (2020) 'The Adoption of IPSAS (Accrual Accounting) in Indonesian Local Government: A Neo-Institutional Perspective', *International Journal of Public Administration*, 43(14), pp. 1252–1265. Available at: <https://doi.org/10.1080/01900692.2019.1669047>.
- Boolaky, P.K. and Soobaroyen, T. (2017) 'Adoption of International Standards on Auditing (ISA): Do Institutional Factors Matter?', *International Journal of Auditing*, 21(1), pp. 59–81. Available at: <https://doi.org/10.1111/IJAU.12081>.
- Botica Redmayne, N., Laswad, F. and Ehalaiye, D. (2021) 'Evidence on the costs of changes in financial reporting frameworks in the public sector', *Public Money and Management*, 41(5), pp. 368–375. Available at: <https://doi.org/10.1080/09540962.2019.1679482>.
- Boxenbaum, E.; and Jonsson, S. (2017) 'Isomorphism, Diffusion and Decoupling Concept Evolution and Theoretical Challenges', in *The SAGE Handbook of Organizational Institutionalism*. SAGE Publications, pp. 77–101. Available at: <https://uk.sagepub.com/en-gb/eur/the-sage-handbook-of-organizational->.
- Breton, M., Lamothe, L. and Denis, J.L. (2014) 'How healthcare organisations can act as institutional entrepreneurs in a context of change', *Journal of Health, Organisation and Management*, 28(1), pp. 77–95. Available at: <https://doi.org/10.1108/JHOM-07-2011-0072/FULL/PDF>.
- Brinkerhoff, D.W. and Brinkerhoff, J.M. (2015) 'Public Sector Management Reform in Developing Countries: Perspectives Beyond NPM Orthodoxy', *Public Administration and Development*, 35(4), pp. 222–237. Available at: <https://doi.org/10.1002/PAD.1739>.
- Bruno, A. and Lapsley, I. (2018) 'The emergence of an accounting practice: The fabrication of a government accrual accounting system', *Accounting, Auditing and Accountability Journal*, 31(4), pp. 1045–1066. Available at: <https://doi.org/10.1108/AAAJ-01-2016-2400>.

- Brusca, I. and Carlos Martínez, J. (2016) 'Adopting International Public Sector Accounting Standards: a challenge for modernizing and harmonizing public sector accounting', *International Review of Administrative Sciences*, 82(4), pp. 724–744. Available at: <https://doi.org/10.1177/0020852315600232>.
- Brusca, I., Gómez-villegas, M. and Montesinos, V. (2016) 'Public Financial Management Reforms: The Role of Ipsas in Latin-America', *Public Administration and Development*, 36(1), pp. 51–64. Available at: <https://doi.org/10.1002/PAD.1747>.
- Brusca, I. and Martínez, J.C. (2016) 'Adopting International Public Sector Accounting Standards: a challenge for modernizing and harmonizing public sector accounting', *International Review of Administrative Sciences*, 82(4), pp. 724–744. Available at: [https://doi.org/10.1177/0020852315600232/ASSET/IMAGES/LARGE/10.1177\\_0020852315600232-FIG1.JPEG](https://doi.org/10.1177/0020852315600232/ASSET/IMAGES/LARGE/10.1177_0020852315600232-FIG1.JPEG).
- Bryman, A. (2003) *Research methods and organization studies*, *Research Methods and Organization Studies*. Routledge Taylor & Francis Group. Available at: <https://doi.org/10.4324/9780203359648/RESEARCH-METHODS-ORGANIZATION-STUDIES-ALAN-BRYMAN>.
- Budding, T. and Helden, J. van (2022) 'Theme: Politicians' use of accounting information Editorial: Unraveling politicians' use and non-use of accounting information', *Public Money & Management*, 42(3), pp. 137–139. Available at: <https://doi.org/10.1080/09540962.2022.2028467>.
- Bulah, B.M. *et al.* (2023) 'Institutional work as a key ingredient of food innovation success: The case of plant-based proteins', *Environmental Innovation and Societal Transitions*, 47, p. 100697. Available at: <https://doi.org/10.1016/J.EIST.2023.100697>.
- Burrell, G. and Morgan, G. (1979) *Sociological Paradigms and Organizational Analysis*, Aldershot, UK Gower. Available at: <https://www.scirp.org/reference/referencespapers?referenceid=1871426> (Accessed: 19 September 2024).
- Busco, C., Giovannoni, E. and Riccaboni, A. (2017) 'Sustaining multiple logics within hybrid organisations: Accounting, mediation and the search for innovation', *Accounting, Auditing and Accountability Journal*, 30(1), pp. 191–216. Available at: <https://doi.org/10.1108/AAAJ-11-2013-1520/FULL/PDF>.
- Capo, F., D'Agostino, L.M. and Torrisi, S. (2022) 'Impact of COVID-19 on Digital Transformation: An Empirical Analysis of Manufacturing Companies', *Sinergie Italian Journal of Management*, 40(2), pp. 275–297. Available at: <https://doi.org/10.7433/S118.2022.13>.
- Carlos Busanelli de Aquino, A. and Batley, R.A. (2021) 'Pathways to hybridization: Assimilation and accommodation of public financial reforms in Brazil'. Available at: <https://doi.org/10.1016/j.aos.2021.101297>.

- Carpenter, V.L. and Feroz, E.H. (2001) 'Institutional theory and accounting rule choice: an analysis of four US state governments' decisions to adopt generally accepted accounting principles', *Accounting, Organizations and Society*, 26(7–8). Available at: [www.elsevier.com/locate/aos](http://www.elsevier.com/locate/aos) (Accessed: 15 March 2024).
- Carr, M. and Beck, M. (2022) 'Accounting practices and professional power dynamics during a crisis', *British Accounting Review*, 54(3). Available at: <https://doi.org/10.1016/j.bar.2022.101085>.
- Caruana, J. and Farrugia, B. (2018) 'The use and non-use of the government financial report by Maltese Members of Parliament', *Accounting, Auditing and Accountability Journal*, 31(4), pp. 1124–1144. Available at: <https://doi.org/10.1108/AAAJ-12-2015-2350/FULL/PDF>.
- Chatti, A., Damak Ayadi, S., and Jeriji, M. (2024) 'Drivers for IPSAS Adoption: Context-Related Factors in Public Sector Innovation' *International Journal of Public Administration*, pp. 1–16.
- Child, J. and Tsai, T. (2005) 'The dynamic between firms' environmental strategies and institutional constraints in emerging economies: Evidence from China and Taiwan', *Journal of Management Studies*, pp. 95–125. Available at: <https://doi.org/10.1111/j.1467-6486.2005.00490.x>.
- Chirwa, J.A. (2024) 'New development: Government accounting reforms in southern Africa—lessons from Malawi', *Public Money & Management*, 44(2), pp. 174–177. Available at: <https://doi.org/10.1080/09540962.2023.2255389>.
- Christensen, M., Greiling, D. and Christiaens, J. (2018) 'Governmental accounting practitioners: cardigan removed, research agenda revealed', *Accounting, Auditing and Accountability Journal*, 31(4), pp. 1026–1044. Available at: <https://doi.org/10.1108/AAAJ-02-2018-3354>.
- Christensen, M. and Parker, L. (2010) 'Using ideas to advance professions: public sector accrual accounting', *Financial Accountability & Management*, 26(3), pp. 267–4424. Available at: <https://doi.org/10.1111/j.1468-0408.2010.00501.x>.
- Christiaens, J. *et al.* (2015) 'The effect of IPSAS on reforming governmental financial reporting: an international comparison', *International Review of Administrative Sciences*, 81(1), pp. 158–177. Available at: <https://doi.org/10.1177/0020852314546580>.
- Christian Hampel, Thomas B Lawrence and Paul Tracey (2017) 'Institutional Work: Taking Stock and Making It Matter', in R. Greenwood *et al.* (eds) *The Sage handbook of organizational institutionalism*. SAGE Publications, pp. 558–590.
- Christofzik, D.I. (2019) 'Does accrual accounting alter fiscal policy decisions? - Evidence from Germany', *European Journal of Political Economy*, 60. Available at: <https://doi.org/10.1016/j.ejpoleco.2019.07.003>.

- Chytis, E. *et al.* (2020) 'Accounting Reform and IPSAS Adoption in Greece', *EUROPEAN RESEARCH STUDIES JOURNAL*, XXIII(Issue 4), pp. 165–184. Available at: <https://doi.org/10.35808/ersj/1678>.
- Cid, A. and Lerner, A.M. (2023) 'Local governments as key agents in climate change adaptation: challenges and opportunities for institutional capacity-building in Mexico', *Climate Policy*, 23(5), pp. 649–661. Available at: <https://doi.org/10.1080/14693062.2022.2163972>.
- Cîrstea, A. (2014) 'The Need for Public Sector Consolidated Financial Statements', *Procedia Economics and Finance*, 15, pp. 1289–1296. Available at: [https://doi.org/10.1016/s2212-5671\(14\)00590-5](https://doi.org/10.1016/s2212-5671(14)00590-5).
- Clemens, B.W. and Douglas, T.J. (2005) 'Understanding strategic responses to institutional pressures', *Journal of Business Research* 58, 58(9). Available at: <https://doi.org/10.1016/j.jbusres.2004.04.002>.
- Cohen, S. and Karatzimas, S. (2022) 'New development: Public sector accounting education for users—embedding eLearning and technology in teaching', *Public Money & Management*, 42(4), pp. 291–293. Available at: <https://doi.org/10.1080/09540962.2021.1986302>.
- Collis Jill and Roger Hussey (2014) 'Writing up the Research', in *Business Research*. Palgrave, London.
- Conrath-Hargreaves, A. and Wüstemann, S. (2019) 'Multiple institutional logics and their impact on accounting in higher education: The case of a German foundation university', *Accounting, Auditing and Accountability Journal*, 32(3), pp. 782–810. Available at: <https://doi.org/10.1108/AAAJ-08-2017-3095/FULL/PDF>.
- Cooper, D.J. and Morgan, W. (2008) 'Case study research in accounting', *Accounting Horizons*, 22(2), pp. 159–178. Available at: <https://doi.org/10.2308/ACCH.2008.22.2.159>.
- Corbett, A. (2010) 'Public Management Policymaking in France: Legislating the Organic Law on Laws of Finance (LOLF), 1998–2001', *Governance*, 23(2), pp. 225–249. Available at: <https://doi.org/10.1111/J.1468-0491.2010.01477.X>.
- Cordery, C.J. and Hay, D.C. (2022) 'Public sector audit in uncertain times', *Financial Accountability and Management*, 38(3), pp. 426–446. Available at: <https://doi.org/10.1111/faam.12299>.
- Coyne, I.T. (1997) 'Sampling in qualitative research. Purposeful and theoretical sampling; merging or clear boundaries?', *Journal of advanced nursing*, 26(3), pp. 623–630. Available at: <https://doi.org/10.1046/J.1365-2648.1997.T01-25-00999.X>.
- Crawford, L., Morgan, G.G. and Cordery, C.J. (2018) 'Accountability and not-for-profit organisations: Implications for developing international financial reporting standards', *Financial Accountability & Management*, 34(2), pp. 181–205. Available at: <https://doi.org/10.1111/FAAM.12146>.

Creed, W.E.D., DeJordy, R. and Lok, J. (2010) 'Being the change: Resolving institutional contradiction through identity work', *Academy of Management Journal*, 53(6), pp. 1336–1364.

Creswell, J.W. (2014) *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*. 4th edition. Thousand Oaks, CA: Sage.

Crotty, M. (1998) 'The Foundations of Social Research BT - Introduction: The Research Process', *Introduction: The Research Process*, pp. 1–17. Available at: [http://books.google.com/books?id=Op\\_SDkrflZQC&printsec=frontcover&dq=inauthor:crotty+\(1998+book\)&hl=&cd=1&source=gbs\\_api](http://books.google.com/books?id=Op_SDkrflZQC&printsec=frontcover&dq=inauthor:crotty+(1998+book)&hl=&cd=1&source=gbs_api) (Accessed: 19 September 2024).

Cuadrado-Ballesteros, B. and Bisogno, M. (2021) 'Public sector accounting reforms and the quality of governance', *Public Money & Management*, 41(2), pp. 107–117. Available at: <https://doi.org/10.1080/09540962.2020.1724665>.

Cuadrado-Ballesteros, B., Bisogno, M. and Vaia, G. (2022) 'Public-Sector Accounting Reforms and Governmental Efficiency: A Two-Stage Approach', *International Journal of Accounting*, 57(4). Available at: <https://doi.org/10.1142/S1094406022500172/ASSET/IMAGES/LARGE/S1094406022500172FIG2.JPEG>.

Currie, G. *et al.* (2012) 'Institutional Work to Maintain Professional Power: Recreating the Model of Medical Professionalism', *Organization Studies*, 33(7), pp. 937–962. Available at: [https://doi.org/10.1177/0170840612445116/ASSET/IMAGES/LARGE/10.1177\\_0170840612445116-FIG1.JPEG](https://doi.org/10.1177/0170840612445116/ASSET/IMAGES/LARGE/10.1177_0170840612445116-FIG1.JPEG).

Currie, G. and Spyridonidis, D. (2016) 'Interpretation of Multiple Institutional Logics on the Ground: Actors' Position, their Agency and Situational Constraints in Professionalized Contexts', *Organization Studies*, 37(1), pp. 77–97. Available at: [https://doi.org/10.1177/0170840615604503/ASSET/IMAGES/LARGE/10.1177\\_0170840615604503-FIG1.JPEG](https://doi.org/10.1177/0170840615604503/ASSET/IMAGES/LARGE/10.1177_0170840615604503-FIG1.JPEG).

Dai, N.T. *et al.* (2017) 'IPOs, institutional complexity, and management accounting in hybrid organisations: A field study in a state-owned enterprise in China', *Management Accounting Research*, 36, pp. 2–23. Available at: <https://doi.org/10.1016/J.MAR.2016.07.006>.

David L. Deephouse and Mark Suchman (2008) 'Legitimacy in Organizational Institutionalism', in *The SAGE Handbook of Organizational Institutionalism*.

Dillard, J.F., Rigsby, J.T. and Goodman, C. (2004) 'The making and remaking of organization context: Duality and the institutionalization process', *Accounting, Auditing & Accountability Journal*, 17(4), pp. 506–542. Available at: <https://doi.org/10.1108/09513570410554542>.

Dimaggio, P. (1988) 'Interest and agency in institutional theory', in Lynne G. Zucker (ed.) *Institutional Patterns and Organizations: Culture and Environment*. Ballinger Publishing Co.

Available at: <https://nyuscholars.nyu.edu/en/publications/interest-and-agency-in-institutional-theory> (Accessed: 4 April 2024).

Dimaggio, P.J. and Powell, W.W. (1983) *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, *Source*. American Sociological Review.

Dissanayake, T. and Dellaportas, S. (2024) 'The role of the professional association in the translation of accrual accounting in the Sri Lankan public sector', *Accounting, Auditing and Accountability Journal*, 37(1), pp. 59–84. Available at: <https://doi.org/10.1108/AAAJ-12-2021-5594/FULL/PDF>.

Dissanayake, T., Dellaportas, S. and Yapa, P.W.S. (2020) 'The diffusion-adoption of accrual accounting in Sri Lankan local governments', *Financial Accountability & Management*, 36(3), pp. 261–277. Available at: <https://doi.org/10.1111/FAAM.12222>.

Dissanayake, T., Dellaportas, S. and Yapa, P.W.S. (2021) 'The diffusion of accounting reform in Sri Lanka: an analysis of two layers of diffusion among three levels of government', *Accounting, Auditing and Accountability Journal*, 34(8), pp. 1802–1823. Available at: <https://doi.org/10.1108/AAAJ-08-2019-4147/FULL/PDF>.

Dover, G. and Lawrence, T.B. (2010) 'A Gap Year for Institutional Theory: Integrating the Study of Institutional Work and Participatory Action Research', <http://dx.doi.org/10.1177/1056492610371496>, 19(4), pp. 305–316. Available at: <https://doi.org/10.1177/1056492610371496>.

Eisenhardt, K.M. and Graebner, M.E. (2007) 'Theory Building From Cases: Opportunities And Challenges', <https://doi.org/10.5465/amj.2007.24160888>, 50(1), pp. 25–32. Available at: <https://doi.org/10.5465/AMJ.2007.24160888>.

Emirbayer, M. and Mische, A. (1998) 'What Is Agency?', *American Journal of Sociology*, 103(4), pp. 962–1023. Available at: <https://doi.org/10.1086/231294>.

Empson, L., Cleaver, I. and Allen, J. (2013) 'Managing Partners and Management Professionals: Institutional Work Dyads in Professional Partnerships', *Journal of Management Studies*, 50(5), pp. 808–844. Available at: <https://doi.org/10.1111/JOMS.12025>.

Eulner, V. and Waldbauer, G. (2022) 'Cash versus accrual accounting for the public sector—EPSAS', *Public Money and Management*, 42(6), pp. 463–466. Available at: <https://doi.org/10.1080/09540962.2018.1444560>.

Eva Boxenbaum and Stefan Jonsson (2008) 'Isomorphism, Diffusion and Decoupling', in *The Sage Handbook of Organizational Institutionalism*. Sage Publications, Thousand Oaks, CA.

Evans, L. (2004) 'Language, translation and the problem of international accounting communication'. Available at: <https://doi.org/10.1108/09513570410532438>.



- Ezzamel, M., Robson, K. and Stapleton, P. (2012) 'The logics of budgeting: Theorization and practice variation in the educational field', *Accounting, Organizations and Society*, 37(5), pp. 281–303. Available at: <https://doi.org/10.1016/J.AOS.2012.03.005>.
- Ezzamel, M. and Xiao, J.Z. (2011) 'Accounting in Transitional and Emerging Market Economies', *European Accounting Review*, 20(4), pp. 625–637. Available at: <https://doi.org/10.1080/09638180.2011.629798>.
- Fernando, S.; and Lawrence, S. (2014) 'A theoretical framework for CSR practices: Integrating legitimacy theory, stakeholder theory and institutional theory; a theoretical framework for CSR practices: integrating legitimacy theory, stakeholder theory and institutional theory', *The Journal of Theoretical Accounting*, 10(1), pp. 149–178. Available at: <https://www.researchgate.net/publication/290485216>.
- Fleetwood, S. (2008) 'Structure, institution, agency, habit, and reflexive deliberation', *Journal of Institutional Economics*, 4(2), pp. 183–203. Available at: <https://doi.org/10.1017/S1744137408000957>.
- Fontes, A., Rodrigues, L.L. and Craig, R. (2016) 'A theoretical model of stakeholder perceptions of a new financial reporting system', *Accounting Forum*, 40(4), pp. 300–315. Available at: <https://doi.org/10.1016/J.ACCFOR.2016.10.002>.
- Fuentes, S.F. and Borreguero, J.H. (2018) 'REVISTA DE CONTABILIDAD SPANISH ACCOUNTING REVIEW Institutional capacity in the accounting reform process in Spanish local governments', *Revista de Contabilidad-Spanish Accounting Review*, 21(2), pp. 188–195. Available at: <https://doi.org/10.1016/j.rcsar.2018.05.002>.
- Garud, R., Hardy, C. and Maguire, S. (2007) 'Institutional entrepreneurship as embedded agency: An introduction to the special issue', *Organization Studies*, 28(7), pp. 957–969. Available at: [https://doi.org/10.1177/0170840607078958/ASSET/0170840607078958.FP.PNG\\_V03](https://doi.org/10.1177/0170840607078958/ASSET/0170840607078958.FP.PNG_V03).
- Gawer, A. and Phillips, N. (2013) 'Institutional Work as Logics Shift: The Case of Intel's Transformation to Platform Leader', *Organization Studies*, 34(8), pp. 1035–1071. Available at: [https://doi.org/10.1177/0170840613492071/ASSET/IMAGES/LARGE/10.1177\\_0170840613492071-FIG2.JPEG](https://doi.org/10.1177/0170840613492071/ASSET/IMAGES/LARGE/10.1177_0170840613492071-FIG2.JPEG).
- du Gay, P. and Hall, S. (1996) 'Organizing identity: entrepreneurial governance and public management', in S. Hall and P. du Gay (eds) *Questions of Cultural Identity*. London, Thousand Oaks, New Delhi: SAGE Publications Ltd, pp. 1–208.
- Giacomini, D. (2020) 'Use of Accounting Information by Mayors in Local Governments', *International Journal of Public Administration*, 43(4), pp. 341–349. Available at: <https://doi.org/10.1080/01900692.2019.1636392>.

Giacomini, D., Sicilia, M. and Steccolini, I. (2016) 'Contextualizing politicians' uses of accounting information: reassurance and ammunition', *Public Money & Management*, 36(7), pp. 483–490. Available at: <https://doi.org/10.1080/09540962.2016.1237128>.

Gidley, D. (2020) 'Creating institutional disruption: an alternative method to study institutions', *Journal of Organizational Change Management*, 34(4), pp. 810–821. Available at: <https://doi.org/10.1108/JOCM-06-2019-0200/FULL/PDF>.

Giezen, M. (2018) 'Shifting Infrastructure Landscapes in a Circular Economy: An Institutional Work Analysis of the Water and Energy Sector', *Sustainability* 2018, Vol. 10, Page 3487, 10(10), p. 3487. Available at: <https://doi.org/10.3390/SU10103487>.

Di Giulio, M. and Vecchi, G. (2023) 'How "institutionalization" can work. Structuring governance for digital transformation in Italy', *Review of Policy Research*, 40(3), pp. 406–432. Available at: <https://doi.org/10.1111/ROPR.12488>.

Glaser, B. and Strauss, A. (1967) *The discovery of Grounded Theory: strategies for qualitative research*. New York: Aldine.

Glaser, V.L. et al. (2016) 'Institutional frame switching: How institutional logics shape individual action', *Research in the Sociology of Organizations*, 48A, pp. 35–69. Available at: <https://doi.org/10.1108/S0733-558X201600048A001/FULL/XML>.

Goddard, A. et al. (2016) 'The two publics and institutional theory-A study of public sector accounting in Tanzania'. Available at: <https://doi.org/10.1016/j.cpa.2015.02.002>.

Goddard, A. and Mzenzi, S.I. (2015) 'Accounting practices in Tanzanian local government authorities: Towards a grounded theory of manipulating legitimacy', *Research in Accounting in Emerging Economies*, 15, pp. 109–142. Available at: <https://doi.org/10.1108/S1479-356320150000015005>.

Gomes, D. and Sargiacomo, M. (2013) 'Accounting and accountability in local government: An introduction', *Accounting History*, 18(4), pp. 439–446. Available at: [https://doi.org/10.1177/1032373213510074/ASSET/IMAGES/LARGE/10.1177\\_1032373213510074-FIG1.JPEG](https://doi.org/10.1177/1032373213510074/ASSET/IMAGES/LARGE/10.1177_1032373213510074-FIG1.JPEG).

Gomes, P. et al. (2023) 'The IPSAS implementation and the use and usefulness of accounting information: a comparative analysis in the Iberian Peninsula', *Journal of Public Budgeting, Accounting and Financial Management*, 35(1), pp. 12–40. Available at: <https://doi.org/10.1108/JPBAFM-12-2021-0169/FULL/PDF>.

Gomes, P.S., Fernandes, M.J. and Carvalho, J.B.D.C. (2015) 'The International Harmonization Process of Public Sector Accounting in Portugal: The Perspective of Different Stakeholders', *International Journal of Public Administration*, 38(4), pp. 268–281. Available at: <https://doi.org/10.1080/01900692.2015.1001237>.

Gómez-Villegas, M. and Bergmann, A. (2020) 'Theme: Governmental accounting and public financial management reforms in Latin America Guest editors: Mauricio Gómez-Villegas and

- Andreas Bergmann', *Public Money & Management*, 40(7), pp. 487–488. Available at: <https://doi.org/10.1080/09540962.2020.1788805>.
- Gómez-Villegas, M., Brusca, I. and Bergmann, A. (2020) 'IPSAS in Latin America: innovation, isomorphism or rhetoric?', *Public Money & Management*, 40(7), pp. 489–498. Available at: <https://doi.org/10.1080/09540962.2020.1769374>.
- Gonçalves, L. *et al.* (2024) 'The development of Innovation and entrepreneurial ecosystems in cities: An institutional work approach', *Cities*, 146, p. 104747. Available at: <https://doi.org/10.1016/J.CITIES.2023.104747>.
- Gourfinkel, D. (2022) 'The main challenges of Public Sector Accounting reforms and World Bank's Public Sector Accounting and Reporting (PULSAR) Program', *Journal of Public Budgeting, Accounting and Financial Management*, 34(2), pp. 347–352. Available at: <https://doi.org/10.1108/JPBAFM-05-2021-0079/FULL/HTML>.
- Graf, P. and Jacobsen, H. (2021) 'Institutional work in the transformation of the German energy sector', *Utilities Policy*, 68, p. 101107. Available at: <https://doi.org/10.1016/J.JUP.2020.101107>.
- Grafström, M. and Windell, K. (2012) 'Newcomers conserving the old: Transformation processes in the field of news journalism', *Scandinavian Journal of Management*, 28(1), pp. 65–76. Available at: <https://doi.org/10.1016/J.SCAMAN.2011.09.003>.
- Graves, P.W., Blackman, D. and O'Donnell, M. (2021) 'Embedding Australian Public Service management reforms: The Secretary could not make it so', *Australian Journal of Public Administration*, 80(2), pp. 163–178. Available at: <https://doi.org/10.1111/1467-8500.12477>.
- Greenwood, R. *et al.* (2010) 'The Multiplicity of Institutional Logics and the Heterogeneity of Organizational Responses', *Organization Science*, 21(2), p. 521. Available at: <https://doi.org/10.1287/orsc.1090.0453>.
- Greenwood, R. *et al.* (2011) 'Institutional Complexity and Organizational Responses', <https://doi.org/10.5465/19416520.2011.590299>, 5(1), pp. 317–371. Available at: <https://doi.org/10.5465/19416520.2011.590299>.
- Greenwood, R. 1944- *et al.* (2017) 'The SAGE Handbook of Organizational Institutionalism', pp. 1–928.
- Greenwood, R. and Suddaby, R. (2006) 'Institutional Entrepreneurship In Mature Fields: The Big Five Accounting Firms', *Academy of Management Journal*, 49(1), pp. 27–48. Available at: <https://doi.org/10.5465/AMJ.2006.20785498>.
- Grossi, G. *et al.* (2023) 'The future of public sector accounting research. A polyphonic debate', *Qualitative Research in Accounting & Management*, 20(1), pp. 1176–6093. Available at: <https://doi.org/10.1108/QRAM-09-2022-0135>.

- Grossi, G. and Argento, D. (2022) 'The fate of accounting for public governance development', *Accounting, Auditing and Accountability Journal*, 35(9), pp. 272–303. Available at: <https://doi.org/10.1108/AAAJ-11-2020-5001/FULL/PDF>.
- Grossi, G. and Steccolini, I. (2015) 'Pursuing Private or Public Accountability in the Public Sector? Applying IPSASs to Define the Reporting Entity in Municipal Consolidation', *International Journal of Public Administration*, 38(4), pp. 325–334. Available at: <https://doi.org/10.1080/01900692.2015.1001239>.
- Guba, E.G. and Yvonna S. Lincoln (1994) 'Competing paradigms in qualitative research', in *Handbook of qualitative research*. Thousand Oaks, CA: Sage.
- Guerreiro, M.S., Lima Rodrigues, L. and Craig, R. (2021) 'Institutional theory and IFRS: an agenda for future research', *Revista Espanola de Financiacion y Contabilidad*, 50(1), pp. 65–88. Available at: <https://doi.org/10.1080/02102412.2020.1712877>.
- Guerreiro, M.S., Rodrigues, L.L. and Craig, R. (2015) 'Institutional Change of Accounting Systems: The Adoption of a Regime of Adapted International Financial Reporting Standards', *European Accounting Review*, 24(2), pp. 379–409. Available at: <https://doi.org/10.1080/09638180.2014.887477>.
- Gümüşay, A.A., Claus, L. and Amis, J. (2020) 'Engaging with Grand Challenges: An Institutional Logics Perspective', <https://doi.org/10.1177/2631787720960487>, 1(3). Available at: <https://doi.org/10.1177/2631787720960487>.
- Guthrie, J. (1998) 'Application of Accrual Accounting in the Australian Public Sector – Rhetoric or Reality', *Financial Accountability & Management*, 14(1), pp. 1–19. Available at: <https://doi.org/10.1111/1468-0408.00047>.
- Guthrie, J., Olson, O. and Humphrey, C. (1999) 'Debating Developments in New Public Financial Management: The Limits of Global Theorising and Some New Ways Forward', *Financial Accountability & Management*, 15(3–4), pp. 209–228. Available at: <https://doi.org/10.1111/1468-0408.00082>.
- Guthrie, J., Olson, O. and Humphrey, C. (2002) 'DEBATING DEVELOPMENTS IN NEW PUBLIC FINANCIAL MANAGEMENT: THE LIMITS OF GLOBAL THEORISING AND SOME NEW WAYS FORWARD'. Available at: <https://doi.org/10.1111/1468-0408.00082>.
- Hamed-Sidhom, M., Hkiri, Y. and Boussaidi, A. (2022) 'Does IPSAS adoption reduce corruption's level? New evidence from ODA beneficiary countries', *Journal of Financial Crime*, 29(1), pp. 185–201. Available at: <https://doi.org/10.1108/JFC-12-2020-0255>.
- Hammersley, M. (2012) 'What is Qualitative Research?', *What is Qualitative Research?*, p. 144. Available at: <https://doi.org/10.5040/9781849666084>.
- Hampel, Christian E, Lawrence, T.B. and Tracey, P. (2017) 'Institutional Work: Taking Stock and Making It Matter', in *The Sage handbook of organizational institutionalism*, pp. 558–590.

Hampel, C. E, Lawrence, T.B. and Tracey, P. (2017) 'Institutional work: Taking stock and making it matter', in *The Sage handbook of organizational institutionalism*, pp. 558–590.

Hardy, C. (1996) 'Understanding Power: Bringing about Strategic Change', *British Journal of Management*, 7(SPEC. ISS.), pp. S3–S16. Available at: <https://doi.org/10.1111/J.1467-8551.1996.TB00144.X>.

Hardy, C. and Steve Maguire (2008) 'Institutional entrepreneurship', in Royston Greenwood et al. (eds) *The Sage handbook of organizational institutionalism*. Sage Publications Inc, pp. 198–217.

Harun, H., Eggleton, I.R.C. and Locke, S. (2021) 'An integrated model of IPSAS institutionalisation in Indonesia: a critical study', *International Journal of Public Sector Management*, 34(2), pp. 155–170. Available at: <https://doi.org/10.1108/IJPSM-07-2020-0195>.

Harun, H., Van Peurse, K. and Eggleton, I. (2012) 'Institutionalization of accrual accounting in the Indonesian public sector', *Journal of Accounting and Organizational Change*, 8(3), pp. 257–285. Available at: <https://doi.org/10.1108/18325911211258308>.

Hassandoust, F., Subasinghage, M. and Johnston, Allen C (2022) 'A neo-institutional perspective on the establishment of information security knowledge sharing practices', *Information & Management*, 59, p. 103574. Available at: <https://doi.org/10.1016/j.im.2021.103574>.

Hassandoust, F., Subasinghage, M. and Johnston, Allen C. (2022) 'A neo-institutional perspective on the establishment of information security knowledge sharing practices', *Information & Management*, 59(1), p. 103574. Available at: <https://doi.org/10.1016/J.IM.2021.103574>.

Haveman, H.A. and Rao, H. (1997) 'Structuring a theory of moral sentiments: Institutional and organizational coevolution in the early thrift industry', *American Journal of Sociology*, 102(6), pp. 1606–1651. Available at: <https://doi.org/10.1086/231128/0>.

Heiling, J. (2020) 'Time to rethink public sector accounting education? A practitioner's perspective', *Journal of Public Budgeting, Accounting and Financial Management*, 32(3), pp. 505–509. Available at: <https://doi.org/10.1108/JPBAFM-05-2020-0059/FULL/PDF>.

Heiling, J. et al. (2022) 'Editorial', *Public Money & Management*, 42(7), pp. 538–540. Available at: <https://doi.org/10.1080/09540962.2022.2099143>.

Heiling, J. et al. (2023) 'Editorial: PMM CIGAR theme: Public sector accounting—educating for reform challenges', *Public Money & Management*, 43(7), pp. 722–724. Available at: <https://doi.org/10.1080/09540962.2023.2256575>.

Van Helden, J., Adhikari, P. and Kuruppu, C. (2021) 'Public sector accounting in emerging economies: a review of the papers published in the first decade of Journal of Accounting in Emerging Economies'. Available at: <https://doi.org/10.1108/JAEE-02-2020-0038>.

- van Helden, J. and Reichard, C. (2019) 'Making sense of the users of public sector accounting information and their needs', *Journal of Public Budgeting, Accounting and Financial Management*, 31(4), pp. 478–495. Available at: <https://doi.org/10.1108/JPBAFM-10-2018-0124/FULL/PDF>.
- Van Helden, J. and Uddin, S. (2016) 'Public sector management accounting in emerging economies: A literature review'. Available at: <https://doi.org/10.1016/j.cpa.2016.01.001>.
- Hepworth, N. (2017) 'Is implementing the IPSASs an appropriate reform?', *Public Money & Management*, 37(2), pp. 141–148. Available at: <https://doi.org/10.1080/09540962.2016.1266174>.
- Hernes, T. (2005) 'Four ideal-type organizational responses to New Public Management reforms and some consequences', *International Review of Administrative Sciences*, 71(1), pp. 5–17. Available at: <https://doi.org/10.1177/0020852305051680>.
- Hoepfl, M.C. (1997) 'Choosing Qualitative Research: A Primer for Technology Education Researchers', *Journal of Technology Education*, 9(1), pp. 1997–2044.
- Holm, P. (1995) *The Dynamics of Institutionalization: Transformation Processes in Norwegian Fisheries, Quarterly*.
- Hopper, T., Lassou, P. and Soobaroyen, T. (2016) 'Globalisation, accounting and developing countries'. Available at: <https://doi.org/10.1016/j.cpa.2016.06.003>.
- Hopper, T., Lassou, P. and Soobaroyen, T. (2017) 'Globalisation, accounting and developing countries', *Critical Perspectives on Accounting*, 43, pp. 125–148. Available at: <https://doi.org/10.1016/J.CPA.2016.06.003>.
- Hopper, T. and Major, M. (2007) 'Extending Institutional Analysis through Theoretical Triangulation: Regulation and Activity-Based Costing in Portuguese Telecommunications', *European Accounting Review*, 16(1), pp. 59–97. Available at: <https://doi.org/10.1080/09638180701265879>.
- Hoque, Z. (2005) 'Securing institutional legitimacy or organizational effectiveness? A case examining the impact of public sector reform initiatives in an Australian local authority', *International Journal of Public Sector Management*, 18(4), pp. 367–382. Available at: <https://doi.org/10.1108/09513550510599274>.
- HWANG, H. and COLYVAS, J.A. (2020) 'Ontology, Levels of Society, and Degrees of Generality: Theorizing Actors as Abstractions in Institutional Theory', <https://doi.org/10.5465/amr.2014.0266>, 45(3), pp. 570–595. Available at: <https://doi.org/10.5465/AMR.2014.0266>.
- Hyndman, N. and Connolly, C. (2011) 'Accruals accounting in the public sector: A road not always taken', *Management Accounting Research*, 22, pp. 36–45. Available at: <https://doi.org/10.1016/j.mar.2010.10.008>.

- Hyndman, N. and Liguori, M. (2018) 'Achieving radical change: A comparative study of public-sector accounting in Westminster and Scotland', *Accounting, Auditing and Accountability Journal*, 31(2), pp. 428–455. Available at: <https://doi.org/10.1108/AAAJ-04-2016-2527>.
- Jacobs, K. (2012) 'Making Sense of Social Practice: Theoretical Pluralism in Public Sector Accounting Research', *Financial Accountability & Management*, 28(1), pp. 267–4424. Available at: <https://doi.org/10.1111/j.1468-0408.2011.00534.x>.
- Jalali Aliabadi, F. *et al.* (2021) 'Institutional work and the interplay of stability and change in public budgeting reform: the case of public universities in Iran', *Accounting, Auditing and Accountability Journal*, 34(4), pp. 786–818. Available at: <https://doi.org/10.1108/AAAJ-11-2019-4261/FULL/PDF>.
- Jan Van Helden, G. (2005) 'Researching public sector transformation: the role of management accounting', *Financial Accountability & Management*, 21(1). Available at: <https://doi.org/10.1111/j.0267-4424.2005.00211.x>.
- Jani, M., Pifeh, A. and Faghani, M. (2020) 'Study and investigation of the administrative, motivational and individual challenges and constraints characteristics of financial supervisors in public sector organizations with the approach of desired implementation of the public sector accounting', *Revista Turismo Estudos e Práticas - RTEP/GEPLAT/UERN*, (2), pp. 1–18. Available at: <https://geplat.com/rtep/index.php/tourism/article/view/487>.
- Jarzabkowski, P., Jane Matthiesen and Andrew H. Van de Ven (2009) 'Doing which work? A practice approach to institutional pluralism', in Thomas B. Lawrence, Roy Suddaby, and Bernard Leca (eds) *Institutional work: Actors and agency in institutional studies of organizations*. Cambridge University Press, pp. 284–316.
- Jayasinghe, K. *et al.* (2021) 'Government accounting reforms in Sub-Saharan African countries and the selective ignorance of the epistemic community: A competing logics perspective', *Critical Perspectives on Accounting*, 78, p. 102246. Available at: <https://doi.org/10.1016/j.cpa.2020.102246>.
- Jayasinghe, K. and Uddin, S. (2019) 'Continuity and change in development discourses and the rhetoric role of accounting'. Available at: <https://doi.org/10.1108/JAEE-01-2018-0011>.
- Jennifer Mason (2017) *Qualitative Researching*. THIRD EDITION. SAGE Publications Ltd.
- John W. Creswell and Cheryl N. Poth (2017) *Qualitative Inquiry and Research Design: Choosing Among Five Approaches*. SAGE Publications, Inc.
- Johnsen, Å. (2019) 'Public sector audit in contemporary society: A short review and introduction', *Financial Accountability & Management*, 35(2), pp. 121–127. Available at: <https://doi.org/10.1111/FAAM.12191>.
- Jonathan, G.M. *et al.* (2021) 'Public Sector Digital Transformation: Challenges for Information Technology Leaders', *2021 IEEE 12th Annual Information Technology*,

*Electronics and Mobile Communication Conference, IEMCON 2021*, pp. 1027–1033. Available at: <https://doi.org/10.1109/IEMCON53756.2021.9623161>.

Jones, C., Livne-Tarandach, R. and Balachandra, L. (2010) ‘Rhetoric that wins clients: Entrepreneurial firms use of institutional logics when competing for resources’, *Research in the Sociology of Work*, 21, pp. 183–218. Available at: [https://doi.org/10.1108/S0277-2833\(2010\)0000021011/FULL/XML](https://doi.org/10.1108/S0277-2833(2010)0000021011/FULL/XML).

Jorge, S., Nogueira, S.P. and Ribeiro, N. (2021) ‘The institutionalization of public sector accounting reforms: the role of pilot entities’, *Journal of Public Budgeting, Accounting and Financial Management*, 33(2), pp. 114–137. Available at: <https://doi.org/10.1108/JPBAFM-08-2019-0125/FULL/PDF>.

Joseph, J., Ocasio, W. and McDonnell, M.H. (2014) ‘The Structural Elaboration of Board Independence: Executive Power, Institutional Logics, and the Adoption of CEO-Only Board Structures in U.S. Corporate Governance’, <https://doi.org/10.5465/amj.2012.0253>, 57(6), pp. 1834–1858. Available at: <https://doi.org/10.5465/AMJ.2012.0253>.

Judge, W., Li, S. and Pinsker, R. (2010) ‘National Adoption of International Accounting Standards: An Institutional Perspective’, [org\\_798 161..174](https://doi.org/10.1111/j.1467-8683.2010.00798.x). Available at: <https://doi.org/10.1111/j.1467-8683.2010.00798.x>.

Kafui Dansou and Ann Langley (2012) ‘Institutional Work and the Notion of Test’, *M@n@gement*, 5, pp. 503–527.

Kamal Hassan, M. (2008) ‘The development of accounting regulations in Egypt Legitimizing the International Accounting Standards’, *Managerial Auditing Journal*, 23(5). Available at: <https://doi.org/10.1108/02686900810875299>.

Kapilashrami, A. (2023) ‘Situating Biomedical and Professional Monopoly at the Intersections of Structural, Ideational and Agentic Power: Comment on “Power Dynamics Among Health Professionals in Nigeria: A Case Study of the Global Fund Policy Process”’, *International Journal of Health Policy and Management*, 12(1), p. 8019. Available at: <https://doi.org/10.34172/IJHPM.2023.8019>.

Kaplan, R.S. (1998) ‘Innovation action research: Creating new management theory and practice’, *Journal of Management Accounting Research*, 10, pp. 89–118.

Kartiko, S.W. *et al.* (2018) ‘Measuring accrual-based IPSAS implementation and its relationship to central government fiscal transparency’, *BAR - Brazilian Administration Review*, 15(4). Available at: <https://doi.org/10.1590/1807-7692bar2018170119>.

Kholeif, A. (2010) ‘A new institutional analysis of IFRS’, 10, pp. 29–55. Available at: [https://doi.org/10.1108/S1479-3563\(2010\)0000010007](https://doi.org/10.1108/S1479-3563(2010)0000010007).

Kim, O. (2016) ‘The IFRS Adoption Reform through the Lens of Neoinstitutionalism: The Case of the Russian Federation’. Available at: <https://doi.org/10.1016/j.intacc.2016.07.001>.



Kim, S. and Han, C. (2015) 'Administrative reform in South Korea: New Public Management and the bureaucracy', *International Review of Administrative Sciences*, 81(4), pp. 694–712. Available at: <https://doi.org/10.1177/0020852314558034>.

Kok, K.P.W., Loeber, A.M.C. and Grin, J. (2021) 'Politics of complexity: Conceptualizing agency, power and powering in the transitional dynamics of complex adaptive systems', *Research Policy*, 50(3), p. 104183. Available at: <https://doi.org/10.1016/J.RESPOL.2020.104183>.

Kowalczyk, M. and Caruana, J. (2022) 'Governmental accounting and budgeting in Malta and Poland – a different dance to the same tune', *International Journal of Public Sector Management*, 35(7), pp. 783–805. Available at: <https://doi.org/10.1108/IJPSM-12-2021-0284/FULL/PDF>.

Kraatz, M.S. and Emily S. Block (2008) 'Organizational implications of institutional pluralism', in *The Sage handbook of organizational institutionalism*. SAGE Publications Ltd.

Krishnan, S.R. (2023) 'Decision-making processes of public sector accounting reforms in India—Institutional perspectives', *Financial Accountability and Management*, 39(1), pp. 167–194. Available at: <https://doi.org/10.1111/faam.12294>.

Kuruppu, C. *et al.* (2016) 'Participatory budgeting in a Sri Lankan urban council: A practice of power and domination', *Critical Perspectives on Accounting*, 41, pp. 1–17. Available at: <https://doi.org/10.1016/J.CPA.2016.01.002>.

Kuruppu, C., Adhikari, P. and van Helden, J. (2021) 'Editorial – a plea for changing directions of public sector accounting research in emerging economies', *Journal of Accounting in Emerging Economies*, 11(5), pp. 677–690. Available at: <https://doi.org/10.1108/JAEE-11-2021-337/FULL/PDF>.

Lapuate, V. and Van de Walle, S. (2020) 'The effects of new public management on the quality of public services', *Governance*, 33(3), pp. 461–475. Available at: <https://doi.org/10.1111/GOVE.12502>.

Lassou, P.J.C. and Hopper, T. (2016) 'Government accounting reform in an ex-French African colony: The political economy of neocolonialism', *Critical Perspectives on Accounting*, 36, pp. 39–57. Available at: <https://doi.org/10.1016/J.CPA.2015.10.006>.

Lawrence, T., Suddaby, R. and Leca, B. (2011) 'Institutional work: Refocusing institutional studies of organization', *Journal of Management Inquiry*, 20(1), pp. 52–58. Available at: <https://doi.org/10.1177/1056492610387222>.

Lawrence, T.B., Leca, B. and Zilber, T.B. (2013) 'Institutional Work: Current Research, New Directions and Overlooked Issues', <http://dx.doi.org/10.1177/0170840613495305>, 34(8), pp. 1023–1033. Available at: <https://doi.org/10.1177/0170840613495305>.

Lawrence, T.B. and Nelson Phillips (2019) *Constructing organizational life: How social-symbolic work shapes selves, organizations, and institutions*. Oxford University Press.

- Lawrence, T.B. and Phillips, N. (2019) *Constructing organizational life: How social-symbolic work shapes selves, organizations, and institutions*. Oxford University Press.
- Lawrence, T.B. and Suddaby, R. (2006) 'Institutions and institutional work', in *The SAGE Handbook of Organization Studies*. SAGE Publications Inc., pp. 215–254. Available at: <https://doi.org/10.4135/9781848608030.N7>.
- Lawrence, T.B., Suddaby, R. and Leca, B. (2009) 'Introduction: Theorizing and studying institutional work', *Institutional Work: Actors and Agency in Institutional Studies of Organizations*, pp. 1–28. Available at: <https://doi.org/10.1017/CBO9780511596605.001>.
- Lebelhuber, Christian *et al.* (2022) 'Strategic response to institutional pressures of climate change: an exploration among gas sector companies', *Review of Managerial Science*, 16, pp. 863–905. Available at: <https://doi.org/10.1007/s11846-021-00449-w>.
- Lepori, B. and Montauti, M. (2020) 'Bringing the organization back in: Flexing structural responses to competing logics in budgeting', *Accounting, Organizations and Society*, 80, p. 101075. Available at: <https://doi.org/10.1016/J.AOS.2019.101075>.
- Liang, H. *et al.* (2007) *Assimilation of Enterprise Systems: The Effect of Institutional Pressures and the Mediating Role of Top Management* *Quarterly Assimilation of Enterprise Systems: The Effect of Institutional Pressures and the Mediating Role of Top Management I, Source: MIS Quarterly*.
- Liberato, M.I. (2024) 'Constraints and stimuli in the implementation of public accounting reform: systematic literature review and future research agenda', *Journal of Accounting and Organizational Change*, 20(3), pp. 560–592. Available at: <https://doi.org/10.1108/JAOC-01-2022-0018/FULL/PDF>.
- Liberato, M.I., Choban de Sousa Paiva, I. and Serrasqueiro, R. (2023) 'Constraints and stimuli in the implementation of public accounting reform: systematic literature review and future research agenda', *Journal of Accounting and Organizational Change* [Preprint]. Emerald Publishing. Available at: <https://doi.org/10.1108/JAOC-01-2022-0018>.
- Lichtenstein, P.M. (1996) 'A new-institutionalist story about the transformation of former socialist economies: A recounting and an assessment', *Journal of Economic Issues*, 30(1). Available at: <https://doi.org/10.1080/00213624.1996.11505775/ASSET//CMS/ASSET/C5C8241B-5457-4697-B1A5-28356A01F40D/00213624.1996.11505775.FP.PNG>.
- Liguori, M. (2012) 'Radical Change, Accounting and Public Sector Reforms: A Comparison of Italian and Canadian Municipalities', *Financial Accountability & Management*, 28(4), pp. 437–463. Available at: <https://doi.org/10.1111/J.1468-0408.2012.00555.X>.
- Lino, A.F., Azevedo, R.R. de and Belote, G.S. (2023) 'The influence of public sector audit digitalisation on local government budget planning: evidence from Brazil', *Journal of*

*Public Budgeting, Accounting and Financial Management*, 35(2), pp. 198–218. Available at: <https://doi.org/10.1108/JPBAFM-05-2022-0090/FULL/PDF>.

Löhr, M., Chlebna, C. and Mattes, J. (2022) 'From institutional work to transition work: Actors creating, maintaining and disrupting transition processes', *Environmental Innovation and Societal Transitions*, 42, pp. 251–267. Available at: <https://doi.org/10.1016/J.EIST.2021.12.005>.

Lombardi, R. *et al.* (2021) 'Accounting for infrastructure assets in the public sector: The state of the art in academic research and international standards setting', *Public Money & Management*, 41(3), pp. 203–212. Available at: <https://doi.org/10.1080/09540962.2020.1840761>.

Lounsbury, M. (2008) 'Institutional rationality and practice variation: New directions in the institutional analysis of practice', *Accounting, Organizations and Society*, 33(4–5), pp. 349–361. Available at: <https://doi.org/10.1016/J.AOS.2007.04.001>.

Lounsbury, M. and Boxenbaum, E. (2013) 'Institutional logics in action', in *Research in the Sociology of Organizations*. Emerald Group Holdings Ltd., pp. 3–22. Available at: [https://doi.org/10.1108/S0733-558X\(2013\)0039A&B004](https://doi.org/10.1108/S0733-558X(2013)0039A&B004).

Lounsbury, M. and Crumley, E.T. (2007) 'New practice creation: An institutional perspective on innovation: Michael Lounsbury and Ellen T. Crumley', *Organization Studies*, 28(7), pp. 993–1012. Available at: <https://doi.org/10.1177/0170840607078111>.

Lukea Bhiwajee, S. and Garavan, T.N. (2016) 'The empowering of public sector officers in the Mauritian public sector in the context of reforms: How far has management education helped?', *European Journal of Training and Development*, 40(4), pp. 262–283. Available at: <https://doi.org/10.1108/EJTD-02-2014-0016/FULL/PDF>.

Lye, J., Perera, H. and Rahman, A. (2005) 'The evolution of accruals-based Crown (government) financial statements in New Zealand', *Accounting, Auditing and Accountability Journal*, 18(6), pp. 784–815. Available at: <https://doi.org/10.1108/09513570510627711/FULL/PDF>.

Maguire, S., Hardy, C. and Lawrence, T.B. (2004) 'Institutional entrepreneurship in emerging fields: HIV/AIDS treatment advocacy in Canada', *Academy of Management Journal*, 47(5), pp. 657–679. Available at: <https://doi.org/10.2307/20159610>.

Mahmood, Z. and Uddin, S. (2020) 'Institutional logics and practice variations in sustainability reporting: evidence from an emerging field', *Accounting, Auditing and Accountability Journal*, 34(5), pp. 1163–1189. Available at: <https://doi.org/10.1108/AAAJ-07-2019-4086/FULL/PDF>.

Maier, F. and Simsa, R. (2021) 'How actors move from primary agency to institutional agency: A conceptual framework and empirical application', *Organization*, 28(4), pp. 555–576. Available at: <https://doi.org/10.1177/1350508420910574>.

- Major, M., Conceição, A. and Clegg, S. (2018) 'When institutional entrepreneurship failed: The case of a responsibility centre in a Portuguese hospital', *Accounting, Auditing and Accountability Journal*, 31(4), pp. 1199–1229. Available at: <https://doi.org/10.1108/AAAJ-09-2016-2700/FULL/PDF>.
- Makhaieel, N. and Sherer, M. (2017) 'In the name of others: an investigation of earnings management motives in Egypt', *Journal of Accounting in Emerging Economies*, 7(1), pp. 61–89. Available at: <https://doi.org/10.1108/JAEE-12-2013-0059/FULL/PDF>.
- Mamat, S., Nik Ahmad, N.N. and Mohd Said, J. (2021) 'Financial sustainability in Malaysian public universities: coping with or embracing change?', *Journal of Public Budgeting, Accounting and Financial Management*, 33(5), pp. 599–617. Available at: <https://doi.org/10.1108/JPBAFM-09-2020-0157>.
- Manes-Rossi, F. *et al.* (2016) 'Introduction: The Gordian knot of public sector accounting and the role of the International Public Sector Accounting Standards', *International Review of Administrative Sciences*. SAGE Publications Ltd, pp. 718–723. Available at: <https://doi.org/10.1177/0020852316665048>.
- Manoharan, A.P., Melitski, J. and Holzer, M. (2023) 'Digital Governance: An Assessment of Performance and Best Practices', *Public Organization Review*, 23(1), pp. 265–283. Available at: <https://doi.org/10.1007/S11115-021-00584-8/TABLES/9>.
- Mantzari, E., Sigalas, C. and Hines, T. (2017) 'Accounting Forum Adoption of the International Financial Reporting Standards by Greek non-listed companies: The role of coercive and hegemonic pressures Adoption of the International Financial Reporting Standards by Greek non-listed companies: The role of coercive and hegemonic pressures'. Available at: <https://doi.org/10.1016/j.accfor.2017.04.003>.
- Mark N.K. Saunders, Philip Lewis and Adrian Thornhill (2012) *Research Methods for Business Students*. Pearson Education Ltd.
- Mark Saunders, Philip Lewis and Adrian Thornhill (2009) *Research Methods for Business Students*. Pearson.
- Martinez, R. (1999) 'Efficiency motives and normative forces: Combining transactions costs and institutional logic', *Journal of Management*, 25(1), pp. 75–96. Available at: [https://doi.org/10.1016/S0149-2063\(99\)80004-X](https://doi.org/10.1016/S0149-2063(99)80004-X).
- Masum, M. Al and Parker, L.D. (2020) 'Local implementation of global accounting reform: evidence from a developing country', *Qualitative Research in Accounting and Management*, 17(3), pp. 373–404. Available at: <https://doi.org/10.1108/QRAM-10-2018-0073>.
- Mbelwa, L.H., Adhikari, P. and Shahadat, K. (2019) 'Investigation of the institutional and decision-usefulness factors in the implementation of accrual accounting reforms in the public sector of Tanzania'. Available at: <https://doi.org/10.1108/JAEE-01-2018-0005>.

- Megersa, K. and Cassimon, D. (2015) 'Public Debt, Economic Growth, and Public Sector Management in Developing Countries: Is There a Link?', *Public Administration and Development*, 35(5), pp. 329–346. Available at: <https://doi.org/10.1002/PAD.1733>.
- Mettang, O. (2022) 'Institutional Logics as an Approach to Embedded Versus Free Agency', *Contributions to Political Science*, pp. 27–46. Available at: [https://doi.org/10.1007/978-3-031-17449-0\\_3](https://doi.org/10.1007/978-3-031-17449-0_3).
- Meyer, J.W. and Rowan, B. (1977) *Institutionalized Organizations: Formal Structure as Myth and Ceremony*, *American Journal of Sociology*. Available at: <https://about.jstor.org/terms>.
- Meyer, R.E. *et al.* (2014) 'OF BUREAUCRATS AND PASSIONATE PUBLIC MANAGERS: INSTITUTIONAL LOGICS, EXECUTIVE IDENTITIES, AND PUBLIC SERVICE MOTIVATION', *Public Administration*, 92(4), pp. 861–885. Available at: <https://doi.org/10.1111/J.1467-9299.2012.02105.X>.
- Michael Quinn Patton (2015) *Qualitative Research & Evaluation Methods* . FOURTH EDITION. SAGE Publications, Inc.
- Minovski, Z.; *et al.* (2016) 'Transitioning to accrual accounting in the public sector', *Journal of Contemporary Economic and Business Issues*, 3(2), pp. 75–88. Available at: <https://www.econstor.eu/handle/10419/193470> (Accessed: 20 September 2024).
- Mir, M.Z. and Rahaman, A.S. (2006) 'Leadership, Accounting, and the Reform Process of a Public Sector Agency: A Narrative Analysis', *Financial Accountability & Management*, 22(2), pp. 157–178. Available at: <https://doi.org/10.1111/J.0267-4424.2006.00397.X>.
- Mizruchi, M.S. and Fein, L.C. (1999) *The Social Construction of Organizational Knowledge: A Study of the Uses of Coercive, Mimetic, and Normative Isomorphism*, *Quarterly*.
- Mkasiwa, T.A. (2022) 'The magic of IPSAS accrual: the real without reality', *International Journal of Public Sector Management*, 35(6), pp. 692–706. Available at: <https://doi.org/10.1108/IJPSM-10-2021-0238/FULL/PDF>.
- Mnif, Y. and Gafsi, Y. (2020) 'A contingency theory perspective on the analysis of central government accounting disclosure under International Public Sector Accounting Standards (IPSAS)', *Meditari Accountancy Research*, 28(6), pp. 1089–1117. Available at: <https://doi.org/10.1108/MEDAR-04-2019-0480>.
- Modell, S. (2015) 'Making institutional accounting research critical: dead end or new beginning?', *Accounting, Auditing & Accountability Journal*, 28(5). Available at: <https://doi.org/10.1108/AAAJ-09-2013-1457>.
- Modell, S. (2022) 'Accounting for Institutional Work: A Critical Review', *European Accounting Review*, 31(1), pp. 33–58. Available at: <https://doi.org/10.1080/09638180.2020.1820354>.

- Modell, S., Vinnari, E. and Lukka, K. (2017) 'On the virtues and vices of combining theories: The case of institutional and actor-network theories in accounting research', *Accounting, Organizations and Society*, 60, pp. 62–78. Available at: <https://doi.org/10.1016/J.AOS.2017.06.005>.
- Monteiro, P. and Nicolini, D. (2015) 'Recovering Materiality in Institutional Work: Prizes as an Assemblage of Human and Material Entities', *Journal of Management Inquiry*, 24(1), pp. 61–81. Available at: [https://doi.org/10.1177/1056492614546221/ASSET/IMAGES/LARGE/10.1177\\_1056492614546221-FIG1.JPEG](https://doi.org/10.1177/1056492614546221/ASSET/IMAGES/LARGE/10.1177_1056492614546221-FIG1.JPEG).
- Morgan, H. (2022) 'The Qualitative Report The Qualitative Report Conducting a Qualitative Document Analysis Conducting a Qualitative Document Analysis', *Number 1 How To Article*, 27, pp. 1–3. Available at: <https://doi.org/10.46743/2160-3715/2022.5044>.
- Mouritsen, J. (2014) 'the role of Accounting in New public Management', in *Accounting, management control and institutional development*, pp. 97–108.
- Munzer, M. and Pelger, C. (2023) 'Maintaining the universal banking model – A study of institutional work in the endogenization of a failed transnational post-crisis financial market reform', *Critical Perspectives on Accounting*, 95, p. 102510. Available at: <https://doi.org/10.1016/J.CPA.2022.102510>.
- Muraina, S.A. and Dandago, K.I. (2020) 'Effects of implementation of International Public Sector Accounting Standards on Nigeria's financial reporting quality', *International Journal of Public Sector Management*, 33(2–3), pp. 323–338. Available at: <https://doi.org/10.1108/IJPSM-12-2018-0277>.
- Mussari, R., Cepiku, D. and Sorrentino, D. (2021) 'Governmental accounting reforms at a time of crisis: the Italian governmental accounting harmonization', *Journal of Public Budgeting, Accounting and Financial Management*, 33(2), pp. 138–156. Available at: <https://doi.org/10.1108/JPBAFM-04-2020-0051/FULL/PDF>.
- Myers, M.D.. (2019) 'Qualitative Research in Business and Management', pp. 1–364.
- Mzenzi, S.I. and Gaspar, A.F. (2022) 'Managing competing institutional logics in governance of public-sector entities in Tanzania', *Journal of Accounting in Emerging Economies*, 12(3), pp. 507–546. Available at: <https://doi.org/10.1108/JAEE-10-2020-0279/FULL/PDF>.
- Nagirikandalage, P. and Binsardi, B. (2015) 'Exploring public sector accounting reforms in an emerging economy: a case of Sri Lanka'. Available at: <https://doi.org/10.1108/S1479-356320150000015003>.
- Nakmahachalasint, O. and Narktabtee, K. (2019) 'Implementation of accrual accounting in Thailand's central government', *Public Money & Management*, 39(2), pp. 139–147. Available at: <https://doi.org/10.1080/09540962.2018.1478516>.

- Narooz, R. and Child, J. (2017) 'Networking responses to different levels of institutional void: A comparison of internationalizing SMEs in Egypt and the UK', *International Business Review*, 26(4), pp. 683–696. Available at: <https://doi.org/10.1016/J.IBUSREV.2016.12.008>.
- Nerantzidis, M. *et al.* (2022) 'Internal auditing in the public sector: a systematic literature review and future research agenda', *Journal of Public Budgeting, Accounting and Financial Management*, 34(2), pp. 189–209. Available at: <https://doi.org/10.1108/JPBAFM-02-2020-0015/FULL/PDF>.
- Nissinboim, N. and Naveh, E. (2018) 'Process standardization and error reduction: A revisit from a choice approach', *Safety Science*, 103, pp. 43–50. Available at: <https://doi.org/10.1016/J.SSCI.2017.11.015>.
- Northouse, P.G. (2021) *Leadership: Theory and practice*. Sage publications.
- Nurunnabi, M. (2015) 'Tensions between politico-institutional factors and accounting regulation in a developing economy: insights from institutional theory'. Available at: <https://doi.org/10.1111/beer.12089>.
- Obayi, R. and Ebrahimi, S.N. (2021) 'A neo-institutional view of the transaction cost drivers of construction supply chain risk management', *Supply Chain Management*, 26(5), pp. 592–609. Available at: <https://doi.org/10.1108/SCM-09-2019-0350>.
- Oliver, C. (1991) *Strategic Responses to Institutional Processes*, Source: *The Academy of Management Review*. Available at: <https://www.jstor.org/stable/258610>.
- Oliver, C. (1992) 'The Antecedents of Deinstitutionalization', <http://dx.doi.org/10.1177/017084069201300403>, 13(4), pp. 563–588. Available at: <https://doi.org/10.1177/017084069201300403>.
- Opanyi, R.O. (2016) 'The Effect of Adoption of International Public Sector Accounting Standards on Quality of Financial Reports in Public Sector in Kenya', *European Scientific Journal, ESJ*, 12(28), p. 161. Available at: <https://doi.org/10.19044/esj.2016.v12n28p161>.
- Oulasvirta, L. (2014) 'The reluctance of a developed country to choose International Public Sector Accounting Standards of the IFAC. A critical case study'. Available at: <https://doi.org/10.1016/j.cpa.2012.12.001>.
- Oulasvirta, L.O. and Bailey, S.J. (2016) 'Evolution of EU public sector financial accounting standardisation: critical events that opened the window for attempted policy change', <http://dx.doi.org/10.1080/07036337.2016.1177043>, 38(6), pp. 653–669. Available at: <https://doi.org/10.1080/07036337.2016.1177043>.
- Pache, A.C. and Santos, F. (2012) 'Inside the Hybrid Organization: Selective Coupling as a Response to Competing Institutional Logics', <https://doi.org/10.5465/amj.2011.0405>, 56(4), pp. 972–1001. Available at: <https://doi.org/10.5465/AMJ.2011.0405>.

- Pajković, I., Botica Redmayne, N. and Vašiček, V. (2023) 'The use and perceived usefulness of public sector financial statements by politicians – evidence from Croatia', *Journal of Public Budgeting, Accounting and Financial Management*, 35(6), pp. 180–198. Available at: <https://doi.org/10.1108/JPBAFM-11-2022-0170/FULL/PDF>.
- Panagiotopoulos, P., Protogerou, A. and Caloghirou, Y. (2023) 'Dynamic capabilities and ICT utilization in public organizations: An Empirical testing in local government', *Long Range Planning*, 56(1), p. 102251. Available at: <https://doi.org/10.1016/J.LRP.2022.102251>.
- Parker, L. (2014) 'Qualitative perspectives: Through a methodological lens', *Qualitative Research in Accounting and Management*, 11(1), pp. 13–28. Available at: <https://doi.org/10.1108/QRAM-02-2014-0013/FULL/PDF>.
- Patnaik, S. and Pandey, S.C. (2019) 'Case Study Research', *Methodological Issues in Management Research: Advances, Challenges, and the Way Ahead*, pp. 163–179. Available at: <https://doi.org/10.1108/978-1-78973-973-220191011/FULL/EPUB>.
- Patriotta, G. (2020) 'Actors and Actorhood in Institutional Theory', *Journal of Management Studies*, 57(4), pp. 867–872. Available at: <https://doi.org/10.1111/JOMS.12558>.
- Paul Dimaggio (1991) 'Constructing an organizational field as a professional project: US art museums, 1920–1940', in Walter W. Powell and Paul J. DiMaggio (eds) *The New Institutionalism in Organizational Analysis*. 2nd edition. Chicago: University of Chicago Press, pp. 267–292.
- Peng, M.W. and Chen, H. (2011) 'Strategic responses to domestic and foreign institutional pressures', *International Studies of Management and Organization*, 41(2), pp. 88–105. Available at: <https://doi.org/10.2753/IMO0020-8825410204>.
- Pina, V., Torres, L. and Yetano, A. (2009) 'Accrual accounting in EU local governments: One method, several approaches', *European Accounting Review*, 18(4), pp. 765–807. Available at: <https://doi.org/10.1080/09638180903118694>.
- Pollitt, C. and Summa, H. (1997) 'Reflexive Watchdogs? How Supreme Audit Institutions Account for Themselves', *Public Administration*, 75(2), pp. 313–336. Available at: <https://doi.org/10.1111/1467-9299.00063>.
- Polzer, T. et al. (2023) 'Adoption of the International Public Sector Accounting Standards in emerging economies and low-income countries: a structured literature review', *Journal of Public Budgeting, Accounting and Financial Management*, 35(3), pp. 309–332. Available at: <https://doi.org/10.1108/JPBAFM-01-2021-0016>.
- Polzer, T., Adhikari, P. and Phuong Nguyen, C. (2023) 'Adoption of the International Public Sector Accounting Standards in emerging economies and low-income countries: a structured literature review'. Available at: <https://doi.org/10.1108/JPBAFM-01-2021-0016>.
- Polzer, T., Gårseth-Nesbakk, L. and Adhikari, P. (2020) "Does your walk match your talk?" Analyzing IPSASs diffusion in developing and developed countries', *International Journal of*



*Public Sector Management*, 33(2–3), pp. 117–139. Available at: <https://doi.org/10.1108/IJPSM-03-2019-0071>.

Polzer, T., Grossi, G. and Reichard, C. (2021) ‘The harmonization of public-sector accounting and diffusion of IPSAS’, in Isabel Brusca et al. (eds) *Challenges in the Adoption of International Public Sector Accounting Standards: The Experience of the Iberian Peninsula as a Front Runner*. Palgrave Macmillan, pp. 17–34. Available at: <https://research.wu.ac.at/en/publications/the-harmonization-of-public-sector-accounting-and-diffusion-of-ip-7> (Accessed: 4 April 2024).

Polzer, T., Grossi, G. and Reichard, C. (2022) ‘Implementation of the international public sector accounting standards in Europe. Variations on a global theme’, *Accounting Forum*, 46(1), pp. 57–82. Available at: <https://doi.org/10.1080/01559982.2021.1920277>.

Powell, W.W. and Dimaggio, P.J. (1993) *Review Reviewed Work(s): The New Institutionalism in Organizational Analysis, Quarterly*.

Putnam, H. (1981) ‘Reason, Truth and History’, *Reason, Truth and History* [Preprint]. Available at: <https://doi.org/10.1017/CBO9780511625398>.

PwC (2013) ‘Towards a new era in government accounting and reporting’. Available at: [www.pwc.com](http://www.pwc.com) (Accessed: 25 September 2024).

Radebaugh, L.H. and Gray, S.J. (2006) ‘International Accounting & Multinational Enterprises’. Available at: <https://www.wiley.com/en-gb/International+Accounting+and+Multinational+Enterprises%2C+6th+Edition-p-9780471652694> (Accessed: 25 March 2024).

Rajeswari Krishnan, S. and Sarada Rajeswari Krishnan, C. (2021) ‘Decision-making processes of public sector accounting reforms in India-Institutional perspectives’. Available at: <https://doi.org/10.1111/faam.12294>.

Rajib, S.U. et al. (2019) ‘Institutionalisation of the Cash Basis International Public Sector Accounting Standard in the Central Government of Bangladesh: An example of delay and resistance’, *Journal of Accounting in Emerging Economies*, 9(1), pp. 28–50. Available at: <https://doi.org/10.1108/JAEE-10-2017-0096>.

Ramasamy, R. (2020) ‘Quality of government, public service delivery and institutional impartiality in ethnically polarised societies: evidence for policy makers’, *Asia Pacific Journal of Public Administration*, 42(1), pp. 46–60. Available at: <https://doi.org/10.1080/23276665.2020.1731246>.

Rana, T., Ahmed, Z.U., et al. (2022) ‘An institutional theory perspective on public sector reform and service performance reporting by New Zealand universities’, *Journal of Accounting and Organizational Change*, 18(3), pp. 461–484. Available at: <https://doi.org/10.1108/JAOC-08-2020-0112/FULL/PDF>.

Rana, T., Steccolini, I., *et al.* (2022) 'Performance auditing in the public sector: A systematic literature review and future research avenues', *Financial Accountability & Management*, 38(3), pp. 337–359. Available at: <https://doi.org/10.1111/FAAM.12312>.

Raviola, E. and Norbäck, M. (2013) 'Bringing Technology and Meaning into Institutional Work: Making News at an Italian Business Newspaper', *Organization Studies*, 34(8), pp. 1171–1194. Available at: [https://doi.org/10.1177/0170840613492077/ASSET/IMAGES/LARGE/10.1177\\_0170840613492077-FIG1.JPEG](https://doi.org/10.1177/0170840613492077/ASSET/IMAGES/LARGE/10.1177_0170840613492077-FIG1.JPEG).

Reay, T., Golden-Biddle, K. and Germann, K. (2006) 'Legitimizing a New Role: Small Wins and Microprocesses of Change', *Source: The Academy of Management Journal*, 49(5), pp. 977–998. Available at: <https://about.jstor.org/terms> (Accessed: 26 March 2024).

Reay, T. and Hinings, C.R. (2009) 'Managing the Rivalry of Competing Institutional Logics', <http://dx.doi.org/10.1177/0170840609104803>, 30(6), pp. 629–652. Available at: <https://doi.org/10.1177/0170840609104803>.

Rincón-Soto, C.A. and Villegas, M.G. (2021) 'El isomorfismo institucional en la adopción de las IPSAS', *Cuadernos de Administración*, 36(68), pp. 204–218. Available at: <https://doi.org/10.25100/cdea.v36i68.9793>.

Robb, A. and Newberry, S. (2007) 'Globalization: governmental accounting and International Financial Reporting Standards'. Available at: <https://doi.org/10.1093/ser/mwm017>.

Robert K. Yin (2013) *Case Study Research: Design and Methods*. 5th Edition. SAGE Publications, Inc.

Roger Friedland and Robert R. Alford (1991) 'Bringing Society Back In: Symbols, Practices, and Institutional Contradictions', in Walter W. Powell and Paul J. DiMaggio (eds) *The New Institutionalism in Organizational Analysis*. second. University of Chicago Press.

Rompotis, G. and Balios, D. (2023) 'Benefits of IPSAS and their differences from IFRS: a discussion paper', *EuroMed Journal of Business* [Preprint]. Available at: <https://doi.org/10.1108/EMJB-07-2022-0139>.

Rossi, F.M. *et al.* (2016) 'Harmonizing public sector accounting in Europe: thinking out of the box', *Public Money & Management*, 36(3), pp. 189–196. Available at: <https://doi.org/10.1080/09540962.2016.1133976>.

Rozenfeld, G.C. and Scapens, R.W. (2021) 'Forming mixed-type inter-organisational relationships in Sub-Saharan Africa: The role of institutional logics, social identities and institutionally embedded agency', *Critical Perspectives on Accounting*, 78, p. 102232. Available at: <https://doi.org/10.1016/J.CPA.2020.102232>.

Ruebottom, T. and Auster, E.R. (2018) 'Reflexive dis/embedding: Personal narratives, empowerment and the emotional dynamics of interstitial events', *Organization Studies*, 39(4), pp. 467–490. Available at:

[https://doi.org/10.1177/0170840617709308/ASSET/IMAGES/LARGE/10.1177\\_0170840617709308-FIG2.JPEG](https://doi.org/10.1177/0170840617709308/ASSET/IMAGES/LARGE/10.1177_0170840617709308-FIG2.JPEG).

Ruz Farías, V. (2020) 'New development: Accounting recognition of public infrastructure—applying a practical control criterion approach', *Public Money & Management*, pp. 535–539. Available at: <https://doi.org/10.1080/09540962.2020.1762382>.

Sánchez-Matamoros, J.B., Araújo Pinzón, P. and Álvarez-Dardet Espejo, C. (2014) 'Management accounting change and agency in embedded situations', *Spanish Journal of Finance and Accounting / Revista Espanola de Financiacion y Contabilidad*, 43(3), pp. 241–265. Available at: <https://doi.org/10.1080/02102412.2014.942153>.

Sarker, A.E. (2009) 'The New Mode of Public Governance and Public Accountability in Developing Countries: An Analysis with Particular Reference to Bangladesh', *Intl Journal of Public Administration*, 32(13), pp. 1101–1123. Available at: <https://doi.org/10.1080/01900690903188826>.

Saz-Carranza, A. and Longo, F. (2012) 'Managing Competing Institutional Logics in Public–Private Joint Ventures', *Public Management Review*, 14(3), pp. 331–357. Available at: <https://doi.org/10.1080/14719037.2011.637407>.

Schildt, H. (2022) 'THE INSTITUTIONAL LOGIC OF DIGITALIZATION', *Research in the Sociology of Organizations*, 83, pp. 235–251. Available at: <https://doi.org/10.1108/S0733-558X20220000083010/FULL/EPUB>.

Schmidhuber, L., Hilgers, D. and Hofmann, S. (2022) 'International Public Sector Accounting Standards (IPSASs): A systematic literature review and future research agenda', *Financial Accountability and Management*. John Wiley and Sons Inc, pp. 119–142. Available at: <https://doi.org/10.1111/faam.12265>.

Schneper, W.D. and Guillén, M.F. (2004) 'Stakeholder Rights and Corporate Governance: A Cross-National Study of Hostile Takeovers', <https://doi.org/10.2307/4131474>, 49(2), pp. 263–295. Available at: <https://doi.org/10.2307/4131474>.

Schuler, C., Grossi, G. and Fuchs, S. (2023) 'New development: The role of education in public sector accounting reforms in emerging economies: a socio-material perspective', *Public Money & Management*, 43(7), pp. 762–768. Available at: <https://doi.org/10.1080/09540962.2023.2255387>.

Scott, W.R. (1987) *The Adolescence of Institutional Theory*, *Quarterly*.

Scott, W.R. (2004) 'Institutional Theory: Contributing to a Theoretical Research Program', in. Oxford UK: Oxford University Press. Available at: <https://www.researchgate.net/publication/265348080>.

Scott, W.R. (2008) *Approaching Adulthood: The Maturing of Institutional Theory*. and Society.

- Seidman, W.H. (1983) 'Educational Evaluation and Policy Goal Ambiguity and Organizational Decoupling: The Failure of "Rational Systems" Program Implementation', *Analysis Winter*, 5(4), pp. 399–413.
- Sekaran, U. and Bougie, R. (2010) *Research methods for business A skill-building approach*. 5th Edition, Haddington John Wiley & Sons. - References - Scientific Research Publishing. 5th Edition. John Wiley & Sons. Available at: <https://www.scirp.org/reference/ReferencesPapers?ReferenceID=951814> (Accessed: 19 September 2024).
- Sellami, Y.M. and Gafsi, Y. (2019) 'Public management systems, accounting education, and compliance with international public sector accounting standards in sub-Saharan Africa'. Available at: <https://doi.org/10.1108/IJPSM-12-2018-0274>.
- Senarath Yapa, P.W. and Ukwatte, S. (2015) 'The new public financial management (NPFM) and accrual accounting in Sri Lanka'. Available at: <https://doi.org/10.1108/S1479-356320150000015002>.
- Senge, K. (2011) 'Das Neue am Neo-Institutionalismus', *Das Neue am Neo-Institutionalismus* [Preprint]. Available at: <https://doi.org/10.1007/978-3-531-93008-4>.
- Seo, M.G. and Creed, W.E.D. (2002) 'Institutional Contradictions, Praxis, and Institutional Change: A Dialectical Perspective', <https://doi.org/10.5465/amr.2002.6588004>, 27(2), pp. 222–247. Available at: <https://doi.org/10.5465/AMR.2002.6588004>.
- Sharan B. Merriam and Elizabeth J. Tisdell (2015) *Qualitative Research: A Guide to Design and Implementation*. 4th edition. San Francisco, CA: Jossey Bass.
- Sharma, U., Lawrence, S. and Lowe, A. (2014) 'Accountants as institutional entrepreneurs: Changing routines in a telecommunications company', *Qualitative Research in Accounting and Management*, 11(3), pp. 190–214. Available at: <https://doi.org/10.1108/QRAM-10-2012-0047/FULL/PDF>.
- Shehadeh, E. (2022) 'A Movement Towards the Accrual Based IPSAS Implementation in Developing Countries: Evidence from Jordan', *Esam SHEHADEH / Journal of Asian Finance*, 9(3), pp. 389–0397. Available at: <https://doi.org/10.13106/jafeb.2022.vol9.no3.0389>.
- Sillince, J.A.A. and Barker, J.R. (2012) 'A tropological theory of institutionalization', *Organization Studies*, 33(1), pp. 7–38. Available at: <https://doi.org/10.1177/0170840611425735>.
- Silva, A. de O.O. and Avrichir, I. (2023) 'Decoupling institutional pressure: how and why academic journals do it', *International Journal of Organizational Analysis* [Preprint]. Available at: <https://doi.org/10.1108/IJOA-01-2023-3604>.
- Da Silva, Em.Yu. (2006) *History of local government in Sri Lanka, 1865-1987*. Godage International Publishers. Available at:

[https://books.google.com/books/about/History\\_of\\_Local\\_Government\\_in\\_Sri\\_Lanka.html?id=EoowAAAYAAJ](https://books.google.com/books/about/History_of_Local_Government_in_Sri_Lanka.html?id=EoowAAAYAAJ) (Accessed: 2 April 2024).

De Silva Lokuwaduge, C.S. and De Silva, K. (2020) 'Determinants of public sector accounting reforms: A case study of Sri Lanka in rapidly developing Asia', *International Journal of Public Sector Management*, 33(2–3), pp. 191–205. Available at: <https://doi.org/10.1108/IJPSM-03-2019-0085>.

Simpson, S.N.Y. (2012) 'Developments in public sector accounting practices: The ghanaian experience', *Research in Accounting in Emerging Economies*, 12(PARTA), pp. 209–226. Available at: [https://doi.org/10.1108/S1479-3563\(2012\)000012A013/FULL/XML](https://doi.org/10.1108/S1479-3563(2012)000012A013/FULL/XML).

Simunic, D.A. *et al.* (2017) 'The Joint Effects of Multiple Legal System Characteristics on Auditing Standards and Auditor Behavior', *Contemporary Accounting Research*, 34(1), pp. 7–38. Available at: <https://doi.org/10.1111/1911-3846.12242>.

Skelcher, C. and Smith, S.R. (2015) 'Theorizing hybridity: institutional logics, complex organizations, and actor identities: the case of nonprofits', *Public Administration*, 93(2), pp. 433–448. Available at: <https://doi.org/10.1111/PADM.12105>.

Slager, R., Gond, J.P. and Moon, J. (2012) 'Standardization as Institutional Work: The Regulatory Power of a Responsible Investment Standard', *Organization Studies*, 33(5–6), pp. 763–790. Available at: [https://doi.org/10.1177/0170840612443628/ASSET/IMAGES/LARGE/10.1177\\_0170840612443628-FIG2.JPEG](https://doi.org/10.1177/0170840612443628/ASSET/IMAGES/LARGE/10.1177_0170840612443628-FIG2.JPEG).

Slevitch, L. (2011) 'Qualitative and Quantitative Methodologies Compared: Ontological and Epistemological Perspectives', *Journal of Quality Assurance in Hospitality & Tourism*, 12(1), pp. 73–81. Available at: <https://doi.org/10.1080/1528008X.2011.541810>.

Steccolini, I. (2019) 'Accounting and the post-new public management Re-considering publicness in accounting research'. Available at: <https://doi.org/10.1108/AAAJ-03-2018-3423>.

Steccolini, I. (2023) 'Methodological Paper What counts as “good” qualitative accounting research? Researchers' perspectives on assessing and proving research quality', *Accounting, Auditing and Accountability Journal*, 36(3), pp. 1032–1057. Available at: <https://doi.org/10.1108/AAAJ-05-2022-5808/FULL/PDF>.

Suddaby, R. (2015) 'Can Institutional Theory Be Critical?', *Journal of Management Inquiry*, 24(1), pp. 93–95. Available at: <https://doi.org/10.1177/1056492614545304>.

Suddaby, R., Cooper, D.J. and Greenwood, R. (2007) 'Transnational regulation of professional services: Governance dynamics of field level organizational change', *Accounting, Organizations and Society*, 32(4–5), pp. 333–362. Available at: <https://doi.org/10.1016/J.AOS.2006.08.002>.

Suri, H. (2011) 'Purposeful sampling in qualitative research synthesis', *Qualitative Research Journal*, 11(2), pp. 63–75. Available at: <https://doi.org/10.3316/QRJ1102063/FULL/XML>.

Tan, J. and Wang, L. (2011) 'MNC Strategic Responses to Ethical Pressure: An Institutional Logic Perspective', *Journal of Business Ethics*, 98(3), pp. 373–390. Available at: <https://doi.org/10.1007/s10551-010-0553-7>.

Tawiah, V. (2023) 'The impact of IPSAS adoption on corruption in developing countries', *Financial Accountability and Management*, 39(1), pp. 103–124. Available at: <https://doi.org/10.1111/faam.12288>.

Tawiah, V. and Soobaroyen, T. (2024) 'The relationship between the adoption of international public sector accounting standards and sources of government financing: evidence from developing countries', *Accounting Forum*, 48(2), pp. 307–330. Available at: <https://doi.org/10.1080/01559982.2022.2151073>.

Tetteh, L.A. *et al.* (2021) 'Public sector financial management reforms in Ghana: insights from institutional theory', *Journal of Accounting in Emerging Economies*, 11(5), pp. 691–713. Available at: <https://doi.org/10.1108/JAEE-06-2020-0134>.

Tetteh, L.A. *et al.* (2023) 'Institutional pressures and strategic response to auditing implementation of sustainable development goals: the role of public sector auditors', *Journal of Applied Accounting Research*, 24(2). Available at: <https://doi.org/10.1108/JAAR-05-2022-0101>.

Thanh Hoai, T. and Nguyen, N.P. (2023) 'Accounting capacity on accrual accounting adoption in Vietnamese public sector organizations—a moderated moderation model of leadership quality and digital transformation', *International Public Management Journal*, 26(4), pp. 629–648. Available at: <https://doi.org/10.1080/10967494.2023.2180558>.

Thomas B. Lawrence and Roy Suddaby (2006) 'Institutions and institutional work', in In Stewart R *et al.* (eds) *Sage Handbook of Organization Studies*. 2nd Edition. London: Sage, pp. 215–254.

Thornton, P.H. (2002) 'The Rise of the Corporation in a Craft Industry: Conflict and Conformity in Institutional Logics', *Source: The Academy of Management Journal*, 45(1), pp. 81–101. Available at: <https://www.jstor.org/stable/3069286?seq=1&cid=pdf-> (Accessed: 23 March 2024).

Thornton, P.H. (2004) 'Markets from Culture: Institutional Logics and Organizational Decisions in Higher Education Publishing', *Stanford University Press*, (August), p. 208. Available at: <http://www.sup.org/books/title/?id=1267> (Accessed: 23 March 2024).

Thornton, P.H. and Ocasio, W. (1999) 'Institutional Logics and the Historical Contingency of Power in Organizations: Executive Succession in the Higher Education Publishing Industry, 1958–1990', <https://doi.org/10.1086/210361>, 105(3), pp. 801–843. Available at: <https://doi.org/10.1086/210361>.

- Thornton, P.H. and Ocasio, W. (2008) 'Institutional Logics', in *The SAGE Handbook of Organizational Institutionalism*. 1 Oliver's Yard, 55 City Road, London EC1Y 1SP United Kingdom : SAGE Publications Ltd, pp. 99–128. Available at: <https://doi.org/10.4135/9781849200387.n4>.
- Thornton, P.H., Ocasio, W. and Lounsbury, M. (2012) 'The Institutional Logics Perspective: A New Approach to Culture, Structure and Process', *The Institutional Logics Perspective* [Preprint]. Available at: <https://doi.org/10.1093/ACPROF:OSO/9780199601936.001.0001>.
- Trumbull, M. and Watson, K. (2010) *Qualitative research methods. Integrating quantitative and qualitative methods in research*. University Press of America.
- Tsunogaya, N. and Patel, C. (2020) 'The impact of external pressures (gaiatsu) and internal pressures (naiatsu) on Japan's accounting reforms since the late 1990s', *Accounting, Auditing and Accountability Journal*, 33(4), pp. 857–886. Available at: <https://doi.org/10.1108/AAAJ-05-2019-4013>.
- Vakulenko, V. (2021) 'International donors as enablers of institutional change in turbulent times?', *Journal of Public Budgeting, Accounting and Financial Management*, 34(1), pp. 162–185.
- Vickers, I. *et al.* (2017) 'Public service innovation and multiple institutional logics: The case of hybrid social enterprise providers of health and wellbeing', *Research Policy*, 46(10), pp. 1755–1768. Available at: <https://doi.org/10.1016/J.RESPOL.2017.08.003>.
- van der Voet, J. (2016) 'Change Leadership and Public Sector Organizational Change: Examining the Interactions of Transformational Leadership Style and Red Tape', *American Review of Public Administration*, 46(6), pp. 660–682. Available at: [https://doi.org/10.1177/0275074015574769/ASSET/IMAGES/LARGE/10.1177\\_0275074015574769-FIG4.JPEG](https://doi.org/10.1177/0275074015574769/ASSET/IMAGES/LARGE/10.1177_0275074015574769-FIG4.JPEG).
- Vogler, G. (2016) 'Power between habitus and reflexivity – introducing Margaret Archer to the power debate', *Journal of Political Power*, 9(1), pp. 65–82. Available at: <https://doi.org/10.1080/2158379X.2016.1149309>.
- De Vries, H., Tummers, L. and Bekkers, V. (2018) 'The Diffusion and Adoption of Public Sector Innovations: A Meta-Synthesis of the Literature', *Perspectives on Public Management and Governance*, pp. 159–176. Available at: <https://doi.org/10.1093/ppmgov/gvy001>.
- Weber, K., Heinze, K.L. and Desoucey, M. (2008) 'Forage for Thought: Mobilizing Codes in the Movement for Grass-fed Meat and Dairy Products', <https://doi.org/10.2189/asqu.53.3.529>, 53(3 SPEC. ISS.), pp. 529–567. Available at: <https://doi.org/10.2189/ASQU.53.3.529>.
- Weik, E. (2011) 'Institutional Entrepreneurship and Agency', *Journal for the Theory of Social Behaviour*, 41(4), pp. 466–481. Available at: <https://doi.org/10.1111/J.1468-5914.2011.00467.X>.

Wijethilake, C., Munir, R. and Appuhami, R. (2017) 'Strategic responses to institutional pressures for sustainability The role of management control systems', *Accounting, Auditing & Accountability Journal*, 30(8). Available at: <https://doi.org/10.1108/AAAJ-07-2015-2144>.

Willmott, H. (2010) "'Institutional Work" for What? Problems and Prospects of Institutional Theory', <http://dx.doi.org/10.1177/1056492610387224>, 20(1), pp. 67–72. Available at: <https://doi.org/10.1177/1056492610387224>.

Willmott, H. (2014) 'Why Institutional Theory Cannot Be Critical', *Journal of Management Inquiry*, 24(1), pp. 105–111. Available at: <https://doi.org/10.1177/1056492614545306>.

World Bank. (2020) *Trading for development in the age of global value chains*.

Wright, A.L., Zammuto, R.F. and Liesch, P.W. (2015) 'Maintaining the Values of a Profession: Institutional Work and Moral Emotions in the Emergency Department', <https://doi.org/10.5465/amj.2013.0870>, 60(1), pp. 200–237. Available at: <https://doi.org/10.5465/AMJ.2013.0870>.

Xu, L., Ji, S. and Dellaportas, S. (2021) 'The role of institutional entrepreneurship in the development of accounting in the early 20th century in China', *Business History*, 63(6), pp. 1007–1029. Available at: <https://doi.org/10.1080/00076791.2019.1676229>.

Xu, S. and Lu, C. (2022) 'Hybridization of curriculum integration and high-stakes testing: Chinese teachers' experiences and struggles in handling competing institutional logics', *Teaching and Teacher Education*, 119, p. 103845. Available at: <https://doi.org/10.1016/J.TATE.2022.103845>.

Yapa, P.W.S. and Ukwatte, S. (2015) 'The New Public Financial Management (NPFM) and accrual accounting in Sri Lanka', *Research in Accounting in Emerging Economies*, 15, pp. 7–50. Available at: <https://doi.org/10.1108/S1479-356320150000015002/FULL/EPUB>.

Yin, J. and Jamali, D. (2021) 'Collide or Collaborate: The Interplay of Competing Logics and Institutional Work in Cross-Sector Social Partnerships', *Journal of Business Ethics*, 169(4), pp. 673–694. Available at: <https://doi.org/10.1007/S10551-020-04548-8/FIGURES/2>.

Yukl, G. and Falbe, C.M. (1991) 'Importance of Different Power Sources in Downward and Lateral Relations', *Journal of Applied Psychology*, 76(3), pp. 416–423. Available at: <https://doi.org/10.1037/0021-9010.76.3.416>.

Zeghal, D. and Mhedhbi, K. (2006) 'An analysis of the factors affecting the adoption of international accounting standards by developing countries'. Available at: <https://doi.org/10.1016/j.intacc.2006.09.009>.

Zietsma, C. and Lawrence, T.B. (2010) 'Institutional Work in the Transformation of an Organizational Field: The Interplay of Boundary Work and Practice Work', <https://doi.org/10.2189/asqu.2010.55.2.189>, 55(2), pp. 189–221. Available at: <https://doi.org/10.2189/ASQU.2010.55.2.189>.



Zilber, T.B. (2009) 'Institutional maintenance as narrative acts ', in *Institutional work: Actors and agency in institutional studies of organizations*, pp. 205–235.

Zilber, T.B. (2016) 'How institutional logics matter: A bottom-up exploration', *Research in the Sociology of Organizations*, 48A, pp. 137–155. Available at:  
<https://doi.org/10.1108/S0733-558X201600048A005/FULL/XML>.

Zucker, L.G. (1977) *The Role of Institutionalization in Cultural Persistence*, *Source*.  
 American Sociological Review.

<https://doi.org/10.1080/01900692.2024.2401456> (Press briefing of Cabinet Decision taken on 2018-10-02,  
[https://www.cabinetoffice.gov.lk/cab/index.php?option=com\\_content&view=article&id=16&Itemid=49&lang=en&dID=9243](https://www.cabinetoffice.gov.lk/cab/index.php?option=com_content&view=article&id=16&Itemid=49&lang=en&dID=9243), accessed at the 10 January 2022)

Press briefing of Cabinet Decision taken on 2019-03-06,  
[https://www.cabinetoffice.gov.lk/cab/index.php?option=com\\_content&view=article&id=16&Itemid=49&lang=en&dID=9564](https://www.cabinetoffice.gov.lk/cab/index.php?option=com_content&view=article&id=16&Itemid=49&lang=en&dID=9564), accessed at 10 January 2022)

## Appendix

### Comprehensive Inventory of Documents in Paper One

Document	Year	Source/publication
Government Financial Statements and Audit Report on Financial Statements	2021, 2022 and 2023	Ministry of Finance, Sri Lanka
Action Plan and Performance report of State Accounts Department, Ministry of Finance, Sri Lanka	2021, 2022 and 2023	Ministry of Finance, Sri Lanka
ICASL Action Plan	Updated in 2018	The Institute of Chartered Accountants of Sri Lanka (ICASL)
Annual Report of APFASL (Public Sector Wing)	2021 and 2022	The Institute of Chartered Accountants of Sri Lanka (ICASL)
World Bank Reports	2007, 2010	World Bank
ACCA Report	2017	ACCA
IMF Reports on Accrual Accounting	2016	IMF
IMF Country reports on Sri Lanka	2022, 2023 and 2024	IMF
PUBLIC FINANCIAL MANAGEMENT SYSTEMS—SRI LANKA: Key elements from a financial management perspective	2018	Asian development Bank
Central Government Circulars issued by the	2018	State Accounts Circular 265/2018, Ministry of Finance, Sri Lanka.

Ministry of Finance		Finance Circular Letter No. 02/2018, Ministry of Finance, Sri Lanka.
Provincial Government Circulars	2017, 2022	Northern Province Treasury Circular - PF/AP/07/2017, Northern Province, Council, Sri Lanka.  North Central Provincial Treasure Circular 2022/10 and 2022/12, North Central Province Council, Sri Lanka.
Circulars issued by the other government organizations	2019	Local Government Circular 01/2019 issued by the North Central Province Council, Sri Lanka.
SLPSAS volume I, II and III	2009, 2012 and 2018	Jointly published by the ICASL and Ministry of Finance, Sri Lanka.
National Audit Act Number 19 of 2018	2018	National Audit office, Sri Lanka
Budget Speech - Sri Lanka Parliament.	2018	<a href="https://www.parliament.lk/files/pdf/budget/2018/budget-speech-2018.pdf">https://www.parliament.lk/files/pdf/budget/2018/budget-speech-2018.pdf</a>
Press briefings of cabinet ministry decisions of Sri Lanka.	2018	<a href="https://www.cabinetoffice.gov.lk/cab/index.php?option=com_content&amp;view=article&amp;id=16&amp;Itemid=49&amp;lang=en&amp;dID=9243">https://www.cabinetoffice.gov.lk/cab/index.php?option=com_content&amp;view=article&amp;id=16&amp;Itemid=49&amp;lang=en&amp;dID=9243</a> , accessed at the 10 January 2022
International Public Sector Financial Accountability Index Status Report	2021	<a href="https://www.ifac.org/knowledge-gateway/public-sector/publications/international-public-sector-financial-accountability-index-2021-status-report">https://www.ifac.org/knowledge-gateway/public-sector/publications/international-public-sector-financial-accountability-index-2021-status-report</a>
IFAC, CIPFA	2020	<a href="#">Public Sector Financial Accountability Index   IFAC</a>

**Publication/Conference Presentation Evidence****Paper 01**

The initial draft of this paper was presented at the PhD Colloquium of the 16th CIGAR Workshop in 2022, and the final draft was presented at the 24th BAFA – Accounting Finance in Emerging Economies Special Interest Group Workshop in December 2023.

**Paper 02**

The initial draft of this paper was presented at the 23rd BAFA – Financial Reporting and Business Communication (FRBC) Special Interest Group Conference in July 2023, and the final draft was presented at the PhD Colloquium of the 17th CIGAR Workshop in 2024.

**Paper 03**

The final draft was presented at the 25th BAFA – Accounting, Finance in Emerging Economies Special Interest Group Workshop in July 2024. I received the Best PhD Paper Award in the qualitative research category.



University of Essex

21/03/2022

Mr Chirath Gatawa Kandage

Essex Business School

University of Essex

Dear Chirath,

**Ethics Committee Decision**

Application: ETH2122-0880

I am writing to advise you that your research proposal entitled "Transplanting western approaches to accounting reforms in emerging economies: A case of accrual basis public sector accounting standards in Sri Lanka." has been reviewed by the Ethics Sub Committee 3.

The Committee is content to give a favourable ethical opinion of the research. I am pleased, therefore, to tell you that your application has been granted ethical approval by the Committee.

Please do not hesitate to contact me if you require any further information or have any queries.

Yours sincerely,

Casper Hoedemaekers



## Invitation Letter

Dear sir/madam,

### Re: Invitation to Participate in Essex Business School Research Project

I am writing to invite you to participate in a research project, entitled *Transplanting western approaches to accounting reforms in emerging economies: A case of accrual basis public sector accounting standards in Sri Lanka*.

The purpose of this research is to investigate the adoption and implementation of public sector accounting standards in Sri Lanka. The research forms part of my postgraduate study and is being undertaken under the supervision of Professor Kelum Jayasinghe and Professor Pawan Adhikari at Essex Business School.

The research will involve undertaking qualitative semi-structured interviews. All data collected will be treated in strictest confidence.

I attach an information sheet which provides further details about what participation in the research would entail and how anonymity and confidentiality will be managed.

Your participation and support will be highly appreciated. For further information, you can directly contact the researcher or the supervisor via emails shown below.

Thank you very much for your attention and consideration.

Yours faithfully,

[signature]

G.K. Chirath Jeewantha  
Student Researcher

Researcher(s)	Contact details
Student Researcher	G.K. Chirath Jeewantha <a href="mailto:cg20046@essex.ac.uk">cg20046@essex.ac.uk</a> Call/SMS/WhatsApp +94 716455553
Supervisor 01	Professor Kelum Jayasinghe <a href="mailto:knjay@essex.ac.uk">knjay@essex.ac.uk</a> Call/SMS/WhatsApp +44 7507783066
Supervisor 02	Professor Pawan Adhikari <a href="mailto:padhik@essex.ac.uk">padhik@essex.ac.uk</a> Call/SMS/WhatsApp +44 7539296193

**Participant Consent form for Research Project: “Transplanting western approaches to accounting reforms in emerging economies: A case of accrual basis public sector accounting standards in Sri Lanka”**

Dear participant,

This research is being carried out by **Gatawa Kandage Chirath Jeewantha** under the supervision of Professor Kelum Jayasinghe and Professor Pawan Adhikari.

If you agree to participate in this study, you will be interviewed by the researcher. The answers which you provide will be recorded through notes taken by the interviewer and audio recording.

Please see the attached Participant Information Sheet for details about the study and your rights as a participant.

Yours,

G.K. Chirath Jeewantha  
Student Researcher

<u>Statement of Consent</u>	<u>Please initial each box</u>
<ul style="list-style-type: none"> <li>I confirm that I have read and understood the information provided in the Participant Information Sheet dated 22<sup>nd</sup> February 2022 for the above study. I have had an opportunity to consider the information, ask questions and have had any questions satisfactorily answered.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>I understand that my participation is voluntary and that I am free to withdraw from the project at any time without giving any reason and without penalty. I understand that any data collected up to the point of my withdrawal will be destroyed until the submission date of research papers.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>I understand that the identifiable data provided will be securely stored and accessible only to the members of the research team directly involved in the project, and that confidentiality will be maintained.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>I understand that my fully anonymised data will be used to publish in scholarly journal articles and conference papers as well as to complete the PhD thesis of the student researcher.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>I understand that the data collected about me will be used to support other research in the future and may be shared anonymously with other researchers.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>I give permission for the data to be stored in the form of anonymised transcripts in the password protected computer servers accessible only by the project researchers, except if required by law.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>I agree for this [interview to be audio recorded via notes taken by the researcher.</li> </ul>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>I agree to participate in the research project, <b>“Transplanting western approaches to accounting reforms in emerging economies: A case of accrual basis public sector accounting standards in Sri Lanka”</b>, being carried out by G.K. Chirath Jeewantha.</li> </ul>	<input type="checkbox"/>



### **Participant Information Sheet**

#### **Transplanting western approaches to accounting reforms in emerging economies: A case of accrual basis public sector accounting standards in Sri Lanka**

Dear Sir or Madam,

You are invited to participate in the research project identified above which is being conducted by Mr. Gatawa Kandage Chirath Jeewantha as part of his PhD thesis at the University of Essex, United Kingdom supervised by Professor Kelum Jayasinghe and Professor Pawan Adhikari from the Essex Business School at the University of Essex, United Kingdom.

Why is the research being done?

The purpose of this study is to explore the factors behind the adoption and implementation accrual basis public sector accounting standards in Sri Lanka. Accounting reforms in emerging economies mainly comprise with adoption of accrual accounting and international public sector standards (IPSAS). Previous research has shown a dearth of studies examining the adoption and implementation of accounting reforms in emerging economies, particularly in Sri Lanka. As a response to this need, this research will achieve three objectives connected with accounting reforms in Sri Lanka. First, study explore the overview of current status of accounting practices and reforms in the public sector of Sri Lanka. Second, study intends to discover the role of different actors, challenges and issues in executing accounting reforms (IPSAS adoption and implementation) at central government level in Sri Lanka. Finally, study investigates the interplay and dynamic relationship between different agents, agential responses and implications of agency in accounting reforms in Sri Lanka.

Who can participate in the research?

Adoption and implementation of accounting reforms in Sri Lanka is a collaborative effort of different actors of national and international level. In this process, a leading role is playing by the State Accounts Department (SAD), Ministry of Finance and Planning, Sri Lanka. Hence, key persons from SAD including Director General, Assistant Director Generals and Deputy Generals will be interviewed. Further, public sector accounting standards in Sri Lanka have been developed by a special committee of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Hence, members of the committee will be interviewed. Also, officials of The Association of Public Finance Accounts of Sri Lanka (APFASL) as Public Sector Wing of CA Sri Lanka will be participated as interviewees of the study. Chief Financial Officers of the public sector organizations as well as Government Accountants have been identified as interviewees of the study. Additionally, Deputy Auditors General, Assistant Auditor General and Superintendents of Audit will be participated as interviewees. Further,

Management Assistants of Accounting and Finance Section of Government department and ministers will participate for this study. In addition, as key actors of the accounting reforms, country representatives of international financial agencies such as World bank, IMF and ADB will be interviewed.

Why you have I been invited to participate?

Your organization has been identified as a key player of this IPSAS adaptation and implementation process. We have taken the consent of your organization to take part you for this study and you are allowed to see the annexed organizational approval for the study. As per the job role and the designation, you have been chosen as an important input provider for this research. Selected few of other staff members in your department/section will be invited to participate for this study.

What would you be asked to do?

If you agree to participate, you will be invited to participate in an interview for 40-60 minutes which will be conducted face-to-face or if the participant is requested, it will be conducted remotely over Zoom/Skype (online) to respond to questions, in your own words, in relation to the areas of interest for this study. Interview questions comprised with questions related to adoption and implementation of accrual basis accounting standards in public sector of Sri Lanka. With your permission, the interviews will be audio recorded to incorporate into the research. Your inputs should be guided by your general experience and perceptions on accounting reforms.

What choice do you have?

Participation in this research is entirely your choice. Only those people who give their informed consent will be included in the project. Whether or not you decide to participate, your decision will not disadvantage you in any way at your workplace. Your confidentiality will be maintained at all times and your workplace will not be made aware of who does or does not participate in the study. If you do decide to participate in this research, and you may wish to withdraw from the study at a later stage, you may do so at any time without giving a reason and have the option of withdrawing your data until the submission date of the research paper. During the interview, you can ask for the recording to be stop, edit or erase at any time. You can also ask to review the transcript and edit your contribution. If you decide to withdraw, all data related to the interview will be withdrawn and destroyed.

How much time is required for the interview?

The interview will take approximately 45-60 minutes to complete.

What are the risks and benefits of participating?

No harm or risks of harm are anticipated for potential participants in this study since the study seeks to ascertain experiences, perceptions, opinions and suggestions from respondents. However, some of the questions of this study will make some criticisms on existing systems, practices and people (e.g. political support, support from administrative authority, allocation of resources etc.). Should you find any of the questions impact your autonomy or job security, you can stop answering such questions or you stop your participation at any time. The findings of this study are expected to increase our understanding of current status of public sector accounting reforms in Sri Lanka. The outcomes of this study will help inform policy decisions at the organisational and federal levels for the successful implementation of accounting reforms. By participating in this study, you will have the opportunity to contribute to producing your insights for the development of public sector accounting reform theory and practice in emerging economies particularly in Sri Lanka.

How will your privacy be protected?

Data will be retained securely for a minimum period of 5 years from completion of the research and managed/stored in accordance with the University's Research Data and Management Guideline (see <https://www.essex.ac.uk/staff/research-governance#data>) or any successor Guideline, and applicable University of Essex policy provisions (as amended from time to time).

Access to any identifiable data will be restricted to members of the research team, unless you have consented otherwise, or disclosure is required by law or in order for us to comply with our regulatory obligations.

All information collected will be treated **strictly confidential**. No individual identifiable information will be collected except for the consent form for the interviews, the information in which will not be associated with the interview transcripts. The data will be stored in password protected computer servers accessible only by the project researchers, except if required by law. Usage of systematic codes designed specifically for the study by the researchers will be applied to categorise collected data.

Only the researchers and a professional transcription service will have access to the data collected during this project. Any transcription service engaged for this research will be required to sign a confidentiality agreement. The data will be kept in soft copy in password-protected computer servers accessible only to the researchers. The digital recordings of the interviews will be erased once the transcripts are verified by the participants. Participant consent forms will be scanned and held electronically. Following the transcription of the recorded interviews, all primary data will be recoded into pseudonyms such as Interviewee A, B, C and so on for maintaining confidentiality. Organizational participation will be identified

in the study report. However, individual participants will not be identified in any reports. You will be able to review the transcript of the audio recording to edit or erase your contribution.

The Data Controller of this study will be the University of Essex and the contact person will be University Information Assurance Manager ([dpo@essex.ac.uk](mailto:dpo@essex.ac.uk)).

How will the information collected be used?

The information collected will be used to publish in scholarly journal articles and conference papers as well as to complete the PhD thesis of the student researcher. Individual participants will not be identified in any reports/publications arising from the project. Non-identifiable data may be also be shared with other parties to encourage scientific scrutiny, and to contribute to further research and public knowledge, or as required by law. **The data collected will not be sold for commercial purposes.** At the conclusion of this research project, the researchers will make a summary of the results available to all interview participants or by indicating your desire to receive this summary via the consent form of this research. Moreover, a copy of the final thesis will also be deposited in the University of Essex, United Kingdom publicly available online library.

What do you need to do to participate?

Please read this Information Statement and be sure you understand its contents before you consent to participate. If there is anything you do not understand, or you have questions, please contact the researchers. Kindly note that you have two weeks from the receipt of this invitation to respond to the invitation. If you would like to participate, please complete the attached Consent Form and return via email to the student researcher, G.K. Chirath Jeewantha at [cg20046@essex.ac.uk](mailto:cg20046@essex.ac.uk). You will then be contacted by a member of the research team via email or telephone/WhatsApp call to arrange a time convenient to you for the interview. The student will place a follow-up call approximately one week from receipt of the invitation and you are welcome to seek further information or to decline the invitation at that time.

Where will the interview be held? How will the interview be recorded?

The interview will be held face-to-face or online that is agreed to by the interviewer and the participant preferably. The interviews will be audio recorded; plus, additional notes may be taken by the interviewer. Face-to-face interviews will be conducted at interviewees office space or any other convenient place to him/her. If the interview will be conducted over Zoom/Skype, the participants will have the option to turn off their video camera at their discretion. Please note: The interviews will be in the participants own time, either before or after work or in an allocated break, e.g. lunch time, unless otherwise approved.

### Further information

If you would like more information about this study, please contact Gatawa Kandage Chirath Jeewantha at [cg20046@essex.ac.uk](mailto:cg20046@essex.ac.uk) or telephone +44 7405438481 or WhatsApp +94 716455553 or Professor Kelum Jayasinghe at [knjay@essex.ac.uk](mailto:knjay@essex.ac.uk) or telephone call/WhatsApp +44 7507783066 or Professor Pawan Adhikari at [padhik@essex.ac.uk](mailto:padhik@essex.ac.uk) or telephone call/WhatsApp +44 7539296193.

### How can I make concerns and complaints?

If you have any concerns about any aspect of the study or you have a complaint, in the first instance please contact the principal investigator of the project: Professor Kelum Jayasinghe at [knjay@essex.ac.uk](mailto:knjay@essex.ac.uk) or telephone call/WhatsApp +44 7507783066. If are still concerned, you think your complaint has not been addressed to your satisfactory or you feel that you cannot approach the principal investigator, please contact Essex Business School Ethics Officer, Dr Casper Hoedemaekers ([choedem@essex.ac.uk](mailto:choedem@essex.ac.uk)) or telephone call +44 (0) 1206874767. If you are still not satisfied, please contact University's Research Governance and Planning Manager, Sarah Manning-Press ([sarahm@essex.ac.uk](mailto:sarahm@essex.ac.uk)). Please include the ERAMS reference which can be found at the foot of this page.

**Thank you for considering this invitation**

[signature]

Professor Kelum Jayasinghe  
Principal Investigator

[signature]

G.K. Chirath Jeewantha  
Student Researcher

### **Interview guide questions.**

#### **Ministry of Finance and Planning (State Accounts Department)**

1. How long you have been working in this position?
2. Do you believe that Sri Lanka needs business like public sector?
3. Could you please explain the history and current situation of accrual accounting and IPSAS adoption in Sri Lanka?
4. How the current situation (compliance level) of central government is compared with provincial and local governmental levels?
5. How do explain specific role of the Ministry of Finance and Planning (State Accounts Department) in this accrual accounting, IPSAS adoption and implementation process?
6. What are your main duties and responsibilities in this process? (your role)
7. What is the current legal and administrative procedure to adopt and implement accrual accounting and IPSAS?
8. What are the identified main issues/barriers in this accrual accounting and IPSAS adoption?
9. Do you believe that IPASA adoption and implementation could help to achieve desired outcomes such as enhance the governance and accountability (reduce the corruption) in public sector?
10. Could you please explain the role and support or the connection between CA Sri Lanka in the process?
11. How do you identify the role of international financial institutions (World Bank, IMF etc) within this implementation process?
12. How these international financial institutions have influenced to this process?
13. How the support given by relevant political authorities to the successful implementation?
14. Do you think that existing CIGAS system is compatible with accrual accounting and IPSAS?
15. How do you see/predict the future of IPSAS implementation in Sri Lanka?

#### **The Institute of Chartered Accountants of Sri Lanka Sri Lanka (CA Sri Lanka)**

1. How long you have been working in this public sector accounting standards committee?
2. What are the main roles and responsibilities of this committee and your contribution for the committee?
3. Can you explain the identified issues and challenges which makes delay for the adoption and implementation process of IPSAS in Sri Lanka?
4. How the CA Sri Lanka contributes to enhance the technical knowledge of government accountants regarding IPSAS?
5. How do you explain the support given by Ministry of Finance and Planning for the successful implementation of accrual accounting and IPSAS in Sri Lanka? (relationship of CA Sri Lanka with Ministry of Finance and Planning in this IPSAS adoption and implementation process)

6. Could you please explain the role of Public Finance Accountants of Sri Lanka (APFASL) which is branded as 'public sector wing of CA Sri Lanka' for the development of public sector accounting in Sri Lanka?
7. Does CA Sri Lanka have any initiatives/suggestions to give professional recognition to the government accountants?
8. Could you please explain the connection between CA Sri Lanka and international financial institutions and professional accounting organizations (World Bank, IMF, IFAC...etc)
9. What you this that professional accounting firms such as PwC, KPMG, E&Y could contribute for the successful implementation of accrual accounting and IPSAS in Sri Lanka and how?
10. In the action plan of CA Sri Lanka, an important consideration has been given for the progress of public sector accounting in Sri Lanka. How do you evaluate that?
11. Do you believe that Sri Lanka can achieve the desired objectives of IPSAS implementation in Sri Lanka (good governance and accountability in public sector)?
12. How do you see the future of this IPSAS implementation process in Sri Lanka?

### **Government Accountants**

1. How long you have been working in this position?
2. Could you please explain the current development of accrual accounting and IPSAS adoption and implementation in your organization?
3. What is your specific role and responsibilities in this adoption and implementation process of accrual accounting and IPSAS?
4. What are the identified major issues and challenges for getting delay in this IPSAS implementation? (valuation of assets and liabilities...etc)
5. How do you explain the support given by Ministry of Finance and Planning as well as CA Sri Lanka to enhance the technical knowledge of government accountants and other management assistants?
6. According to your knowledge, do you think that current accounting standards need to be changed, modified, withdrawn or new standards need to be introduced? Could you explain with few examples?
7. Do you believe that there is a favourable bureaucratic and administrative structure to the successful implementation for the accounting reforms (legal structure, support of administrative offices and politicians? Etc)
8. Do you have any suggestions for changes to the relevant authorities (things need to be changed for the successful implementation)?
9. Do you expect any professional recognition as an accountant (how do you compare your position with chartered accountants)?
10. Do you satisfy with previous public financial reporting system in Sri Lanka (cash accounting and accounting standards)?
11. What is your view regarding the accounting reforms mainly the adoption of business-like public sector (usage of private sector management practices in public organizations)?
12. What is your idea regarding the cancellation of bookkeeping position and employing management assistants to your section?
13. Do you satisfy with existing CIGAS system and other available facilities?
14. How do you see the future of accrual accounting and implementation of IPSAS in Sri Lankan public sector organizations?

### **International Financial institutions (World Bank, IMF and ADB)**

1. What is the role of your organization and influence for the implementation of accounting and financial management reforms in developing countries?
2. Could you please explain the financial assistance and technical support extended to the public sector reforms (generally in developing countries and particularly in Sri Lanka)?
3. What are the specific steps you have taken to overcome unnecessary delays in the implementation of public sector reforms?
4. How do you maintain the connection between relevant authorities of these countries regarding public sector reforms (e.g., Ministry of Finance and Planning in Sri Lanka)?
5. How do you see the support of politicians of countries, bureaucratisees and other domestic organizations in the implementation of accounting reforms (particularly in Sri Lanka)?

### **National Audit Office, Sri Lanka**

1. How long you have been working in the current position and what are your roles and responsibilities?
2. How do you contribute to the development of public sector accounting standards in Sri Lanka?
3. What is the role of National Audit Office in the adoption and implementation of accrual accounting and IPSAS in Sri Lanka?
4. Have your organization changed current strategies and audit methodologies to comply with accrual accounting and IPSAS?
5. What are the steps the National Audit Office has taken to enhance the technical knowledge of government auditors to comply with business like public sector?
6. How does the National Audit Office connect with Ministry of Finance and Planning and CA Sri Lanka in the process of adoption and implementation of accrual accounting in Sri Lanka?
7. What are identified issues and barriers for the successful implementation of accrual accounting and IPSAS in Sri Lanka?
8. According to your knowledge, do you think that current accounting standards need to be changed, modified, withdrawn or new standards need to be introduced? Could you explain few examples with your audit experience?
9. How do you see the concept of business-like public sector (application of private sector management practices to public sector organizations)?
10. How do you see the future of accounting reforms in public sector organizations from auditor's perspective?

### **Management Assistance (works in accounting and finance divisions)**

1. Could you please explain your education background and experience in management assistance service?
2. Have you taken any training to work in this accounting and finance section?
3. How is your experience in working this division? (dealing with accrual accounting and accounting standards etc)
4. What are the specific issues and challenges which you face in this division? (technical issues with CIGAS system)