

Investigation of Feasibility and Perspective of Transformation to Accrual Basis of Accounting in the Entities of the General Government of Greece

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Abstract The application of private sector principles and tools to Public Sector entities is based on the need to adapt Public Sector practices and methodologies to modern private sector practices, although the purpose of resource management differs. The motivation for the study was that in Greece, according to the Presidential Decree 54/2018, was legislated the introduction of the accrual basis of accounting in all General Government entities according to ESA 2010 from 1/1/2023. Until then, four separate sectoral accounting plans are implemented for respective General Government entities and the provisions of 54/2018 for the Central Administration entities. The purpose of this paper is to investigate the need of the introduction of the accrual basis of accounting under the framework of 54/2018 for the entities of the General Government and the course of implementation of the project. The research was conducted using the qualitative method, the structured interview protocol was the data collection tool and the sample consisted of the employees of the Third Department of the General Government Accounting Plan. The results of the research highlighted the usefulness of the new accounting framework and the necessity of the transition to it, the difficulties in its implementation, with the main lack of personal and appropriate accounting information system. The training of existing staff, the recruitment of new staff and the existence of an appropriate accounting information system were found to be necessary for the smooth transition to accrual-based accounting. These factors and in combination with the covid-19 pandemic, led to the conclusion that it is difficult to implement the transition on 1/1/2023 and therefore an extension in terms of the transition date is proposed.

Keywords Accrual basis accounting, General Government, Accounting reform, Accountability

1. Introduction

Several OECD and EU Member States have effectively adopted accrual basis accounting or are in the process of adopting it, welcoming the main objectives of reform, transparency and accountability [1]. The fiscal crisis in Greece, which began in 2008, made it necessary to adopt new modern accounting measures to reflect public finances. The beginning of modernization took place with the obligation of our country to transpose into national law the European Directive 2011/85 on the requirements for the financial framework of the Member States of the European Union [2].

The General Government of Greece according to the rules and criteria of the European System of Accounts 2010 (ESA 2010) includes three sub-sectors: the Central Government, the Local Government Organizations and the Social Security Organizations. The entities that belong to each sub-sector are

identified by the Register of General Government Bodies kept under the responsibility of the Hellenic Statistical Authority [3].

The sub-sector of the Central Government includes the Central Administration and the legal entities under public and private law, as well as the Independent Administrative Authorities that have legal personality.

The Central Administration includes the Ministries, the Presidency of the Republic, the Greek Parliament and the Decentralized Administrations, as well as the Independent Authorities that do not have legal personality.

- The sub-sector of Local Government Organizations includes the Municipalities and the Regions and the legal entities of private or public law that belong to, are controlled or financed by them.
- The sub-sector of Social Security Organizations includes the Insurance Funds, the Employment Organizations and the Health Service Providers.
- Each sub-sector of the General Government implements its own accounting system, which is provided by a corresponding Presidential Decree. More specifically, the entities of the Central Government, with the exception of the entities of the Central

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Administration, apply the Presidential Decree 205/1998 and the Presidential Decree 146/2003 the public health units. The entities of the sub-sector of Local Government Organizations apply Presidential Decree 315/1999 and the entities of the sub-sector of Social Security Organizations implement Presidential Decree 80/1997. Presidential Decree 54/2018 applies to the entities of the Central Administration.

Following Directive 2011/85, Law 4270/14 was enacted, which provided for the issuance of a Presidential Decree for the introduction of a new Accounting plan and the introduction of the accrual basis of accounting in the entities of the General Government. In fulfilment of this provision, Presidential Decree 54/2018 was issued, the goal of which is the transition of all General Government bodies to a modernized accounting system, through which there will be effective financial management, transparency in financial transactions and immediate knowledge of financial data, obligations and claims of the State. Presidential Decree 54/2018 took the first step for the effective management of public resources through the introduction of the duplication system and the application of the principles of accrual accounting in a uniform manner, initially from 1/1/2019 to the Central Administration and after 1/1/2023 to the bodies of the General Government. A single accounting plan for all General Government entities has been enacted, which enhances transparency in financial management, improves the quality of the elements of financial reports and overcomes the fragmentation that exists. The provisions of 54/2018 and accrual basis accounting are applied by the General Secretariat of Fiscal Policy of the Ministry of Finance for all the entities of the Central Administration and not each entity separately. All entities and bodies that are part of the Central Administration are involved only in the execution of the budget, and not in the implementation of the accounting of the accrued base.

1.1. The Need for a Single Accounting System

As described above, each sub-sector of General Government implements its own accounting system. This results in five different accounting systems being implemented. This variety of forms of organizations and services of the General Government, brings accounting problems in drawing safe and uniform conclusions for the management of public money. The fragmentation of the accounting plans and the absence of the application of the accrual basis accounting in a single framework, called into question the quality of the financial data. The correct and realistic picture of the economic situation based on international standards for the entire public sector has been a critical area of reform. The diversity of the accounting frameworks did not allow for a complete picture of the obligations undertaken by the entities and only afterwards appeared in the Ministry of Finance. As a result, the initial budget forecasts were overturned by the overruns and deficits and debts were created without a central manager

having a clear overall information, picture and ability to intervene. As a result, the Ministry of Finance was not able to fully monitor the total expenditures of the General Government. The information on the budget figures was of a piecemeal nature, with a time delay and qualitatively problematic due to the different accounting systems. This situation ruled out the possibility of a possible change of course to prevent problems.

The fragmentation of accounting plans has brought significant costs to public bodies, lack of reliable data and inefficient use of public resources. The aim of Presidential Decree 54/18 is to move from the existing diversity described above, ie from the individual sectoral accounting plans currently in place, to a single accounting plan based on the accrual principle that will improve the export of financial data and reports, following the standards of the European System of Accounts 2010. Presidential Decree 54/18 took the first step towards the effective management of public resources through the introduction of the principles of accrual basis accounting in a uniform manner by all General Government bodies.

The accrual basis accounting which was introduced by Presidential Decree 54/18 leads to greater transparency of government spending and fiscal discipline, resulting in more efficient and effective governance. Actions are therefore required for the universal implementation by all General Government bodies according to ESA 2010. The introduction of a single accounting plan for all previous entities will lead to the consolidation of accounting rules, will help to eliminate the accounting multiplicity, by merging of all accounting rules in a piece of legislation structured on the basis of best accounting practices. The new accounting rules ensure reduced operating costs, effective audits, ease of understanding in financial statements and alignment with international accounting practices.

1.2. Objectives of the Study

The above analysis leads us to the conclusion that it was necessary to reform the financial legislative framework through the introduction of the accrual basis accounting and the preparation of a new single accounting plan which will be implemented by all General Government entities according to ESA 2010. However, the introduction of accrual General Government bodies is of major importance and it appears that this is a long-term reform. The purpose of this study is to investigate the need for the transition to accrual basis accounting in the light of Presidential Decree 54/2018 on ESA 2010 General Government entities and the prospects for transition, as it is a multidimensional project. The specific objectives are to investigate:

- The need for the transition of General Government entities to accrual basis accounting.
- The usefulness of the new accounting framework in the General Government entities in order to better reflect the financial situation of the entity.
- To what extent are the provisions of Presidential Decree

54/2018 that provide for the transition to accrual basis accounting applicable.

- If it is necessary to train the employees of the financial services of the General Government entities who are called to implement the new accounting framework, the recruitment of additional staff is also required.
- How the implementation process is evolving towards the transition to accrual accounting from 1/1/2023 to the General Government entities and whether the covid-19 pandemic affected the implementation process.

2. Literature Review

2.1. The Benefits of Accrual Accounting in the Public Sector

Accrual basis accounting is considered as an accounting tool of superiority of private organizations over public ones [4]. This hypothesis was based on financial rationality and the best financial results achieved by private organizations through accrual basis accounting versus public [5]. In addition, the international spread of New Public Management has led to a shift to accounting information as the main source of decision-making in public bodies [6]. Although some researchers question the effectiveness of private sector tools in the public sector, the international trend is to adopt accrual basis accounting in the public sector instead of cash [7].

Literature argues that the expected benefits of accrual accounting are attractive, as it presents more accurately the financial condition of public bodies, thus improving the transparency of management and accountability of public officials [8,9]. Improving transparency also leads to improving the efficiency of public bodies as the available resources are better allocated [5,9]. At the same time, the efficiency of public organizations can be validly measured and the cost of services provided can be estimated [10,11].

Accounting transactions follow a uniform way and accounting information is made reliable for decision making. All forms of controls are simplified, productivity is increased and public sector accounting is linked to private sector accounting as much as possible [12]. The most substantial change is that the database to be audited is now accrual database accounting which provides the possibility for secure, scientific and complete data on financial statements and transactions [11]. Another positive dimension of accrual accounting in public bodies arises from the fact that it allows the correlation of income and expenses, thus offering the possibility to accurately determine the financial result of a financial year [13]. This accuracy comes from the ability to calculate in the financial result non-cash income and expenses for which information would not be available with cash basis accounting [9,14].

Depicting the assets of a public body through accrual basis accounting is very important for its operation [15]. The

presentation of the assets of public bodies in the financial statements with accrual basis accounting, offers the possibility of supervising the way of their management [10]. In addition, comparisons are made between public bodies regarding their assets and profitability [16]. With cash-based accounting, the resulting financial figures do not provide sufficient data for comparisons between public bodies. For example, while accounts provide a picture of the extent to which cash is consumed, do not contribute to the assessment of the financial situation of the organization due to the management of the management, which has an impact on its long-term viability. On the one hand the accrual basis accounting improves the monitoring of overdue debts and on the other hand monitors the long-term viability of the public body and leads to better debt and asset management [15].

With cash basis accounting tracking receipts and expenditures it is extremely difficult to estimate the financial structure of public institutions. As a result, on the one hand, there is no connection between the resources used and the results achieved, and on the other hand, the inefficient management of financial resources is not recognized [14,17]. With accrual accounting, the administrations of public bodies are better aware of the operating costs of their organization and are able to improve the distribution of available resources [8,9].

2.2. Factors Influencing the Transition to Accrual Accounting in the Public Sector

The application of accrual basis accounting in the public sector requires a change in strategy, structure and organizational system throughout the public sector, and changes in particular in the recording and reporting system [10,12]. Change management planning must adopt and implement administrative processes that enhance changes in human resources, facilities, operating processes, materials, equipment, software, external environment and anything else that can positively affect the day-to-day operation of an entity in connection with the strengthening of administrative changes [9]. In addition, the process of change at the governmental level is influenced by various factors, such as politicians, councilors and citizens, who each play a different role [18].

The computer infrastructure should be able to support the new accounting system, so that there is a uniform recording and analysis of all accounting data in real time and with reliability. It becomes clear that the proper monitoring of all this activity requires a reliable accounting information system that will provide reliable and documented financial information [19]. Employees must be prepared to learn the accrual basis by attending training to develop and enhance knowledge about the accrual basis. In this regard, some university programs, small in number, meet international standards [20]. The training of employees in accrual basis accounting and in new accounting information systems must be both theoretical and practical, but also continuous, in order to be able to apply it correctly. The determination but

also the perseverance, as well as the employment of people with the appropriate knowledge, skills and abilities that will be able to solve any problems that will logically arise and proceed to the adoption of the new accounting base, are one of the prerequisites for success of the accounting reform in Greece [21]. In order to have uniformity in the final result, the cooperation of the employees of the financial services is required both within the body and other public bodies [13,21].

Accounting employees are prepared to change their mind about the usefulness of accrual basis accounting if they are prepared and trained in the new accounting system [22,23]. In addition, they are ready to change their mindset on the application of accrual basis accounting, as they believe that its application is a way to make public accounting more transparent and efficient [24]. When employees are informed about the needs and benefits of accrual basis, then they are not affected by the change of working environment and have a positive attitude towards the change of cash on an accrual basis [25]. Therefore, when public sector staff believe that the new systems can bring benefits to them and to their department, then they are positive about accepting the new accounting systems. Encouragement and guidance from top management to understand and learn the accrual base also contributes to its high level of acceptance among employees [26]. It can be argued that if employees receive the appropriate guidance from their top management to learn and understand the accrued base by attending training programs their knowledge of the accrued base will be enhanced and they will have a full understanding of the benefits of the accrual basis accounting.

The process of introducing and implementing the accrual basis of accounting in the bodies of the General Government of Greece is a multidimensional task as it requires proper planning, organization and coordination of specific implementation schedules. In countries where accrual basis accounting has been applied, the transition process has been found to be long process and complicated [27]. A successful transition to accrual basis accounting requires more than five years of intensive effort and preparation at all levels [28]. In Greece, from 2011, the year in which the European Directive 2011/85 was issued, until 2021, the transition to accrual basis accounting for all General Government entities has not been implemented. Implementation requires political will, which must first embrace the need for transition and then support the achievement of this goal, providing all those financial resources [18]. Of course, politicians are called upon to invest resources in the implementation of a long-term reform, and within a decade marked by the financial crisis and the health crisis of covid-19 [18,19]. Furthermore, for the transition to accrual accounting throughout this decade, the management consultants involved did not understand the practical implementation difficulties due to the lack of specialized staff, inadequate IT systems and the lack of information to the public administration about the procedures [18].

Under austerity measures, accrual-based accounting offers greater transparency and prudence in financial management, despite criticism for its adoption of New Public Management-inspired reforms. After the crisis of 2008 and the crisis of Covid-19 in 2020, the question that arises today is no longer whether we should use accounting systems on an accrual basis, but how to implement them as soon as possible, as they provide better information on the financial position, performance and long-term impact of decisions by public sector entities [19,21]. This reform must be based on pragmatic parameters relating to information technology, accounting standards and reporting standards, accounting training for employees and citizens' information needs [19].

3. Methodology

3.1. Research Methods

Qualitative research was used to conduct the present research and the interview was the technique of data extraction and collection. The interview was directional, structured with specific open-ended questions, of which the order and wording was pre-designed in detail and carried out in a uniform manner for all subjects. This is why the interview protocol was drafted, which contained open-ended questions in order to investigate the attitudes and views of the respondents and its axes emerged after the above bibliographic review and the formulation of the research questions [30,31]. Specific questions were formulated for each axis, which corresponded to the research questions and the research objective.

3.2. Participants / Procedure

In the present survey, the population consisted of the six employees of the Third Section of the General Government Accounting Plan of the General Secretariat for Fiscal Policy of the Ministry of Finance. Of the six employees, five agreed to participate in the survey. Exploring the views of these employees is very important for three reasons. From the date of entry into force of Presidential Decree 54/2018, ie from 1/1/2019, these are the only employees who apply accrual basis accounting in the light of this Decree for all Central Government entities according to ESA 2010. In addition, from 1/1/2023, which is expected to be the universal application of the accrual basis for all General Government entities according to ESA 2010, these employees will play an important role, as they will have to prepare the financial statements of the entire General Government in accordance with the accrual basis accounting and the provisions of Presidential Decree 54/2018. Finally, these employees will assist and guide the financial services employees of the other General Government entities to apply the accrual basis accounting in a single framework.

3.3. Design / Statistical Analysis

In the present research we sought to capture, develop and

interpret equally all the data collected regardless of their frequency of occurrence, under the thematic units that constitute the axes of the interview. Thus, the qualitative data collected from the interviews were analyzed through thematic content analysis.

4. Theoretical Perspectives

This study is hinged on the theory of New Public Financial Management. The New Public Management (NPM) proposed a new way of organizing and operating the state, in which the efficient use of public resources is introduced by introducing the business principles of the private sector [32]. The model introduced new private sector practices that are interrelated with the smooth operation of the market and competition, in order to reduce public spending and improve the quality of public services provided. In the context of the implementation of tools from the private sector to the public sector, many countries have adopted accrual-based accounting, as it was considered superior to cash-based accounting [33].

The New Public Management also introduced the need to apply different tools and techniques of financial management in the public sector. The introduction of these tools and techniques is known as New Public Financial Management (NPFM), and aims to facilitate decision-making and improve public sector accountability [13]. To achieve this, these techniques and tools are an integral part of public sector reform. The New Public Financial Management is based on the following dimensions:

- Conversion of financial information systems, such as the transition from cash basis accounting to accrual basis accounting).
- Transforming budget systems, such as the transition from the traditional budget model to category of funds in performance-based budgets).
- Use of private sector costing and pricing methods.
- Introduction and implementation of performance measurement procedures.
- Development of internal and external control systems based on performance.

Accrual accounting basis in public bodies offers the possibility to correlate revenues and expenses in a certain period of time and to prepare financial statements similar to those of private organizations, thus presenting the financial situation and performance of each public body [9]. Accrual accounting base is considered to reflect more accurately the financial situation of public bodies, improve the transparency of their management and their efficiency [8,14]. It seems that the application of accrual basis accounting in public sector entities is in line with the objectives of the New Public Management as it improves efficiency, transparency and reflects the financial situation and financial result and satisfies the basic goal of the New Public Management that public bodies operate to the standards of private organizations.

5. Findings and Discussions

In the following we will present the findings that emerged from the structured interview protocol according to the order of the objectives mentioned above.

5.1. Necessity of Transition of General Government Entities to Accrual Basis Accounting

All survey participants believe that a public sector accounting system should present the entity's financial position and performance reasonably and truthfully and provide true and clear financial information to stakeholders in terms of financial figures. In addition, 4 out of 5 argued that it should present transparently the requirements, liabilities, asset structure and financial flows and «provide comparative data over time for better decision-making and planning». 60% of the interviewees stated that the public accounting system should provide data based on the standards of the European System of Accounts.

The above views led all respondents to state that the accounting system of the modified cash base that was applied from 2011 to 2018 in the Central Government entities did not objectively reflect the financial situation, as they consider that there was a lack of information on property, plant and equipment data, on liabilities to suppliers, on the evolution of state cash, on receivables and on the asset image in general. In addition, the 4 employees believe that the accounting of the modified cash base was quite far from the beginning of the accrual, as sometimes it did not provide a reasonable record of the financial events, and there was a time delay in the registration of the financial event but also in its qualitative recording in the financial statements of the State. This resulted in «large-scale accounting adjustments and approximate assumptions» for the preparation of the financial statements.

Inevitably, everyone agreed that it was necessary the transition to accrual accounting base with Presidential Decree 54/2018 to the entities of the General Government, as they consider it necessary for the reasonable and accurate recording of the financial figures of the State, a fact that contributes to transparency, to the best possibility of information (stakeholders), to facilitate the audit to determine whether financial management is sound or not. The findings concur with Cohen et al. (2013) and Bracci et al. (2015) who established that accrual basis accounting transactions are presented in a uniform manner and accounting information is made reliable for decision making. In addition, four employees stressed that despite the weaknesses of the existing legal framework, they «will be able to converge in a common framework, but a way must be found to meet their specificities».

5.2. Improving the Recording of the Financial Position of the Entity

The application of the accrual basis accounting was considered by all as a necessary step for the monitoring of the financial data of the state and its bodies as well as for

their economic and administrative evaluation. The 4 interviewees believe that it will cause «reorganizations and changes that will help in the right direction in terms of accounting management and recording». The interviewees as a whole believe that with the application of the accrual basis of accounting in the light of Presidential Decree 54/2018, and after the end of the transitional period, the financial situation of the General Government entities will be objectively reflected, as the tangible assets will be more accurately reflected, intangible assets, financial instruments, liabilities and cash. In fact, 80% of them, stated that «the fixed assets and their depreciation will be objectively recorded, as a result of which each use will not be charged with amortization of the entire acquisition cost of the fixed asset, as was done until today». The findings agree with Christensen (2002) and Chan (2003) that accrual accounting base presents more accurately the financial condition of public sector entities and can relate the income and expenses of an entity and determine its financial result. In addition, three employees said that valuing data with rules that are considered reliable and the operation of forecasts, both in terms of revenue and expenditure, «will dramatically improve the current picture».

5.3. Degree of Application of Accrual Basis Accounting

Despite the great usefulness of the new accounting framework, the participants who commented on the degree of difficulty in applying the accrual accounting basis highlighted the difficulties that exist. All interviewees consider that there is a high degree of difficulty in implementing the initial recognition and subsequent valuation of the financial statements of the financial statements of the General Government entities. In addition, four out of five consider that it is essential to engage the necessary and appropriate human resources with knowledge of accounting methods, the existence of the appropriate information system and the appropriate technical means. The findings agree with Cohen et al. (2021) who established that a public sector accounting reform must be based on pragmatic parameters relating to information technology, accounting and reporting standards, and employee training in accrual-based accounting. Moreover, the three consider that the initial recognition is particularly difficult as «there are objective difficulties related to the existing non-detailed recording of financial data». In addition, both believe that it can be fully implemented if the rules of Presidential Decree 54/2018 are applied.

The views of the interviewees differ slightly in the possibility of matching the four existing sectoral accounting plans currently in force (Presidential Decrees 80/1997, 205/1998, 315/1999, 146/2003) to the single accounting plan provided for in the Presidential Decree 54/2018. The two employees stated that the matching is not necessary because with this diversity an accrual accounting culture has been created, although they identify a problem related to the transition cost as significant financial and human resources are required, while the other three believe that there are

practical difficulties. The two employees stated that the matching is not necessary because with this diversity an accrual accounting culture has been created, although they identify a problem related to the transition cost as significant financial and human resources are required, while the other three believe that there are practical difficulties, as different coding is a key difficulty that will require time-consuming negotiations with General Government bodies in order to understand the nature of the transactions in order to be able to match the General Accounting codes.

The provisions provided by Presidential Decree 54/2018 for the implementation of the accrual accounting base can be applied although there are some difficulties according to the employees of the department. The main difficulty is the lack of know-how of the employees. In addition, the 3 believe that the implementation difficulties concern the different codification in relation to the sectoral accounting systems and the accounting framework applied in the private sector, but also to the cooperation with the budget «since the logic of the budget is purely cash».

5.4. Need for Employee Training and Hiring Additional Staff

Regarding to the necessity of employees' training of the financial services of General Government entities the employees were adamant. All of them agreed, however, that employee training is required, which must be «multilevel and continuous» and that the habit and mentality of executives can only be changed by information and training in the form of medium and long-term training programs. The finding concurs with Newberry (2014) and Christensen (2002) who found out that employee training in accrual accounting is a prerequisite for changing the accounting framework in public entities. We encountered a variety of views on their position on the ability of employees and management to apply accrual basis accounting. Both stated that the employees are able to implement it and the rest that it is not, as the number of employees and their service adequacy is not satisfactory, «since the needs and planning so far did not foresee it».

- There was complete unanimity on the need to hire staff to apply accruals, as well as the fact that such staff must have a high level of knowledge in accounting, with one employee being particularly knowledgeable of international accounting standards. In addition, the four participants stated that staff should have professional experience in accounting, and especially in the private sector, «in order to be able to integrate more quickly into the accounting reform process, which is what is required». One of them even pointed out the fact that «the current age picture of the human resources is not good at all».

5.5. Evolution of the Transition to Accrual Basis Accounting

Finally, the implementation process towards the transition to accrual basis accounting from 1/1/2023 of the General

Government entities was investigated and whether the covid-19 pandemic affected the implementation process. As a whole, the employees stated that they expect the lack of personnel and information system as factors that delay the implementation process, with the necessary actions having been taken as «there is a recruitment process in the final stage» and they are «waiting for a new information system». There is also a complete convergence of views on the fact that the covid-19 pandemic «caused delays in accounting reform as in most areas of Public Administration». The two workers cited «the impossibility of meeting people for life» as obstacles caused by the covid-19 pandemic, and the other two cited the delay in implementing the new information system. Therefore, everyone agreed that the implementation of the provisions of Presidential Decree 54/2018 from 1/1/2023 to the entities of the General Government «is an almost unattainable milestone due to the delay due to pandemic but also due to the many and important changes it brings such a transition». That is why everyone suggests that there should be an extension, and in addition one employee suggests «there should be a tolerance for the gradual compliance with Presidential Decree /54».

6. Conclusions

From the research findings we find that the public sector accounting system must reflect reasonably and truthfully the financial operations performed in an entity as well as its financial performance and assets. It must present all financial transactions in a transparent manner, thus contributing to better decision making. The common belief of all participants is that the application of the modified cash base to the Central Administration entities did not cover the needs of objective financial information as it was far from the accrual accounting base. Therefore, it was deemed necessary by all to switch to accrual accounting with Presidential Decree 54/2018, as it can monitor financial transactions correctly and reasonably, to more accurately reflect tangible and intangible assets, financial instruments, liabilities and cash. In addition, depreciation is determined to determine the carrying amount of the assets and the provision of provisions is provided, both in terms of revenue and expenses.

However, the transition is not an easy process, as there are difficulties in the implementation of the initial recognition and subsequent valuation of the financial elements of the financial statements of the General Government entities and the appropriate human resources and information system are required, and of course always the necessary financial resources. The different correlation between the four sectoral accounting plans currently in force and the single accounting plan provided for in the Presidential Decree 54/2018 seems to be causing difficulties in the transition, but not to a high degree. In addition, the interaction of accrual accounting base with the budget brings difficulties as the logic of the budget is purely cash.

The views of the participants also converge on the fact that

the lack of know-how of employees is a major obstacle in the application of accrual basis accounting. For this reason, all of them consider it necessary to train the employees of the financial services of the General Government entities in accrual basis accounting. The training they offer must be multi-layered and long-term, and at the same time focus on changing the mentality of employees. In addition, they consider it necessary to hire staff with knowledge and experience in accrual accounting base.

All the above, and in combination with the covid-19 pandemic, led the employees to believe that the implementation process towards the transition to accrual basis accounting from 1/1/2023 of the General Government entities was negatively affected. That is why they suggest that there should be an extension in terms of the transition date.

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