

# The Accrual Accounting in the Italian Public Administration and IPSAS.

## A comparison between “accrual” rules

Mattei, G.<sup>1\*</sup>; Grandis<sup>2</sup>, F.G.;  
Business Studies Department, Roma Tre University  
Via Silvio D’Amico 77, Rome, 00145, Italy

<sup>1</sup>[giorgia.mattei@uniroma3.it](mailto:giorgia.mattei@uniroma3.it)

<sup>2</sup>[fabigiulio.grandis@uniroma3.it](mailto:fabigiulio.grandis@uniroma3.it)

### Abstract

The Italian local entities, from the 1st of January 2017, have to integrate the traditional accounting system used (such as legal accounting) with the accrual accounting.

The introduction of accrual accounting in the public entities become very important, in the last years, not only in Italy. To confirm that, it is possible to see the Directive no.85, issued by the European Council. In this Directive, in fact, the Council done 2 requests:

1. Firstly, addressed to the Member States where requested to them to equip themselves with adequate governmental accounting systems to provide reliable data on the principle of "accrual" (Art. 3) (Grandis & Mattei, 2012; Jorge, Jesus & Laureano, 2016);
2. Secondly, to the European Commission that have to assess the adequacy of IPSASs for the Member States (Art. 16).

By this new accounting system, introduced in the Italian local entities, arise the exigency to verify the adequacy of the Italian local entities accrual principle with respect the "accrual" rules.

In this work, after explained the “Hierarchy Theory” construction to identify the right criteria to link costs and revenues, it is explained the investigation using the case study methodology (Scapens, 1990), done using institutional documentations (Corbetta, 2003).

In fact, the first step is to study the actually law applied at the Italian local entities; particularly, the focus is to the accrual accounting principles, contained into the attached 4/3 of Legislative Decree no.118/2011, and the comparison of this with the “Hierarchy Theory”.

Another requirement is to verify if IPSASs are compliant with the “accrual” rules and, also, if this corpus of standards could be easily applied at the Italian reality.

The search result will allow proposing the needed changes to be done to the Italian legislation so that it is more responsive to the "accrual" rules and to identify the main difficulties in implementing the IPSAS in the Italian local entities, if it is decided to embark on a path with the accounting harmonization, which is consistent with Europe.

### Introduction

The accounting system, in the private sector, is represented by the accrual accounting.

In the public sector, the situation is very different; in fact, if we look at the different realities, it is possible see that some public Administrations use an accrual accounting system, others use a legal accounting system, other ones use a cash accounting system.

About this, is possible to identify (Anselmi, Pavan & Reginato, 2012):

1. *accounting system based on cash principle*; such as an accounting system where revenue and expenditure are recorded only when the cash is received or paid, independently of when the event has taken place;
2. *accounting system based on commitment or legal principle*; such system records events when they are contracted or a purchase order is signed, over recorded also the cash flow;
3. *accounting system based on accrual principle*; revenue is recorded when the earning and expenditure acknowledged as liabilities are known or benefits have been received, notwithstanding the fact that the receipts or cash payments have taken place entirely or partly in other accounting period.

Sometimes, looking at the public entities is possible to see, realities where there are two different accounting systems and these are utilized at the same time, as the Italian one; in that case, it is possible speak about “integrated accounting system”.

The “integration” could be different. In fact, it can be found (Grandis, 2006):

- a “derivate” integrated accounting system, where the accrual accounting data are derived by the legal accounting; in this case, the accounting system used is exclusively the legal system and, at the end of the financial period, the data is integrated with an extra-accounting system, by economic data;
- a “joint” integrated accounting system, where the legal accounting and the accrual accounting are used together, using an unique information system. This is the case of the actual situation in the Italian local entities;
- a “separate” or “disjointed” integrate accounting system, where the legal accounting and the accrual accounting are used separately and, at the end of financial period, are eventually conciliate by an extra-accounting system.

Studying the cause of heterogeneity of accounting systems used in different States (Alesani, Jensen & Steccolini, 2012) and the actual international and worldwide trend (Bergmann, 2009; Jorge, Carvalho & Fernandes, 2008; Cerchier & Santone, 2011; Grossi & Soverchia, 2011), this work analyses the current situation in the Italian local governments to understand if the path taken corresponds to the European Community had delineate by the Directive n.85/2011, such as the control to assure that accounting system in force is adequate to introduced IPSASs.

In the present work, it is, also, considered the coherency of IPSASs to the “accrual” accounting rules.

### ***1. The accrual accounting in the Italian Local Governments***

The Italian governmental accounting, since the 1920s, has been a legal (or cameral accounting).

Even if the reforms of these last twenty years have had as their aim, among others, to gradually introduce the accrual accounting system, the legal accounting has maintained unaltered its importance; in fact, has continued to represent the accounting system of reference of the different compartments of the Italian Public Administration.

The process of accounting harmonisation in Italy, formally started with the enactment of the Law of the 31 December 2009, n.196, indexed “*Law of accounting and public finance*”, which reviews the set of training procedures in the public finance decisions, in the light of new constraints and objectives imposed by the European Union (Caperchione, 2012; Mussari, 2012) and in view of the growing importance of local governments in the management of public resources (Bartocci, 2013).

Summarizing the key points of the reform, amongst the major innovations one finds:

- a) adoption of uniform accounting rules and a common chart of accounts in order to allow the monitoration of the public administration accounts;

- b) definition of a taxonomy for the reclassification of the accounting data for the public administrations that used accrual accounting for the purpose of connecting with uniform accounting rules referred to in subparagraph a);
- c) adoption of the financial statements divided into missions and programs consistent with economic and functional classification identified by the Community regulations relating to national accounts, as well as adoption of a single system of encoding the individual spending provisions;
- d) integration of legal accounting with accrual accounting;
- e) adoption of a public administration consolidated balance sheet with their own businesses, companies or other controlled entities;
- f) definition of a system of indicators built according to criteria and common methodologies to the different Administrations;
- g) introduction of a “new” concept of legal principle.

As from 2009, when the accounting and public finance have been thoroughly reformed (D'Alessio, 2012; Quecchia, 2013) has been requested, to various kinds of public administrations, to use "joint" the integrated accounting systems<sup>1</sup>.

In this report, it has been decided to analyse the situation currently in place with respect to the accrual system, in order to understand if the vertical harmonization (Anzalone & Mattei, 2016) undertaken in Italy is consistent on what has been indicated and identified internationally, specifically, European.

One of the main novelties introduced with the launch of accounting harmonization in Italy is the introduction, for knowledge purposes, of an accrual accounting system (Grandis & Gnes, 2014). The accrual accounting system adopted by the Regions and Local governments (Mariani, 2013; Fanelli & Ferretti, 2014) is based on the applied accounting principle attached at the legislative decree held for this type of organization.

From the norm it is clear that the Legislator has opted for the introduction of a "joint" integrated accounting system presumably with the idea that it was the most suitable system in order not to generate additional costs for public finances<sup>2</sup>; also, probably, the "joint" integrated accounting system was considered the most suitable to be implemented in a reality that, with few exceptions, had no experience regarding the *accrual* accounting.

From this decision, inevitably, following that the only recording is carried out according to the rules of one of the two accounting systems, to give rise, on the basis of "rigid automatism", to recognize in the other accounting system. This determines, unequivocally, a hierarchy between the accounting system that, also due to the main function of legal accounting authorization, attaches to the latter a predominant position.

---

<sup>1</sup>In this contest, the integrated accounting system is a system where the entity used two accounting system The “integration” could be different. In fact, it can be found (Grandis, 2006):

- a “*derivate*” *integrated accounting system*, where the accrual accounting data are derived by the legal accounting; in this case, the accounting system used is exclusively the legal system and, at the end of the financial period, the data is integrated with an extra-accounting system, by economic data;
- a “*joint*” *integrated accounting system*, where the legal accounting and the accrual accounting are used together, using an unique information system. This is the case of the actual situation in the Italian local entities;
- a “*separate*” or “*disjointed*” *integrated accounting system*, where the legal accounting and the accrual accounting are used separately and, at the end of financial period, are eventually conciliate by an extra-accounting system.

<sup>2</sup>This is what was said in the provision of the law. In practice, the majority of local governments (if not all), to adapt to the new accounting rules, they had to incur substantial costs for the adaptation of IT systems and staff training.

## 2. IPSAS situation and perspective in Italy

As it is known, currently the IPSASs are only technical standards for the preparation of the "financial statement", or *General Purpose Financial Statement* (GPFS), and there is no standard to elaborate for the budget. The IPSASs, therefore, does not assign any authorization valence to the budget and the provisional data is taken into consideration in the IPSAS 24, only by regulating the comparison between budget estimates and the amount obtained at the end of the financial period. This statement is based on the knowledge that, in the Italian reality of local governments (and others), the authorization function of the budget involves a number of different and distant arguments from IPSASs world.

In the international context there are different situations (Soverchia, 2008; Pavan et al., 2015; Brusca et al., 2015):

- some countries have opted to use accrual accounting for reporting, sometimes even based on IPSASs, whilst maintaining an authorization accounting for cash;
- other, instead, have preferred to use the same logic on a provisional phase and at the end of period both switching to an *accrual* system.

The most adopted is the first option: for reporting it helps the transition to *accrual* accounting systems but the *budget*, which sometimes takes on a political-authorization role, continues to be predisposed according to the logic of cash accounting.

The European Commission itself, on the other hand, in the report drawn up in 2013 for the European Parliament, has pointed out that the adoption of *accrual* accounting systems are not necessarily intended to abolish or replace accounting systems based on a cash basis, in particular when the cash accounting is used for the preparation of the budget and for monitoring compliance with the limits of use of public resources set in the forecast documents.

As part of this research, the need to analyse IPSASs has arisen for several reasons:

1. analyze if what is indicated in the reform of the Italian local governments is in line with a wider harmonization, such as the horizontal (Anzalone & Mattei, 2016);
2. verify that the IPSAS respect the accrual rules;
3. understand what modifications would be required to make IPSASs if it is decided to apply them to the reality of Italian local entities.

## 3. Accrual accounting in the public sector: a Theoretical Hierarchy of criteria

For local governments, the "traditional" accrual accounting principle<sup>3</sup>, undergoes - inevitably - a partial change due to the production process of a public administration that rarely has the objective to create goods and deliver services intended to be exchanged in a normal operation market.

In fact, in most cases, the productive process is intended to provide direct services to meet the needs of the administered community (Paoloni & Grandis, 2007; Grandis & Mattei, 2012).

More precisely, as described by Grandis and Mattei in 2012, within a public administration it is possible to identify two main types of services:

- 1) specific and divisible services, that are individually requested;
- 2) general and indivisible services, that are generally requested.

For services belonging to the sub. 1) it forms a true and proper exchange transaction: the provision of the service generates revenue for the public administration. So, in this case the accrual principle applied is that "traditional".

For services belonging to the sub. 2), instead, the correlation between costs and revenues, typical of the traditionally accrual competence cannot be found.

---

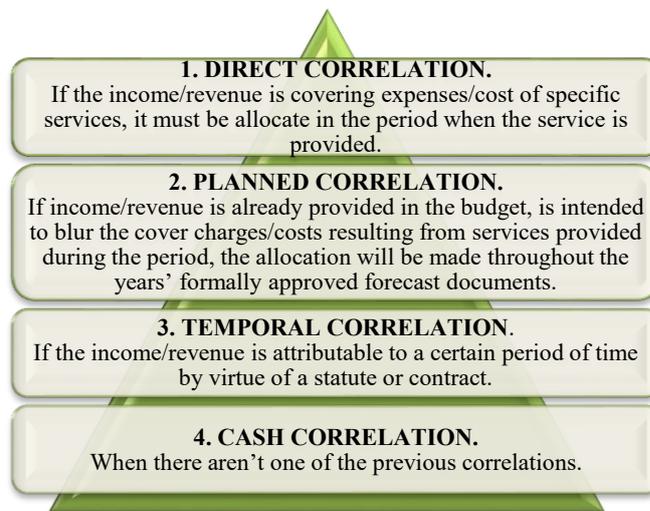
<sup>3</sup>For accrual so-called 'traditional' means the principle used for private businesses established in Italy, the Civil Code and taken up by the Italian Organism of accounting.

In fact, the characteristics of these type of services make sure that the costs for sustained rendered services are not correlated to revenues. The public administration does not receive any consideration in respect of the delivery of such services, which are funded by transfers from higher order Administrations or tax levied directly by the Entity.

In other words, the public administration gets revenues, of tax nature and not with the commitment to employ them to cover the costs incurred for the delivery of such public services.

Summarizing, it is clear that the accrual competence in the public entities is not always simply: the causal link is overturned. It is necessary to find the best correlation between positive and negative components.

In this work are study only the positive economic components, such as the "active cycle", elaborating an hypothetical Hierarchy Theory of the best criteria to correlate "active" components with the costs.



This "theoretical hierarchy" of operational criteria are summarized below:

1. if the income/revenue is covering expenses/cost of specific services, it must be allocate in the period when the service is provided; in such a case there is a "direct" correlation;
2. if an observable "direct" correlation is not possible, but an income/revenue is already provided in the budget, is intended to blur the cover charges/costs resulting from services provided during the period, the allocation of this income/revenue will be made throughout the years' formally approved forecast documents; in such a case there exists a "planned" correlation<sup>4</sup>;
3. if an observable "direct" or "planned" correlation is not possible but the income/revenue is attributable to a certain period of time by virtue of a statute or contract, the relationship could be "temporal";
4. in the absence of one of the previous correlations, the recognition of revenue/income takes place according to the "cash".

The first objective of this research, therefore, consists of understanding whether the recognition for revenue/income identify in the Italian law conforms to the "theoretical" hierarchy.

The second objective is to verify the IPSAS conformity, applied to the same operating events, with the same "theoretical" hierarchy.

The third objective consists in comparing the results of the first two analyses. The recognition of the income/revenues examined can therefore be classified in the following cases (see Table n.1):

---

<sup>4</sup>Clearly this method can be used only if there is a specific function authorization of the budget (Grandis & Mattei, 2014).

- *situation n.1*: the Italian principle and IPSAS, both conform with the criteria of the "theoretical hierarchy";
- *situation n.2*: the Italian principle does not correspond with the "theoretical hierarchy", whilst IPSAS does;
- *situation n.3*: the Italian principle does correspond to the "theoretical hierarchy", while IPSAS doesn't;
- *situation n.4*: the Italian principle and IPSAS, both do not conform to the "theoretical hierarchy".

**Table n.1: Classification of situation**

		IPSAS Compliance/ Theoretical Hierarchy	
		Yes	No
Italian Principle Compliance / Theoretical Hierarchy	Yes	<u><i>Situation n.1</i></u>	<u><i>Situation n.3</i></u>
	No	<u><i>Situation n.2</i></u>	<u><i>Situation n.4</i></u>

In *situation n.1*, the two standard are both acceptable: if the discipline is the same, the Italian principle and IPSAS coincide; but if the discipline is different the need arises to investigate whether there are specific reasons, related to the characteristics of the Italian local entities, for which the Italian legislation may derogate to IPSAS.

In *situation n.2 and 3*, will choose the standard that conforms to the "theoretical hierarchy" proposal.

In *situation n. 4*, a conforming solution is proposed to what is being indicated in the "theoretical hierarchy", unless the two standards do not govern the same economic event in the same way. In the latter eventuality it will be necessary to verify the validity of the "theoretical hierarchy" of the criteria initially assumed.

The search result will allow to propose what changes need to be made to the Italian legislation so that it is more responsive to "accrual" rules and to identify the main difficulties in implementing the IPSAS in Italian local entities, if it is decided to embark on a path with the accounting harmonization, consistent with Europe.

#### **4. Comparison between Theoretical hierarchy, Italian law and IPSASs**

In this paper the work is to analyze the actual situation considering the accrual system in the Local governments, focusing revenues.

As said before, actually, in the Italian local governments, it is possible to find a "joint" integrated accounting system where, the legal accounting – that maintains the authorizing function – is predominant on accrual accounting.

The principle applied in the accrual accounting, contained in an annex to the Legislative Decree that implemented the accounting reform in Italy for the Local entities, were recognized by a referral to how the operating events are to be recognize in the legal accounting.

So the study, in respect of any managerial event, had to be articulated in various *steps*, namely:

- analysis of the accrual accounting principle, contained in the attached number 4/3 of Legislative Decree n.118/2011, where it is not possible to locate the recognition, measurement and representation of the management event;

- study of the principle of "new" legal accounting, contained in the attached number 4/2 of Legislative Decree n.118/2011, introduced by the accounting reform.

All this with the intention to understand if what is regulated by the Italian legislation complies with the "accrual" rules.

The comparison between the "actual" principles and the "accrual" rules started from the conclusions of a previous work (Grandis & Mattei, 2012). But, since the accrual of revenues/income of a typical local entity is not always easy, it has been suggested to have a "theoretical hierarchy" of operational criteria to follow.

The operating events analysed in this work are:

- taxation revenues;
- current transfer revenues;
- transfer revenue for fixed asset;
- revenue from sales of goods and services;
- asset management revenues.

In the following paragraph it is explained a summary of the analysis done for each operating events.

## 5. Discussion

From the results of the analysis showed that all the considered management events, may include:

- in situation *n.1*;
- in situation *n.3*;

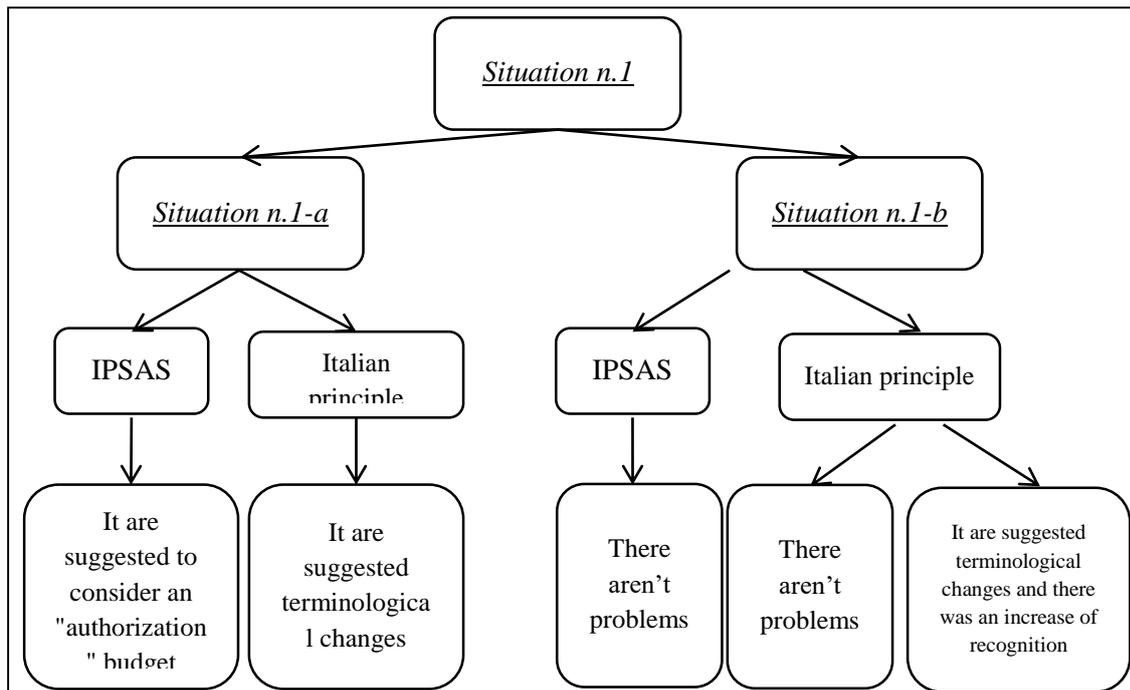
In the following paragraphs is discussed the emerged evidences from the analytical investigation.

### ***5.1. Situation n.1: the Italian principle and IPSAS are compliant with the "theoretical hierarchy"***

In this situation there is a comeback of the management events in which the Italian principle and IPSAS both meet the "theoretical hierarchy" criteria. However, as mentioned above, the discipline of the two standards could (Fig.n.1):

- a. not be the same, since the IPSAS does not contemplate some peculiarities of the Italian local governments (situation 1-a);
- b. be the same, and hence there is coincidence between the Italian accounting principle and IPSAS (situation 1-b);

**Figure n.1: The distinction of situation n.1**



From the analytic analysis carried out that which might be needed, both in the Italian accounting principle as in IPSAS:

- changes in terminology;
- exceptions to the principles;
- implementation of accounting records.

The implementation of accounting recognitions, entails a consequent workload burden and a weighting of the recognitions.

Situation n.1-a: the Italian principle and IPSAS are in conform with the "theoretical hierarchy" but the disciplines are different.

For these management events it is thought that the criterion referred to in point 2 of the "theoretical hierarchy" could be used, i.e. a "programmed" incomes-costs correlation, based on formal commitment contained in the annual budget, or, alternatively, the criterion referred to in point 3 of the "theoretical hierarchy", i.e. a correlation of "temporal" type.

In this situation, the following operational events are included:

- property tax;
- current transfers revenues without specific destination.

As regards the "temporal" correlation, it is believed to be usable in case of the IPSAS being adopted *tout court*, as well as they were written. In fact, in this *corpus* of standards, there is no principle which checks the valence annual budget authorization while, one of the characteristics of the accounting system of the Italian local entities is precisely this; therefore, not being able to apply a correlation "programmed", it applies a "temporal" correlation.

So, if the need to continue with the process of consistent accounting harmonization with international standards, it would be necessary not to apply them as they are, but receive them with domestic legislation and plan to draw up a specific accounting standard taking into consideration the peculiarities of the Italian local governments and in particular, the authorising relevance of the budget.

As regard to the accrual principle contained in the Italian legislation, despite conforming with the "theoretical hierarchy" as to allocate costs uses as identified during the programming, it is clear that the provision has been written taking into consideration how these operating events are detected in legal accounting.

So, at the end of the present activity done, a new text has been drafted where errors due to the reference of traditionally used accounting system no longer appear, and indicates how to detect these operating events regardless of the legal accounting.

Situation n.1-b: the Italian principle and IPSAS are in conform with the "theoretical hierarchy" and the disciplines are the same

The management events which fall into this category are recognize in the same way by both the Italian accounting principle and international accounting standards.

However, even if the acknowledgement of compliance of the two principles, according to the characteristics of the management events, it is believed that the criterion referred to in point n.1 of the "theoretical hierarchy" can be used, or a "direct" correlation, for the following management events:

- current transfer revenues with destination where stipulation is a condition;
- revenues from services rendered for which the entity requires an anticipate payment;
- revenues from services rendered for which the entity requires an deferred payment;
- revenues from services of immediate execution;
- transfer revenue for fixed asset where stipulation is a condition.

For asset management revenues, collected in any way, it is believed that the criterion referred to in point n.3 could be used, such as a "temporal" correlation.

For all cases listed above, in terms of the implementation of IPSAS, the analysis did not reveal any problem.

The cases in which not even the Italian accounting principle has highlighted the need to suggest changes or additions are:

- revenue for fixed asset where stipulation is a condition;
- revenue from sales of goods and services of immediate execution;
- asset management revenue for which the entity require an anticipated payment.

For revenues from asset management, with deferred payment or by instalments, the Italian accrual principle text, uses inadequate terms (continuing to refer to the legal accounting); therefore proposed revisions were elaborated to the same accounting principle.

Instead, regarding to:

- transfer revenues with destination where stipulation is a condition;
- revenues from services rendered for which the entity requires an anticipate payment;
- revenues from services rendered for which the entity requires a deferred payment.

The Italian principles brings out the need for "corrective" recognition that the local governments are called upon to perform - in order to respect the accrual principle contained in the Italian legislation - that would not be necessary, or would be different, in the presence of a "separate" integrated accounting system.

In other words, the "joint" integrated accounting system requires to execute, in order to avoid distortion of the economic data, adjustment entries and integration which, in the case of a "separate" integrated accounting system, would not be necessary, or would be different.

Take for example the case of a service that is rendered in two different years and the revenue is payable before the service was rendered by the entity (and the person can require restitution of the amount of service rendered until the start). According to the Italian accrual principle, which follows the "new" legal principle, when this service is collect, it needs to be recorded:

_____	xx/n	_____	X
Bank		Revenues from services rend	
_____	9	_____	

At the end of the financial period, an adjustment entry needs to be done in order to amend the economic result from the revenue part which is not possibly considered as the revenues of the first year. If one looks at the credit, the same argument is visible, it is true that the amount of credit that can be considered in the balance sheet of the first year (n) is the total amount, but on the other hand, it has to recognize a liability relation to the service that will be rendered in the year n+1.

	31/12/n		
Revenues from services rend		Unearned revenues	X

In the presence of a "separate" integrated accounting system, the recognition at the end of the year, would have been different. Indeed, when the money is cashed, an increase will be detected in the bank. At the same time a debt arises that the local entity have for the person who pays in advance for the service. This debt closes at the time of revenue detection, i.e. at the end of the financial period.

The first recognition in accrual accounting would have been:

	xx/n		
Bank		Advance receipt from client	X

Followed by:

	31/12/n		
Advance receipt from client		Revenues from services rendered	X

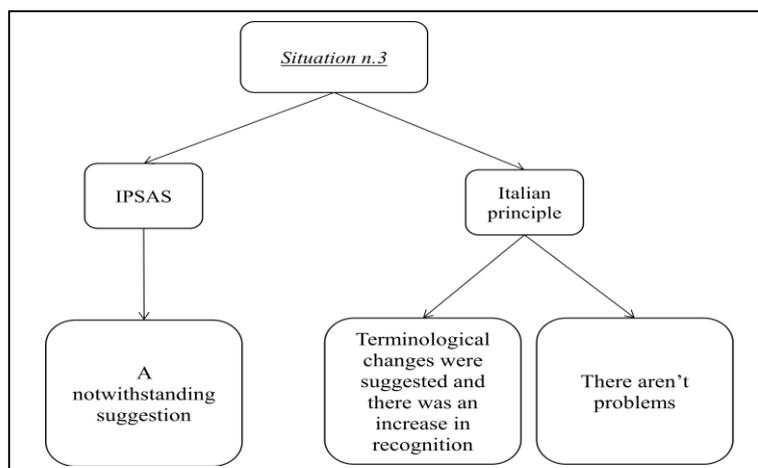
Further even in the presence of a "separate" integrated accounting system, the recognition at the end of the year, would have been different. Indeed, when the money is cashed, an increase will be detected in the bank. At the same time a debt arises that the local entity have for the person who pays in advance for the service. This debt closes at the time of revenue detection, i.e. at the end of the financial period.

### 5.2.Situation n.3: the Italian principle is compliant with the "theoretical hierarchy" while IPSAS doesn't

In this situation the management events come in, in which the Italian principle conforms to the criterion of "theoretical hierarchy" identified whilst the IPSAS is not.

For revenues falling into this category the criterion referred to in point n.1 of the "theoretical hierarchy" has been identified, i.e. a "direct" correlation income/costs, while the IPSAS applies the criterion referred to in point n.3 of the "theoretical hierarchy", i.e. a "time-based" correlation.

**Figure n.2: the distinction of Situation n.3**



The cases falling in this situation are:

- service tax;
- current transfer revenues with destination where stipulation is a restriction;
- transfer revenue for fixed asset where stipulation is a restriction.
- With regard to the discipline IPSAS, if it is decided to embark in a process of a consistent accounting harmonization with Europe, there should be the need to elaborate the Italian principles based on IPSAS which are able to comply with the accrual rules. In particular, in the case of service taxes, it would be necessary to elaborate a principle able to take into account the reason for which the revenue was obtained.

As far as the current transfer revenues with destination where stipulation is a restriction and transfer revenue for fixed assets where stipulation is a restriction it should be highlighted that the reality of Italian local governments does not include the differentiation between restriction or condition of stipulation but, IPSASs provide that when it comes to restriction, it uses the temporal correlation, therefore, applies a different criterion of the theoretical hierarchy. In order to use the correct criterion of theoretical hierarchy, i.e. the correlation income/expenses, would be necessary to derogate up to the international accounting standards.

In reference to the Italian discipline, for transfer revenue for fixed asset where stipulation is a restriction, no problem is detected in the application of the regulatory provisions.

For revenues from service tax, the analysis of the Italian principle has highlighted the need to propose changes in terminology to the accrual principle to ensure that the references to the legal accounting principle do not appear anymore.

For the current transfer revenues with destination where stipulation is a restriction, it is evidence of worsening or disparity of adjustment entries that the Italian local governments are called upon to perform in order to comply with the accrual principle.

Take, for example, the case of the current transfer revenue with specific destination, granted in the same year in which the related services have to be rendered and this service is rent in the first year (n). For the Italian local entities' accrual principles, if the transfer and the service both are payable and receipt in the subsequent year, credit and debit will be attribute at the year n+1. By this procedure, the “new” principle of legal accounting that guides the accrual recognition arises an exigency: integrate the balance sheet of year “n” with the credit and debit. In this context, with a “joint” integrate accounting system, the total amount of credit and debit will be attribute to the next year.

At the end of the financial period, therefore, the beneficiary organization finds:

Accrual Receivables	31/12/n	Current transfer	X
Costs for services	31/12/n	Accruals Payables	X

In case of a “separate” integrated accounting system, the body would not have to make any adjusting entries, since the revenue and the cost would have been recognized in the current year. In particular, revenues would have been recorded at the moment of receipt from the administrative act by granting the transfer in writing:

Credit for transfer	xx/n	Current transfers
---------------------	------	-------------------

The costs, however, would have been recorded upon being verified in writing from the proper supply of services:

Costs for services	xx/n	Debt
--------------------	------	------

### Conclusion

From this present analysis carried out it was found that by combining - for each considered management event - as evidenced in relation to Italian accounting principle and relatively to IPSASs principles, the situations that may be encountered are two, namely:

- *situation n.1*, where the Italian accounting standards and IPSAS both meet the criteria set out in the "theoretical hierarchy";
- *situation n.3*, namely only the Italian accounting principle is corresponding to the design hierarchy whilst the IPSAS is not.

From the first analysis it seems that there is a full compliance of the Italian accrual principle with the accrual rules; however, a more detailed study it was realized that, sometimes:

1. the terminology used by the Legislator is inappropriate; or
2. to get a right economic result of the period, starting with the "joint" integrated accounting system implemented in local governments, are required additional or different entries in respect of a traditional *accrual* system.

The research results have made it possible to propose, under point n.1, changes in terminology that the Legislator should make and, under point n.2, of bringing out the differences of the entries in respect of any accrual accounting system.

Therefore, in view of the results obtained, it seems appropriate to point out that the main problems arise from the use of a "joint" integrated accounting system.

The question arises, therefore, when the problem of figuring out what were, at the time when the Legislative Decree 118/2011 has been adopted - standard by which we have implicitly chosen the accounting system to be adopted - the reasons that led to this decision.

A hypothetical answer to this question is to be found out in the same regulation which states that the decree should have been implemented without new or higher costs for public finances.

However, given the emerging evidence, it seems that this goal is not reached, if only because of the difficulty in implementing the accounting systems chosen which led to substantial investments in relation to suitable IT, staff training and not least, the time wasted required to perform the additional recognizes necessary in order not to distort the economic result of the period.

Regarding the IPSAS discipline, the most problematic encountered are attributable to:

1. the lack of an authorizing budget; and
2. the "simplification" that adopt these principles in recognizing certain management events according to time, when it would be possible, and more appropriate, to correlate certain types of income in consideration of the cost for which they are incurred.

So, if the need arises to pursue a consistent accounting harmonization process with the *corpus* of international accounting standards it would be necessary to draw up a specific standard that takes into consideration the important role that the authorizing budget in Italian local governments. It would also be desirable to provide for derogations to international accounting standards whenever it is possible to detect the managing events so that, the economic results is more truthful.

Ultimately, it is highlighted that from the study carried out it was possible to verify the validity of the "theoretical hierarchy" proposal, that is; while analysing the managerial events, it has never happened that the Italian accounting principle and IPSAS discipline did not comply to the

theoretical hypothesis processed and that, at the same time, both principles govern likewise the management events.

The acquired knowledge during the months dedicated to this project is that the future of the Italian local governments cannot disregard the adoption of a correct and consistent accrual accounting system with the guidelines issued by the European Community.

## References

- Grandis, F. G., & Mattei, G. (2012). The harmonization of accounting in the Italian public sector: a new accrual basis standard versus IPSAS. *Italian Journal of Public Law*, 4(2), 376-398.
- Jorge, S. M., Jesus, M. A., & Laureano, R. M. (2016). Governmental Accounting Maturity Toward IPSASs and the Approximation to National Accounts in the European Union. *International Journal of Public Administration*, 39(12), 976-988.
- Corbetta, P. (2003). *La ricerca sociale: metodologia e tecniche*. Bologna: Il Mulino.
- Scapens, R. W. (1990). Researching management accounting practice: the role of the case study methods. *British accounting review*, 22, 259-281.
- Anselmi, L., Pavan, A., & Reginato, E. (2012). Cassa, competenza finanziaria e competenza economica: la scelta delle basi contabili in un sistema armonizzato di contabilità pubblica. *Azienda Pubblica*, 1, 53-67.
- Grandis, F. G. (2006). *La ambiguità nelle riforme dei sistemi contabili pubblici*. Rirea.
- Alesani, D., Jensen, G., & Steccolini, I. (2012). IPSAS adoption by the World Food Programme: an application of the contingency model to intergovernmental organisations. *International Journal of Public Sector Performance Management*, 2(1), 61-80.
- Bergmann, A. (2009). Public Sector Financial Manager. *Financial Times Press*.
- Jorge, S. M., Carvalho, J. B. D. C., & Fernandes, M. J. (2008). From cash to accruals in Portuguese local government accounting: What has truly changed. *Tékhnè-Revista de Estudos Politécnicos*, (10), 239-261.
10. Cerchier, G., & Santone, M. (2011). Processo di riforma della contabilità pubblica. Spunti e riflessioni sul tema della contabilità economico-patrimoniale e del passaggio al bilancio finanziario di sola cassa. *la Finanza Locale*, 3, 25-46.
- Grossi, G., & Soverchia, M. (2011). European Commission adoption of IPSAS to reform financial reporting. *Abacus*, 47(4), 525-552.
- Caperchione, E. (2012). L'armonizzazione contabile nella prospettiva internazionale. *Azienda Pubblica*, 1, 83-99.
- Mussari, R. (2012). Brevi considerazioni sui mutamenti in atto nei sistemi di contabilità pubblica. *Azienda Pubblica*, 25(1), 11-21.
- Bartocci, L. (2013). *Il nuovo sistema informativo-contabile dello Stato*. Torino: Giappichelli.
- D'Alessio, L. (2012). Logiche e criteri di armonizzazione nelle recenti normative di riforma della contabilità pubblica. *Azienda Pubblica*, 1, 23-40.
- Quecchia, M. (2013). Il nuovo ordinamento contabile degli enti locali. *la Finanza Locale*, 7, 8-45.
- Anzalone, M., & Mattei, G. (2016). *A peaceful coexistence between governmental accounting information and national accounting information, The case of Italian public Administrations*. Paper presented at XII Permanent Study Group Public Sector Financial Management Spring Workshop, Modena, May 5-6.
- Grandis, F., & Gnes, M. (2014). Armonizzazione contabile: competenza finanziaria "potenziata" e integrazione con la contabilità economico-patrimoniale. *Rivista della Corte dei Conti*, (5-6), 424-444.

- Mariani, P. (2013). L'ambito di applicazione del titolo primo del D.lgs. n. 118 del 2011: gli enti e gli organismi strumentali. *la Finanza Locale*, 2, 63-66.
- Fanelli, S., & Ferretti, M. (2014). L'armonizzazione contabile negli Enti locali: primi risultati e considerazioni sulla sperimentazione nazionale. *Azienda Pubblica*, 27(2), 167-182.
- Soverchia, M. (2008). *L'armonizzazione contabile delle amministrazioni pubbliche. Attori, processi, strumenti* (Vol. 83). Giuffrè Editore.
- Pavan, A., Reginato, E., & Anselmi, L. (2015). I bilanci pubblici italiani oltre l'armonizzazione. *Azienda Pubblica*, 2, 200-213.
- Brusca, I., Caperchione, E., Cohen, S., & Manes Rossi F. (2015). *Public Sector Accounting and Auditing in Europe: The Challenge of Harmonization*. Palgrave Macmillan.
- Paoloni, M., & Grandis, F. G. (2007). *La dimensione aziendale delle amministrazioni pubbliche*. Giappichelli.
- Grandis, F. G., & Mattei, G. (2014). The Authorising Function of Budgets in Public Administration. Applicability of IPSAS 24 in Italy. *Open Journal of Accounting*, 3(02), 45.