The harmonisation of GAAP and GFS financial reporting in the
Australian public sector: Why and how did it happen?
An agenda setting perspective

Sabine Schürrer
PhD Candidate

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy
ABSTRACT

In April 2003, the Financial Reporting Council (FRC) issued a strategic direction to the AASB to develop an accounting standard that would harmonise Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS) accounting for Australian public sector entities. Australia is the only jurisdiction that has developed and implemented such an accounting standard. This thesis examines how and why the FRC made the decision to issue this strategic direction in a qualitative historic case study. The main data sources are oral histories and archival and other written documents.

The thesis adopts the perspective that public sector accounting standards are essentially a type of public policy and adopts an agenda setting theoretical framework to investigate the events. Addressing previous calls for the use of a more sophisticated construct to investigate accounting agenda setting processes, the thesis develops a holistic, epistemologically and theoretically grounded framework combining existing theoretical lenses. The theoretical framework introduces discourse to the investigation of accounting agenda setting, enabling new insights into the political nature this process. The theoretical aspect of this thesis highlights the importance of considerations of institutional political and discursive elements and individual and collective actors in investigations of accounting agenda setting.

The thesis argues that policy entrepreneurs (PEs) faced problems during the preparation of the federal government budget papers for the financial year 1999/2000. They identified the idea of GAAP/GFS harmonisation as a potential solution to their problems. At that point in time, however, other issues dominated the agendas of governments and standard setters. This created a need for the PEs to engage in a strategic process to convince the standard setters to consider and act upon GAAP/GFS harmonisation. The PEs initially focused their lobbying activity on the accounting standard setting bodies. At some point in time, it became evident, however, that the Australian Accounting Standards Board (AASB) might not decide to develop a desired accounting standard. As a result, the PEs refocused their lobbying on the AASB’s oversight body, the FRC, which essentially provided the strategic direction to the AASB.

As part of the agenda setting process, the PEs had to search for a set of problems that served as a justification for their policy solution. They also created a new epistemic community that was bound by the belief that GAAP and GFS accounting principles could be harmonised and serve microeconomic GAAP and macroeconomic GFS objectives. The thesis found that the PEs were able to exploit a window of opportunity to convince the FRC of their favoured solution. FRC members from non-public sector backgrounds relied on the expertise of public-sector members and the support of the epistemic community for the project. In essence, the thesis argues that the FRC and the AASB lost control over their agendas in the GAAP/GFS harmonisation agenda setting case.

Policy implications from this research project are that the institutional independence of the FRC and the AASB should be reconsidered. In addition, the institutional arrangements for public sector accounting standards should be reflected on in the light of the lack of contribution of FRC members without-public sector experience. Last, a more formalised agenda setting project should be implemented.
TABLE OF CONTENTS

ABSTRACT ......................................................................................................................... i
TABLE OF CONTENTS ....................................................................................................... i
LIST OF FIGURES ........................................................................................................ vii
LIST OF ACRONYMS AND ABBREVIATIONS ................................................................ viii
ACKNOWLEDGMENT ...................................................................................................... ix
DECLARATION ................................................................................................................ x
CHAPTERS 1 TO 9 ............................................................................................................. 1
APPENDICES .................................................................................................................. 289
PRIMARY SOURCES ....................................................................................................... 316
BIBLIOGRAPHY ............................................................................................................... 319

CHAPTER 1 INTRODUCTION .............................................................................................. 1
  1.1 INTRODUCTION TO THE RESEARCH PROJECT ................................................. 1
  1.2 THE RESEARCH PROBLEM ................................................................................ 2
  1.3 JUSTIFICATION FOR THE RESEARCH PROJECT ........................................... 5
     1.3.1 A case study of GAAP/GFS harmonisation in Australia ......................... 5
     1.3.2 A case study of agenda setting ................................................................. 11
  1.4 METHODS AND THE DEFINITION OF THE BOUNDARIES OF THE
     RESEARCH PROJECT ................................................................................................. 15
  1.5 STRUCTURE OF THE THESIS ............................................................................ 16
CHAPTER 2  A REVIEW OF THEORIES AND MODELS EXAMINING AGENDA
SETTING IN ACCOUNTING IN EXISTING LITERATURE .......... 18

2.1 INTRODUCTION ........................................................................................................ 18
2.2 ACTOR CENTRED STUDIES .................................................................................. 21
  2.2.1 Three approaches to agenda building ............................................................... 21
  2.2.2 Studies using the three approaches to agenda building ................................. 26
  2.2.3 Regulatory space ............................................................................................... 33
  2.2.4 Studies using regulatory space ......................................................................... 35
  2.2.5 Other actor-centred studies .............................................................................. 37
2.3 PROBLEM CENTRED MODELS ............................................................................. 39
  2.3.1 Accounting Cycles ............................................................................................ 39
  2.3.2 Studies using the accounting cycle ................................................................. 42
2.4 NON-DECISION MAKING MODELS ...................................................................... 45
  2.4.1 Three dimensions of power ............................................................................. 45
  2.4.2 Studies using three dimensions of power ...................................................... 49
2.3 SUMMARY: TRADITIONAL CONSTRUCTS AND STUDIES OF
ACCOUNTING AGENDA SETTING ................................................................. 50

CHAPTER 3  A REVIEW OF PUBLIC POLICY FRAMEWORKS, THEORIES
AND MODELS ............................................................................................................. 54

3.1 INTRODUCTION ........................................................................................................ 54
3.2 PUBLIC POLICY CONSTRUCTS BASED ON RATIONAL CHOICE
ASSUMPTIONS ........................................................................................................... 58
3.3 PUBLIC POLICY CONSTRUCTS FOCUSING ON HISTORICAL
FACTORS ..................................................................................................................... 62
3.4 PUBLIC POLICY CONSTRUCTS OF SOCIOLOGICAL
INSTITUTIONALISM ................................................................................................... 64
3.5 PUBLIC POLICY CONSTRUCTS WITH ECLECTIC
EPISTEMOLOGIES ...................................................................................................... 69
  3.5.1 The advocacy coalition framework ................................................................. 69
  3.5.2 The multiple streams framework ...................................................................... 72
  3.5.3 Studies using the multiple streams framework or its predecessors .......... 77
3.6 WHAT CONSTRUCT IS BEST SUITED TO INVESTIGATE THE
GAAP/GFS HARMONISATION AGENDA SETTING PROCESS? ...... 81
CHAPTER 4  DEVELOPING AN INTEGRATED AGENDA SETTING FRAMEWORK ........................................................................85
4.1 INTRODUCTION ......................................................................................................................... 85
4.2 DISCURSIVE INSTITUTIONALISM TO SUPPLEMENT MULTIPLE STREAMS? ................................................................. 86
4.3 COMBINED USE OF MS AND DI IN PRIOR STUDIES ................................................................. 94
4.4 COLLECTIVE ACTORS ............................................................................................................... 97
4.5 EPISTEMIC COMMUNITY IN THE ACCOUNTING LITERATURE ............................................. 102
4.6 A NEW THEORETICAL FRAMEWORK: THE DISCURSIVE AGENDA SETTING FRAMEWORK .................................................. 106
  4.6.1 Integrating multiple streams and discursive institutionalism ........................................... 106
  4.6.2 The discursive agenda setting framework (DASF) ......................................................... 111
4.7 SUMMARY AND CONCLUSION .......................................................................................... 114

CHAPTER 5  RESEARCH DESIGN AND METHODS ................................................................. 117
5.1 INTRODUCTION ......................................................................................................................... 117
5.2 ONTOLOGICAL AND EPISTEMOLOGICAL CONSIDERATIONS ....................................... 117
5.3 AN INTERPRETIVE QUALITATIVE HISTORIC CASE STUDY – JUSTIFICATION AND CLARIFICATION OF TERMINOLOGY .......... 120
  5.3.1 What is case study method and research design? ......................................................... 120
  5.3.2 Historiography and histories in accounting ................................................................. 122
5.4 CASE STUDY METHODOLOGY .......................................................................................... 126
  5.4.1 Defining the case study .................................................................................................. 127
  5.4.2 Ensuring the quality of the research project ................................................................. 130
5.5 DATA ..................................................................................................................................... 138
  5.5.1 Data collection: Semi-structured in-depth interviews ............................................ 139
  5.5.2 Data collection: Archival records and other documents ........................................ 145
  5.5.3 Data analysis ................................................................................................................ 148
  5.5.4 Presentation and interpretation of data and findings ............................................... 155
5.6 SUMMARY .......................................................................................................................... 156
CHAPTER 6  THE POLICY ENTREPRENEURS OF THE GAAP/GFS HARMONISATION AGENDA SETTING PROCESS..................... 158

CHAPTER 7  THE CONSTRUCTION OF GAAP/GFS HARMONISATION AS A POLICY SOLUTION................................................................. 172

7.1  INTRODUCTION......................................................................................................................... 172

7.2  THE STATE OF PUBLIC SECTOR ACCOUNTING, THE IDENTIFICATION OF PROBLEMS AND THEIR ASSOCIATION WITH GAAP/GFS REPORTING .................................................................................................................................................................................. 176

7.2.1 Assumptions in the policy debate: paradigms and public sentiment........ 176

7.2.2 Problems of public sector accounting (including budgeting) from 1991 to 2000 .............................................................................................................................................................................................................................................. 179

7.2.2.1 The governmental agenda from 1991 to 2000 ......................................................... 180

7.2.2.2 The standard setting agenda from 1996-2002......................................................... 186

7.2.2.3 Discussion of GAAP and GFS related issues outside the governmental and accounting standard setting agendas before 1999 .......................................................... 188

7.2.2.4 Problems of public sector accounting summarised................................................. 189

7.2.3 A critical moment and changes in the organisational institutional environment .............................................................................................................................................................................. 190

7.3  THE IDEA OF ‘GAAP/GFS HARMONISATION’................................................................. 195

7.4  SUMMARY AND CONCLUSION...................................................................................... 199
CHAPTER 8  TRANSLATING THE IDEA OF GAAP/GFS HARMONISATION INTO REALITY .................................................................................................................. 202

8.1 INTRODUCTION ........................................................................................................ 202

8.2 THE SUBSTANCE AND SUCCESS FACTORS OF GAAP/GFS HARMONISATION ...................................................... 205

8.2.1 Cognitive aspects and technical feasibility .............................................................. 205

8.2.2 Normative aspects and value acceptance .................................................................. 207

8.2.3 Further criteria for the survival of GAAP/GFS harmonisation ................................. 209

8.3 COORDINATION AND COMMUNICATION AND THE CREATION OF A NEW EPISTEMIC COMMUNITY ........................................................................................................ 210

8.3.1 Commonwealth Department of Treasury (Treasury) and Department of Finance and Deregulation (Finance) .............................................................. 213

8.3.2 Heads of Treasuries .................................................................................................. 216

8.3.3 The Australian National Audit Office and the Australasian Council of Auditors-General .................................................................................................................. 222

8.3.4 Australian Bureau of Statistics .................................................................................. 225

8.3.5 Political actors .......................................................................................................... 228

8.3.6 Summary ................................................................................................................... 235

8.4 COMMUNICATION AND COORDINATION AT THE AASB ............... 236

8.5 COMMUNICATION AND COORDINATION AT THE FRC AND A WINDOW OF OPPORTUNITY .............................................................................................................. 240

8.6 SUMMARY AND CONCLUSION ................................................................................. 249
LIST OF FIGURES

Figure 2.1: Summary of Constructs of Agenda Setting ........................................ 19
Figure 2.2: Three Approaches of Agenda Building ........................................... 24
Figure 2.3: Summary ‘Three Approaches of Agenda Building’ ....................... 25
Figure 2.4: Summary ‘Regulatory Space’ ......................................................... 34
Figure 2.5: Summary ‘Accounting Cycles’ ......................................................... 41
Figure 2.6: Summary ‘Three Dimensions of Power’ .......................................... 48
Figure 3.1: A Framework for Institutional Analysis ........................................... 60
Figure 3.2: Summary ‘Rational Institutionalism’ .............................................. 62
Figure 3.3: Summary ‘Historical Institutionalism’ ............................................. 64
Figure 3.4: Summary ‘Social Construction Framework’ ................................... 68
Figure 3.5: Summary ‘Advocacy Coalition Framework’ .................................. 71
Figure 3.6: Summary ‘Multiple Streams Framework’ ...................................... 76
Figure 4.1: Extended Typology of Types of Ideas and Their Effects on Policy Making .......................................................... 89
Figure 4.2: Discursive Institutionalism .............................................................. 92
Figure 4.3: A Model of Institutional Change .................................................... 95
Figure 4.4: Adjusted Typology of Ideas .......................................................... 108
Figure 4.5: Summary ‘DASF’ ........................................................................ 113
Figure 4.6: The Discursive Agenda Setting Framework DASF ....................... 114
Figure 5.1: Boundaries of the Case ................................................................. 130
Figure 5.2: Criteria for Judging Quality of Quantitative Versus Qualitative Research .............................................................. 131
Figure 5.3: Tools Used to Ensure the Quality of the Research Project in this Thesis .............................................................. 138
Figure 5.4: Interviews .................................................................................... 142
Figure 5.5: Documents Identified as Relevant .............................................. 146
Figure 5.6: Choice and Application of Analytical Instruments ....................... 150
Figure 6.1: Criteria to Identify PEs of the GAAP/GFS Harmonisation Agenda Setting Process ......................................................... 161
Figure 6.2: Key Individuals in the GAAP/GFS Harmonisation Agenda Setting Process .............................................................. 163
Figure 7.1: The Discursive Agenda Setting Framework DASF .......................... 174
Figure 7.2: Chronology GAAP/GFS Harmonisation 1991-1999 .................. 176
Figure 7.3: Consolidated Reports by Australian Jurisdictions for the Financial Year 1999-2000 .......................................................................................... 181
Figure 7.4: Accounting Standards Arrangement pre CLERP Restructures .... 191
Figure 8.1: Chronology GAAP/GFS Harmonisation 2000-2003 ................. 204
Figure 8.2: Extended Typology of Types of Ideas in the GAAP/GFS Harmonisation Program .......................................................................................... 209
**LIST OF ACRONYMS AND ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AARF</td>
<td>Australian Accounting Research Foundation</td>
</tr>
<tr>
<td>AAS</td>
<td>Australian Accounting Standard (pre 2000)</td>
</tr>
<tr>
<td>AASB</td>
<td>Australian Accounting Standard (post 2000)</td>
</tr>
<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
</tr>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>AC</td>
<td>Advocacy Coalition Framework</td>
</tr>
<tr>
<td>ACAG</td>
<td>Australasian Council of Auditors-General</td>
</tr>
<tr>
<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
</tr>
<tr>
<td>ANAO</td>
<td>Australian National Audit Office</td>
</tr>
<tr>
<td>ASB</td>
<td>Accounting Standards Board (UK)</td>
</tr>
<tr>
<td>ASC</td>
<td>Accounting Standards Committee</td>
</tr>
<tr>
<td>ASX</td>
<td>Australian Stock Exchange</td>
</tr>
<tr>
<td>BEFR</td>
<td>Budget Estimates and Framework Review</td>
</tr>
<tr>
<td>CLERP</td>
<td>Corporate Economic and Legal Reform Program</td>
</tr>
<tr>
<td>DASF</td>
<td>Discursive Agenda Setting Framework</td>
</tr>
<tr>
<td>DI</td>
<td>Discursive Institutionalism</td>
</tr>
<tr>
<td>EITF</td>
<td>Emerging Issues Task Force</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FASB</td>
<td>Financial Accounting Standards Board</td>
</tr>
<tr>
<td>FRC</td>
<td>Financial Reporting Council</td>
</tr>
<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
</tr>
<tr>
<td>GFS</td>
<td>Government Finance Statistics</td>
</tr>
<tr>
<td>HI</td>
<td>Historical Institutionalism</td>
</tr>
<tr>
<td>HoTs</td>
<td>Heads of Treasury</td>
</tr>
<tr>
<td>HoTARAC</td>
<td>Heads of Treasury Accounting and Reporting Advisory Committee</td>
</tr>
<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
</tr>
<tr>
<td>IAD</td>
<td>Institutional Analysis and Development Framework</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Financial Accounting Committee</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IPSASB</td>
<td>International Public sector Accounting Standards Board</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>JCPAA</td>
<td>Joint Committee on Public Accounts and Audit</td>
</tr>
<tr>
<td>MS</td>
<td>Multiple Streams Framework</td>
</tr>
<tr>
<td>NCSC</td>
<td>National Companies and Securities Commission</td>
</tr>
<tr>
<td>PD</td>
<td>Path Dependency</td>
</tr>
<tr>
<td>PE</td>
<td>Policy Entrepreneur</td>
</tr>
<tr>
<td>PEQ</td>
<td>Punctuated Equilibrium</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>PFI</td>
<td>Private Finance Initiative</td>
</tr>
<tr>
<td>PSASB</td>
<td>Public Sector Accounting Standards Board</td>
</tr>
<tr>
<td>RI</td>
<td>Rational Choice Institutionalism</td>
</tr>
<tr>
<td>SCF</td>
<td>Social Construction Framework</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities Exchange Commission</td>
</tr>
<tr>
<td>SELC</td>
<td>Senate Economic Legislation Committee</td>
</tr>
<tr>
<td>SFPALC</td>
<td>Senate Finance and Public Administration Legislation Committee</td>
</tr>
<tr>
<td>SI</td>
<td>Sociological Institutionalism</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
</tr>
</tbody>
</table>
ACKNOWLEDGMENT

This thesis would not have been possible with the immense support, goodwill and generosity of many people. I would like to express my profuse gratitude to my supervisory team including Professor Murray Scott Henderson, Associate Professor Bryan Howieson and Dr Christopher Graves. Professor Henderson provided guidance from a wealth of experience and didn’t lose faith when reading long sentences of English delivered early on with German grammar. Associate Professor Howieson, who brought me back onto the path when I’d gotten lost in the literature, always tested my conceptual framework and research questions. I would like to thank my supervisory team for their academic and personal guidance and encouragement, their trust, never-ending patience and for being there when I needed them.

The project has also benefited from other scholars who have provided feedback, guidance, inspirations and goodwill. The project would not have been possible without the support of the individuals that kindly agreed to be interviewed for this thesis, despite their busy timetables. I greatly appreciate their willingness and openness to contribute to this thesis. In particular, I would like to thank Robert Keys, who has been a kind and wise mentor.

Finally, I want dedicate this thesis to my family. To my parents Robert and Nam Kyu, who gave me the basis for being able to do this work and who are always there for me. To my favourite sister Susi, who understands what it means to write a thesis and who knows how to make me smile. To Barbara, Richard, Michael and their kids for being my Australian family. And to my partner David, who was with me and supported me throughout this journey. Thank you, I love you.
DECLARATION

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree. I give consent to this copy of my thesis, when deposited in the University Library, being made available for loan and photocopying, subject to the provisions of the Copyright Act 1968. I also give permission for the digital version of my thesis to be made available on the web, via the University’s digital research repository, the Library catalogue and also through web search engines, unless permission has been granted by the University to restrict access for a period of time.

Sabine Schührer

Adelaide, 28 February 2014