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# New development: In pursuit of WGA—Research findings from the UK

Danny Chow, Christopher Humphrey and Jodie Moll

*In 1998, the UK Treasury and National Audit Office recommended the publication of whole of government accounts (WGA) and set out timelines for a full set of audited accounts to be made available for 2005–06. So far nothing has been published. This article considers the promises, practical pursuit and evaluation of WGA.*

In 1998, following the publication of a scoping study by HM Treasury and the National Audit Office (NAO), the UK government committed to producing whole of government accounts (WGA) and, in the process, sought to position the UK 'at the forefront of accruals reporting by governments across the world' (Treasury, 2005, para. 6.40). Such a commitment to WGA offered a valuable research opportunity, not just because of the distinctive scale of the project but also because the UK has so often in the past been heralded by other nations as a blueprint for the reform of their own public sector accounting systems. WGA will treat the UK government as a single entity consolidating more than 1,300 central government, health service, local government and public corporations using GAAP into a single set of financial reports to be audited by the NAO—a process that has been claimed to be the world's largest consolidation exercise.

## A challenging agenda

We started studying WGA in 2003 and were initially fascinated as to whether WGA would be capable of meeting all the grand claims made for it. Aside from its sheer scale, the WGA project had an impressive set of commitments in terms of offering improvements in macroeconomic policy-making, parliamentary accountability and organizational efficiency through better availability of accounting information (Treasury, 1998, p. 2). We were also keen to investigate whether UK WGA would represent an advancement on systems established, in differing forms and scale, in New Zealand and Australia.

It soon became apparent, however, in considering the various research possibilities, that our focus would have to be less outcome- and more process-oriented—not least because the WGA project was clearly failing to meet its publication deadlines, with the first published WGA accounts now set for the financial year 2009–10 (rather than the original plan of producing full WGA for 2005–06). What was

heralded as a new accounting reform at the turn of the century has remained a 'new' or forthcoming development, despite it being more than ten years since the first significant proposal for WGA was made by the Labour government (Treasury, 1998). We duly specified a research agenda that emphasised the importance of developing understanding of the forces shaping such an accounting development process (particularly regarding the identification of potential WGA users and associated user needs assessments); the degree of learning from others' experiences with such projects; and what the WGA process tells us of the status and functioning of public sector accounting systems (see Chow *et al.*, 2007). Empirically, we have subsequently traced the development of WGA through a detailed analysis of public documents (including Treasury and NAO reports, Hansard debates and a range of related governmental accounting papers) and a set of 29 semi-structured interviews with key actors from the Treasury, NAO, the Audit Commission, the Local Government Association, CIPFA, the Office for National Statistics, MPs, and the New Zealand and Queensland treasury departments. Our research findings are reported in Chow *et al.* (2008a; 2008b) and Moll *et al.* (2007). In summary terms, we have found that the pursuit of greater accounting transparency through WGA has proved problematic due to a range of factors, including inconsistencies in accounting for certain public sector assets and liabilities and the subjectivity of definitions regarding the specific limits of the WGA consolidation boundary and notions of governmental 'control'. Interestingly, such issues have also proved problematic in other countries more experienced in WGA, such as Australia and New Zealand, which raises questions as to the level of international learning from experience in this area.

With no set of WGA having been published by the UK government, assessments of the practical outcomes of WGA are, by definition,

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limited. Nevertheless, the planned size of the project, the major claims that have been made for it and the continuing delay over full implementation merit continuing independent review and analysis. It appears that the practice of developing and implementing WGA—particularly the sheer scale of both inter-entity transactions requiring reconciliation and assets and liabilities whose inclusion in WGA has been contested—has proved to be far more complex and problematic than was ever indicated at the outset. It certainly would be prudent for countries considering the implementation of similar consolidated public sector accounting systems to ensure that they have absorbed the lessons from the experiences of ‘pioneer’ countries, and given careful consideration to the relative costs, benefits and practical achievements of such reforms (Chow *et al.*, 2008a, p. 5).

### Pursuing transparency

We accept (see Chow *et al.*, 2008a, p. 27) that firmer evaluations of the overall merits of WGA await its publication and practical establishment as a regular system of UK government reporting. However, our work serves to emphasise that the onus is currently very much on those advocating WGA as a critical component of transparent and accountable government to provide more substantive evidence of its operational impact. In this regard, it is important to recognize that researching WGA has not been an easy process. Despite the insistence that WGA would place the UK at the forefront of accrual accounting developments and the promotion of it as a tool for improving transparency and public accountability, the project itself has not been undertaken with that same level of accessibility. Few documents have been published explaining the degree of progress, key steps and decisions taken, problems encountered, associated reasons for delays and how they are being overcome. Further, through what was a very careful piecing together of a timeline of WGA reported developments, we identified a number of contradictions in official reports in terms of achieved levels of progress and stipulated deadlines by which certain accounting procedures/reports were supposedly to have been completed. The three following examples provide useful illustrations of such tendencies (see Chow *et al.*, 2008a, for a more in-depth analysis):

- In the WGA scoping study (Treasury, 1998), the government claimed that any expansion from the consolidation of central government accounts (CGA) to whole of government

(WGA)—thereby incorporating local government and public corporations—was conditional on research demonstrating its viability. Despite repeated promises, no such research study has been published by the government.

- Parliamentary debates on the Government Resources and Accounts Bill in 1999 contained very little discussion on WGA-related topics (for example consolidation boundary and control definitions; the logistics of inter-entity transactions; suitability of private sector techniques), with most attention focused on accounting for the liabilities of PFI projects, access rights for the comptroller and auditor general (C&AG), and the merits/costs of resource accounting and budgeting (RAB).
- In 2005, the Treasury suspended the publication of CGA explaining that CGA publication would be superseded by full WGA publication (at that time was expected to be published in 2007) and that the expansion from CGA to WGA had received ministerial approval. The C&AG’s annual report to parliament was also not very forthcoming about why CGA would not, after all, be published: ‘Although this process has been valuable in identifying learning points regarding the timeliness of the consolidation process and issues concerning the quality of data, the government has decided to focus preparations for publication on whole of government data’ (C&AG, 2006, para. 1.90; a phrase subsequently repeated in C&AG, 2007, para. 3.3). Interestingly, this quotation contrasts with the C&AG’s statement at a parliamentary committee hearing as to the non-publication of CGA: ‘the delay in publication of CGA would damage public confidence in the WGA programme’ (as quoted in Treasury Committee, 2006, para. 47). There has also been no comment by the C&AG (or any other government body) on the fact that the Treasury has not published any detailed justification of the expansion of CGA to WGA, despite promises in the scoping study to do so.

### Reporting matters

Probably the biggest area of sensitivity that we encountered in our research related to the WGA accounts themselves. No set of WGA accounts has so far been published despite repeated promises by the Treasury, nor have any accounts been made available to the Financial Reporting Advisory Board, the independent parliamentary watchdog charged with overseeing WGA developments. In our interviews, we were given reasons for publication delays but no detailed

indication of what the WGA accounts will look like. The slippage in the timetable for WGA publication (with the first set of audited accounts to be published for the financial year 2009–10, instead of the original 2005–06 commitment) is certainly significant. While there are many reasons for this (some of which, such as the elimination inter-entity transactions, were anticipated by the scoping study but deemed ‘surmountable’), such delays have gone hand-in-hand with a high level of staff turnover on the project. Key individuals who promoted WGA reform from its early inception in the mid-1990s were not involved in its post-legislative implementation. The entire WGA management team at the Treasury who were hired to implement WGA after it had been legislated into the Government Resources and Accounts Act 2000 have now taken up positions elsewhere. This lack of leadership continuation and the significant loss of experience/historical perspective can only be detrimental to the successful development of WGA, a concern echoed by Heald and Georgiou (2008).

Questions also remain over the accountability processes associated with WGA. Despite calls from the Financial Reporting Advisory Board for the Treasury to publish statements, none have been made available. Publication delays have helped to stimulate ‘alternative’ assessments of the level of progress, with some research participants fearing that the publication of WGA was being stalled because of concerns about how the consolidated figures might be interpreted given the constraints of the Treasury’s Code for Fiscal Stability. While a growing sense of frustration over the pace of progress with WGA can be detected in parliamentary committee hearings (for example see Treasury Committee, 2008), parliament has not really shown that strong an interest in WGA over its (extending) years of development. Indeed, the C&AG’s criticisms of the WGA publication delays and the capacity of government departments to deliver on what could be regarded as fairly basic accounting tasks (such as submitting consolidation returns) have been rather muted.

Taken together, this could suggest widespread disinterest in a centralizing consolidation process. Alternatively, it could point to a project believed to be of such general value that it has been accorded a privileged status—and allowed to develop over a longer time-scale, with a light-touch emphasis in terms of formal value-for-money (VFM) assessment and pressures for formal cost-benefit analyses. The stated improvements in the consistency of accounting information processing across

government departments could well be claimed as support for a softly-softly development strategy with WGA. That said, they could also represent a rather pale version of the grand claims initially held out for WGA—and arguably not sufficient to justify the C&AG’s routine conclusion that ‘good progress continues to be made with WGA’ (a claim that the C&AG has repeated each year in his annual report to parliament for the past five years—see C&AG, 2004–2008).

#### **In the name of the user(s)**

The problem of evaluating WGA is exacerbated by the lack of clarity as to the primary beneficiaries of WGA information and reports (when made available). While research participants identified a range of potential user categories (the most common of which being central government planners), it was noticeable how little reference was made to the relative information processing competencies of user groups or the need for WGA statements to be of different styles/dimensions in order to be useful for different users. In many respects, the design process exhibited some classic signs of WGA usage being presumed rather than developed through detailed discussions with ‘flesh and blood’ users (see Young, 2006). Our fieldwork interactions suggested that little solicitation had occurred between the WGA team in the Treasury and potential user groups of WGA in determining and proceeding through the key conceptual staging posts in the design and development of WGA. It also remains unclear as to what level of learning has occurred across the WGA project, in respect of the alternatives that have been considered in developing the practical conception of WGA. We would argue quite strongly that there is considerable scope for improvement on what, to date, has been a rather stylised and constrained form of official governmental and audit reporting on the WGA experience. The project also deserves greater exposure in parliamentary debates and certainly needs to be integrated with more publicly visible discussions on accounting for public-private partnerships and the nature/extent of government liabilities.

Those working most closely with WGA in the UK believe that the pursuit of consolidation has stimulated accounting improvements at departmental level—particularly in terms of the collection and recording of financial data. In this respect, WGA, to date, arguably has served more as a tool for instilling the discipline of accounting across the public sector, rather than its supposed role of improving macroeconomic management and governmental accountability processes. In pointing to prior weaknesses in departmental

accounting systems and inconsistencies across departments, such a finding also emphasises how much more there is to understand about the operational roles and strategic influence of financial and management accountants in public sector organizations—not least in terms of their views of the capacity of accounting-based reforms to deliver improvements in managerial systems and the quality of public services. The way the WGA project appears to have struggled with a number of relatively basic accounting information processing issues does tend to suggest that accounting systems, at least in some parts of the public sector, are not as strong and coordinated as one might have expected given the UK's supposed status as a leader in public sector financial management reforms.

### Confirming expectations, consolidating experiences?

The WGA project in the UK certainly faces an interesting and challenging future. The current commitment to publish full WGA in 2010 should hopefully mean that we will soon be much better placed to judge the true 'net worth' of such an accounting initiative. That said, it is probably wise to go no further here than holding a sense of cautious optimism. Indeed, before any formal assessments as to whether the wait for consolidated financial statements for the UK public sector has been worth it, the WGA project still has to overcome a behavioural tendency wherein it has proved easier to make, as against meeting, publication commitments.

There remains a real risk that any final published form of WGA will be greeted by a rather sceptical or disinterested public, frustrated by the inability to meet the initial grand claims held out for the project, poorly served by a lack of detailed publicly available material on progress and sceptical as to how the government has accounted for a suspected burgeoning set of financial commitments driven by expanding public-private partnership schemes and record increases in government debt (see the pre-budget report, Treasury, 2008) to mitigate the effects of the growing global economic crisis.

In the longer term, the lack of transparency that has clouded the development of WGA may well provide a powerful lesson with respect to accounting policy development. It is certainly an open question as to whether project expectations and progress could have been better managed through the pursuit of more routine and achievable goals, the adoption of a more informative progress reporting format and reliance on a management approach driven by a commitment to step-by-step development,

experimentation and learning from experience—rather than delaying publication until the perfection of a complete WGA system. ■

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