

Public Sector Accounting Policy Reform in the Czech Republic: Experience from Local Governments (pilot)

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Abstract:

The Czech Republic has recently introduced and implemented public sector accounting reform. The aim of the reform was to make the Czech public finance system more transparent, efficient and realistic. The authors of this reform, in fact, intended to bring public sector accounting and public financial management closer to private sector practices that, from their point of view, fulfil the reform goals previously mentioned. After a few years of functioning in this new accounting environment, certain associated points and problems have arisen that have to be tackled. The aim of this paper is to describe public sector accounting reform and its post-implementation process to current state in the Czech Republic based on pilot empirical research mirroring the opinions and experience of municipal Chief Financial Officers and its comparison with similar examples from other countries. The pilot sample for this research consists of municipal Chief Financial Officers and the research method is based on questionnaires and interviews with them. Results and findings achieved by this pilot research show that the reform of the new public sector accounting system in the Czech Republic has been developed in very extended scope in comparison with other countries, estimated costs perceived by users (local governments) are prevailing over advantages and benefits and thus there was identified certain degree of scepticism which may disrupt further efficient and positive use of this new accounting system.

Key words: Public sector; Accounting; Financial management; Municipal; Reform.

JEL classification: M41, M48.

1 Introduction

The Czech Republic belongs to a group of countries that decided to reform its public sector in certain different ways in recent decades. It is possible to identify the general goal of these reform intentions as the effort to make the public sector more efficient, accountable and transparent. Within those aforementioned reform processes, we have identified various different branches and have, therefore, focused on a public finance specific issue in the form of public sector accounting

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and relevant associations with municipal public financing. Legislative intentions concerning public sector accounting reform in the Czech Republic was approved in 2007, followed by its introduction and implementation in 2010 and the following years in the context of the Czech public finance reform process. The aim of this intention, from the perspective of the author and implementer of this reform (the Ministry of Finance of the Czech Republic; the MoF CR), was to create conditions for the effective provision of correct, complete and on-time information about the financial situation of the government and relevant accounting units (the MoF CR, 2008). The main targets intended by MoF to be achieved by this reform process were following (Ministry of Finance Czech Republic, 2008):

- to make state accounting in the analogy of private sector organization and considering efficiency principles and specifics of the state; improvement of accounting methods used by accounting units in public sector,
- to make conditions for efficient ensuring relevant information concerning economic situation of the state including the record of information about receivables and liabilities on the central level as well as on the lower levels of government,
- to eliminate the fragmentation of various registers and statements (reports) of accounting units connected with public budgets and property of the state,
- to ensure credibility of accounting information for the purpose of reporting and compiling of financial statements of the Czech Republic, thus to enhance the quality of the information provided by the Czech Republic out and also by individual accounting units' inner,
- to make possible continuous gaining of relevant accounting information for operating management (real time decisions),
- to make accounting statements and reports available on-line by digitalizing all documents to lower administrative burden on doing accounting and control mechanisms.

Among other targets and principles intended by this reform process were also the comparative ability of accounting outcomes between EU member states which belongs among the main targets of reform processes carried out recently in East-European countries like the Czech Republic and the main leading principle - the transition from cash-based to accrual-based accounting in the Czech public sector (Hrůza and Manes Rossi, 2016). Otrusínová and Kubíčková (2011) add another goal intended by the reform – to implement e-tools into accounting systems in public sector. Some of the previously-mentioned arguments serve as prerequisites for effective management, for example, the existence of adequate, up-to-date and relevant economic data for the economic management of a public sector organization (Vodakova, 2013).

Situation in the Czech public sector accounting before the reform could be characterized by cash accounting style system with focus on using budget as a main municipal financial management tool and prevailing user and intermediary of current public sector accounting system and its outputs. The following table shows how the public sector accounting system has changed due to this particular reform from the perspective of Czech municipalities. Interesting point is that there was not set termination term/date for an old accounting system, thus we can not talk in the Czech case about replacing one accounting system by another one. Current system was upgraded and enlarged by the new one with new tools, techniques and principles.

Tab. 1: Financial and accounting methods, techniques and principles used by Czech municipalities before and after the reform

| Tool / method / technique or principle | Before | After |
|--|--------|-------|
| Budget | yes | yes |
| Budgetary arrangement / adjustment | yes | yes |
| Budget implementation (FIN2-12) | yes | yes |
| Final account | yes | yes |
| Balance sheet | yes | yes |
| Financial outlook | yes | yes |
| Financial statement / Annual account | yes | yes |
| Income statement (P/L) | no | yes |
| Balance sheet | yes | yes |
| Cash-flow statement | no | yes* |
| Depreciation | no | yes |
| Accrual | no | yes |
| Fair value | no | yes |
| Provisions | no | yes |

Source: authorial computation.

Note: * where applicable.

After a few years of the functioning of the municipal sector under the new conditions, in terms of accounting, certain problems associated with aforementioned reform have arisen. The main intention of such a reform was to make public financial management (in this case, in the form of the municipal sector, respectively, the local government sector) more transparent, efficient and

realistic (closer to economic or financial reality). The authors of this reform, represented in this case by the MoF, in fact generally intended to bring public sector accounting and public financial management closer to the private sector or managerial practices that, from their point of view, fulfil the reform goals previously mentioned better than the old system. The motivation and hope of this reform was the creation of a system for a more efficient and effective understanding and management of economic processes and better performance of state and municipal assets, liabilities and finance. Also, Barzelay (1992) already showed in his paper that the aims of public sector reforms could lead to a more efficient use of limited resources by managers when they tackle the bureaucratic paradigm and rigidity associated with an old system. But risks and investments associated with implementation of any reform and change of the current system and such implementation process bring together with costs and benefits also certain questions, aspects and potential problems to be taken into account or even tackled. They are of various nature but they should be tackled when considering the successfulness or contribution of such reform.

1.1 State of art – from cash to accrual accounting system?

In previous decades, an almost global movement moving governmental accounting from a cash-basis to an accrual-basis can be identified (Boxall, 1998; Carlin, 2003). As this research is focused on the application of public sector accounting reforms, the implementation process and the situation associated with the post-implementation functioning of local governments in new conditions, the paper also tried to identify similar processes in different countries (at various government levels) and the experience coming from them. First, it is necessary to mention that studies and analysis concerning problems and consequences associated with this kind of application have been published, such as Carnegie and Wolnizer (1995), Guthrie (1998), Guthrie (1993), Parker and Guthrie (1993), Eriotis et al. (2011) and Maciucă (2013).

Cases that have been identified and described as successful ones have also been introduced. Based on the research of Pina and Torres (2003), New Zealand, Australia and United Kingdom could be considered as the most relevant examples of public accounting system transition, according to IPSAS and IFAC, in which the accrual basis, including depreciation, has been integrated into their public sector accounting system. These countries are considered to have a sufficient level of disclosure. But one must be careful, in terms of international comparisons, as a lot of intermediate models and approaches lying between cash and full accrual accounting have been introduced and implemented, as Pina and Torres showed (2009) in the sample of 16 member OECD and EC countries. As one can see from international and domestic (the Czech Republic) experience, from such NPM reforms, relevant processes associated with accounting tend to be institutionalized

and are led top-down in the form of budgetary and financial reporting, with the aim of providing proper, accurate and real information concerning revenues and costs, assets and their actual state, liabilities and debt management (Guthrie and Humphrey, 1996). While there are arguments discussing the usefulness of accrual accounting in governmental finances, and some of them express certain doubts such as, for example, Guthrie (1998), warning ahead of financial data users' confusion. There are also supporters of this approach that argue that accrual accounting is able to provide information about the financial performance or position, in terms of public resources, that cash-based accounting is not able to (Rowles, 2004) or a more accurate picture of the cost of services (Guthrie, 1998). Smullen (2009) identified three positions of opinion about this issue, when the first group consists of supporters (Das 2008; Micallef and Pierson 1997; Mellor 1996) and the two other groups are represented by opponents (Barton 1999; Newberry 2001; Monsen 2002) – while one criticizes its usefulness and applicability to the public sector, the other rejects the way of its application in the public sector.

While supporters argue that accrual accounting is important to create a complete picture of certain governmental financial positions, due to the ability for total and unit cost calculation and consolidation (Das 2008; Smullen 2009), opponents argue, for example, that the inappropriateness of this type of accounting is due to the inapplicability of many financial relationships to the public sector conditions and the different nature of the goods produced in the public sector (Stiglitz 1988; Barton 1999; Smullen 2009). Certain opinions argue that the inapplicability of accrual accounting is due to the limited and restricted use of assets and liabilities, but there is a certain difference in the levels and forms of government as local governments are in full possession and because of the autonomy of their assets, and they are able and also responsible to manage them according to Act No. 128/2000 and other relevant acts of Czech legislation.

Nevertheless, Guthrie (1998; p.6) provided an objective argument that accrual accounting numbers are more robust than cash accounting numbers for 'decision-making' in government. A general supporting argument for this transition process is that accrual accounting will create conditions and an environment as a prerequisite of more informed decision-making in public finance and the public sector. There has been a wide discussion about both approaches (whether to reform or not reform public sector accounting, as well as to what extent) but the purpose of this paper was just to mention this aspect as this discussion is beyond this paper's framework. We take the aforementioned transition process, for the purpose of this paper, as a given variable and do not intend to discuss this issue further.

Why is accounting an important issue in the public finance reform process? As Lapsley (1999) pointed out, this issue is associated with the correctness and accuracy of relevant measurements, followed by achievements and negotiations. From the paper's point of view and the point of view of responsible representatives or public managers, financial information based on the state of a subject's economy is the most important aspect. This financial information is important for the decision-making process. But the form of this information depends on certain aspects and, according to this paper, we would like to point out the aspect of public sector accounting. Therefore, one can say that the form and accuracy of this information are determined by which extent a certain public sector accounting environment develops. As has already been stated in this paper, many various intermediate forms of accounting between cash and full accrual exist and each of them has its own specifications and, therefore, it influences the financial information in the public sector decision-making process. A well-known example is the implementation and use of depreciation in public sector accounting where some versions really use it and some not, as this particular issue is subject to debate. But there are many other issues that are under discussion in this area (income statement use, non-monetary and historical assets, infrastructure or public projects accounting, etc.). A second important aspect is the form of reporting documents as there are certain recommended ones associated with the relevant version of public sector accounting (it usually concerns an operating statement, a statement of assets and liabilities, a cash-flow statement and notes).

There are many motivating factors for researching the aforementioned problems and tackle them to find appropriate directions, followed by creating or developing new solutions (searching for – e.g., efficiency, effectiveness, accountability...) like the use of benchmarking, contracting, financial performance, gap measurements, real value, transparency and accountability, financial position or health identification, etc. (Bowerman et al. 2002, Andersen et al. 2008, Meričková et al. 2008, Soukopová 2009, Soukopová and Bakoš 2010, Vodáková 2012, Levine et al. 2013, Nemec and Mikušová Meričková 2013, Mikušová Meričková and Nemec 2013, Vaceková 2013, Vaceková and Pavlík 2013, Siverbo 2014). In favour of the aforementioned, Guthrie (1998) points out that accrual information has moved to the position of an accurate assessment of the full cost of service provision and as an indicator of the efficiency of programme performance.

2 Research methodology

2.1 Research goal

The paper has focused its broader research intention on the issues of PFM innovation through the implementation of an accounting and management approach in local governmental financial management. We have separated two different issues - firstly, concerning the implementation of reform and relevant new conditions and secondly, developing the process of possible innovation approaches and solutions in practice. The reason for such research process design is that, while the adoption of accounting reform and the implementation of condition associated with the top-down approach of central government was carried out, potentially, the expected following process of accounting and financial management innovation in public finance did not follow and recent practices in local governments are still the same as before the reforms (i.e. managerial accounting system has not developed, financial and other performance indicators have not been used in a significant form, etc.). Therefore, the paper focuses solely on the implementation process of public sector accounting reform in Czech local government and its identification, including associated benefits and costs.

The goal of this paper is to identify and assess the costs and benefits associated with the application and implementation of the public sector accounting reform process in the case of the Czech Republic municipal sector, and compare them with relevant findings and outcomes internationally.

2.2 Research methods and sample

Christiaens and Rommel (2008) divide this type of issue into the three main research approaches: first, descriptive studies, second, theories explaining why governments chose to adopt accrual accounting and third, empirical studies of the implementation of the accounting reform. Our research is based on certain theoretical prerequisites. In the case of the accounting system, the paper takes into consideration contingency theory, from the view of the application and implementation of the accounting system into an organisation (Lawrence and Lorsch 1967; Thompson 1967; Perrow 1967). The main research method used for the processing of our research is based on questionnaires and personal interviews with municipal Chief Financial Officers (CFOs). Another research method used for the purpose of this research is also a literature review of relevant studies and papers concerning problem identification in the implementation process of management accounting innovation in public financial management followed by a synthesis of the findings.

The research sample has been primarily limited to the intended group of executive officers dealing with municipal financial management from the point of a leading position in the municipal office. This specific group of officers was addressed with

the aforementioned questionnaire either by email or personally. We have received and completed 22 questionnaires altogether for our research sample where chief financial officers or equivalent answered 19 of them and chief accountants answered 3. They were sorted by the type of education. From the perspective of specialization, we divided the sample into 20 officers with economics, 1 with law and 1 with textile technology. From the perspective of level, there are 21 graduates and only 1 secondary education. Other perspectives by which we sorted our sample are by years of experience in a leading position in a relevant field (Experience_1) shown in Table 2, by years of experience, generally, in a relevant field (Experience_2) displayed in Table 2, by the population of the municipality (Population) in Table 3, by the average size of the municipal budget (Budget) shown in Table 4 and by the average size of municipal property (Assets) shown in Table 5.

Tab. 2: CFOs' years of experience in leading position and in the relevant field

| Years | Experience_1 | | Experience_2 | |
|--------------|---------------------|-------------|---------------------|-------------|
| 0 to 5 | 5 | 23% | 2 | 9% |
| 6 to 10 | 8 | 36% | 1 | 5% |
| 11 to 15 | 5 | 23% | 4 | 18% |
| 16 to 20 | 3 | 14% | 6 | 27% |
| 21+ | 1 | 5% | 9 | 41% |
| Total | 22 | 100% | 22 | 100% |

Source: authorial computation.

Tab. 3: Total population of municipality

| Population | | |
|-------------------|-----------|-------------|
| 0 to 5000 | 4 | 18% |
| 5001 to 10000 | 7 | 32% |
| 10001 to 15000 | 1 | 5% |
| 15001 to 20000 | 6 | 27% |
| 20001+ | 4 | 18% |
| Total | 22 | 100% |

Source: authorial computation.

Tab. 4: Average annual budget of municipality

| Budget (in mil. CZK) | | |
|-----------------------------|-----------|-------------|
| 0 to 100 | 5 | 23% |
| 101 to 500 | 15 | 68% |
| 501 to 1000 | 1 | 5% |
| 1001 to 10000 | 0 | 0% |
| 10001+ | 1 | 5% |
| Total | 22 | 100% |

Source: authorial computation.

Tab. 5: Average total assets of municipality

| Property (in mil. CZK) | | |
|-------------------------------|-----------|-------------|
| 0 to 500 | 6 | 27% |
| 501 to 1000 | 8 | 36% |
| 1001 to 5000 | 7 | 32% |
| 5001 to 10000 | 0 | 0% |
| 10001+ | 1 | 5% |
| Total | 22 | 100% |

Source: authorial computation.

2.3 Variables discussion

From the previous discussion, one can say that the implementation or reform process is of a heterogeneous nature and, therefore, there should be certain individual variables and also transition points. The Federation of European Accountants (2003) and Wynne (2004) stress the following particular conditions to be taken into account within the consideration of the successfulness of the implementation process:

- Consultation and Acceptance,
- Participation of Accountancy and other Professions,
- Joint Development of Accounting Standards,
- Support of the Government Auditor,
- Comprehensive Management Training,
- An appropriate cultural approach,
- A robust audit process,

- No corruption,
- A recognition of the elapsed time needed,
- An IT capacity,
- A willingness to use incentives and penalties,
- That the accrual approach is part of a process of reform.

Christiaens and Rommel (2008) argued in their paper that there is a conceptual problem of a deeper nature, concerning the implementation process, consisting of a misunderstanding of the objectives and use of both cameralistic and accrual accounting. This could be an important aspect within the identification of the relevant problems associated with the implementation process, whether the core of the problem is an individual problem or one of the aforementioned variables, or that the problem is of a broader conceptual nature.

The way of reform process implementation in the Czech Republic's case seems to be characterized by coercive isomorphism, as the initial process is based mainly on the introduction of associated laws and government decrees or notices rather than a mimetic or normative isomorphism that, from the paper's point of view, lacks in the whole process and may be more suitable for this kind of process as a leading philosophy or an additional aspect of the process. The research paper of Christiaens and Rommel (2008) formed a central proposition that accrual accounting will only succeed in business-like types or parts of government. The paper points out the examples of hospitals, parking facilities, harbours, etc. But this conception changes the view of how public sector accounting should be used and, therefore, applied because it is a different approach to that used in the Czech Republic's case.

3 Results and Discussion

In the first step, the paper focused on identifying the most significant costs of the reform realized in the questionnaire. Respondents were asked what specific costs brought this reform and, where possible, they should also try to quantify them. The costs were divided into 9 groups in the questionnaire - costs on the general economy, costs on accounting, costs on budgeting, costs on the final statement, costs on cash-flow management, costs on asset management, costs on liability management, costs on other financial management tools and costs on other tools and analysis. Table 5 shows the findings of the questioning about costs.

Tab. 6: Answers to the question about whether any costs were incurred as a result of the reform

| | Yes | No | Did not mention | Quantified | Identified costs |
|--|--------|--------|-----------------|------------|--|
| Costs on the general economy | 36.4 % | 13.6 % | 50 % | 4.5 % | Training costs, increased workload. |
| Costs on accounting | 72.7 % | 0 % | 27.3 % | 13.7 % | Costs on SW, Training costs, increased workload, salaries. |
| Costs on budgeting | 4.5 % | 45.5 % | 50 % | 0 % | Costs on SW. |
| Costs on the final financial statement | 22.7 % | 27.3 % | 50 % | 0 % | Increased workload. |
| Costs on CF management | 4.5 % | 36.4 % | 59.1 % | 4.5 % | Salaries. |
| Costs on AM | 9.1 % | 31.8 % | 59.1 % | 0 % | Costs on SW, training costs. |
| Costs on LM | 4.5 % | 31.8 % | 63.7 % | 0 % | Costs on SW. |
| Costs on other FM tools | 9.1 % | 36.4 % | 54.5 % | 0 % | Increased workload. |
| Costs on other tools and analysis. | 13.7 % | 31.8 % | 54.5 % | 4.5 % | Costs on SW. |

Source: authorial computation.

In the second step, the paper focused on the potential benefits of the reform. The respondents were asked about benefits brought by the reform. The benefits were divided in the same way as the costs, into 9 groups. Table 6 shows the findings of this questioning about benefits.

Tab. 7: Answers to the question about whether any benefits were brought as a result of the reform

| | Yes | No | Did not mention | Identified benefits |
|---------------------------------|--------|--------|-----------------|--|
| Benefits in the general economy | 22.7 % | 40.9 % | 36.4 % | Increased accountability of officials for property management and budget execution, increased income based on the evidence and recovery of receivables, information complexity. |
| Benefits accounting | 31.8 % | 45.5 % | 22.7 % | More detailed financial statements, analytical data for the preparation of income tax return, possibility of automatic processing, similarities with accounting in corporations, active work with claims, predictive value of receivables. |
| Benefits in budgeting | 4.5 % | 45.5 % | 50 % | More detailed information for budgeting process. |

| | Yes | No | Did not mention | Identified benefits |
|---|--------|--------|-----------------|--|
| Benefits in the final financial statement | 13.6 % | 40.9 % | 45.5 % | New information, Information complexity, Satisfaction of representatives with the process of compilation. |
| Benefits in CF management | 9.1 % | 40.9 % | 50 % | Stricter evidence of daily incomes, Better information for decision-making. |
| Benefits in AM | 18.1 % | 36.4 % | 45.5 % | More detailed evidence, Knowledge of fair value of assets, Knowledge of depreciation. |
| Benefits in LM | 4.5 % | 36.4 % | 59.1 % | Internet banking connected with bank account, faster communication with suppliers. |
| Benefits in other FM tools | 9.1 % | 36.4 % | 54.5 % | Participation of representatives in strategic plan preparation, better orientation of representatives in the economic situation of municipality. |
| Benefits in other tools and analysis | 9.1 % | 31.8 % | 59.1 % | Expanding the database for analysis, possibility to create own analysis system based on complex data. |

Source: authorial computation.

Both tables, 6 and 7, mirroring opinions of municipal Chief Financial Officers responding in this pilot research point out and highlight prevailing costs to benefits and higher skepticism over consequences and implication of this particular reform on municipal level in aggregate. In terms of benefits, in all categories, the answer that the reform did not bring any benefits prevails. Additionally, if we add "did not mention" answers in the category, it can be assumed that they were also answered especially among those respondents that have significant benefits for its reform such as "not able to identify", to "no", answers in the category for most categories of benefits. The preponderance of negative responses is very significant in both cases (costs and benefits). The most significant is just for the categories that can be understood as an "overvalue" to its reform, i.e. in the part concerning the potential active use of new data to streamline economic activities of those bodies. A higher proportion of positive responses can then be seen in the "Benefits in accounting" and "Benefits in general economy", which can be considered as a basic level of activity that should be carried out by reform aims. However, even here, where the most positive impact of the reforms should be put forward intuitively as expected, the proportion of positive responses is relatively low.

The results of reform benefit analysis then, in principle, correspond with the results found in the questionnaire dealing with inquiries about the cost of the reform. The highest proportion of respondents notes that the reform has brought significant costs, especially in "Accounting" and "General economy". Conversely,

in other areas, the proportion of "Yes" answers is quite low, but, in the paper's opinion, this should not be interpreted as meaning that new costs of these activities did not occur, but rather that the respondents did not feel or perceive them as significant, for the reason that these activities are either not performed or are not considered significant. Somewhat surprising is the high overall "Did not mention" response rate in both parts of the questionnaire and especially in the "Costs" part. For this fact, it is possible to formulate the hypothesis that, despite the reforms realized, the persons responsible for their implementation in the municipalities settled for a basic and necessary level of reform, that they were "ordered" without an active attempt to use new data for accurate quantification of the costs of each of their sub-activities, e.g., in the form of establishing a system of management accounting in the municipality, etc.

In the last part of the questionnaire, all interviewed were asked to formulate whether in the course of implementation of the reform they perceived and still perceive some problems that have arisen as a result. The main finding of this part of the questionnaire is the widely mentioned formulation of increased workload associated with the transition to accrual accounting, which requires higher skills for proper management, an increased need for new workers (who were not recruited for economic reasons), overloaded workers at the level of the economic departments (and in the case of small municipalities, also the virtually non-existent substitutability of workers implementing the new reforms into practice), higher costs of processes, and, in the case of certain practices, imperfect methodology (e.g., depreciation methods) or ambiguities in the accounting standards. Outcomes and findings achieved by this pilot research are to certain extent in line with those reached and highlighted by similar researches realized on Czech municipalities and their allowance organizations as following:

Otrusínová and Pastuszková (2013):

- 90 % of the respondents replied that the reform brings more job responsibilities,
- 65 % of the responding municipalities assess the transfer as not beneficial,
- 78 % of the respondents rate the reform as unbeneficial, negative and confusing, whereas principles of management and functioning of public administration interfere with an effort to approach the accounting of business entities which operations, however, rely on entirely different principles,
- 80 % of respondents claim for a stronger support by the Ministry of Finance, asking for a quicker and more effective process while introducing new standards.

Nekolová (2014):

- 80 % of respondents say that methodological support was insufficient, on the low level and belated,
- 100 % of respondents say that it was necessary to search for the information from many other sources and some information was not available at all,
- 90 % of the respondents answered the reform brings them more work tasks,
- 55 % of the respondents say it was necessary to hold a special training for employees,
- More than 80 % of the respondents answered the question on general understanding and acceptance of the new accounting system negatively,
- 70 % of respondents evaluated the change from cash basis to the accrual in rather negative way,
- Some respondents do not see a proper sense in depreciation at all,
- 65 % of the respondents do not consider the accrual principle beneficial while 86 % use the accrual principle in their accounting,
- 78 % of the respondents consider the accounting reform as non-beneficial.

This pilot research differs from above mentioned researches by tackling this issues more in detail or complex from the specific perspective of municipal financial management and how it was influenced by this particular reform. But together all these researches have certain similar features and views on the main issue of the public sector accounting reform and its implementation in the Czech Republic. Thus while we are aware of limitation of all three researches (especially from the perspective of the sample size) we deduce following conclusions and findings.

We can identify and formulate certain prevailing features and aspects of this accounting reform and its implementation process based on these three studies:

- there is no doubt that reform according to nowadays conditions and needs from the perspective of NPM and NPFM was required (transparency, unification, standardisation, efficiency etc.),
- the general goals of the reform were set reasonable according to general NPM and NPFM principles,
- but certain goals were set more ambitiously according to current conditions and state of public sector accounting,
- and in connection with certain paramateres set in wrong way this could cause one of the problem of this reform implementation acceptance:
 - fast to almost precipitous pace of the implementation,
 - interpretation and explanation (lack of methodological support),
 - quality of associated regulation and rules,
 - fragmented information base,
 - capacity and skills of human resources.

- underestimated process of introduction (number respondents are not convinced about usefulness and benefits of the reform) which could influence the level of acceptance,
- creation of dual system or co-existence problem (existence of two accounting systems without termination of an old one).

3.1. Comparison of experience in other countries

This reform process in different forms (or types of implementation) has been carried out internationally in different countries, the paper also focuses on findings associated with a relevant process experienced during this implementation process in different cases. This cross-national limited comparison can help to understand and improve the implementation process from experience gained in other cases. Diamond (2002) in his conclusions recommended valuable points to take into consideration. This research agrees with some of them, such as the following that countries contemplating a move to learn from the experience of countries that have followed this path to a better plan and have performed a transition process, as the paper has identified in the Czech Republic. This experienced opinion points out that the transition process should not be violent or precipitous to achieve full accrual accounting only because it is a political goal or currently in fashion. The process should be proper and thorough as public sector accounting is considered to be an integral part of wider budget system reform. The development of a budgetary system is a complicated and long-term process with many complex aspects.

Maciuca (2013) pointed out in the Romanian case that public sector accounting reform was carried out as a political decision in order to meet the conditions for joining the EU. One can see similarities in this transitional approach in other countries joining the EU including the Czech Republic, with a time difference in the application start. Tickell (2010) anticipated that difficulties could be experienced within implementing accrual accounting based on the level of labour force skills. Therefore, certain processes might not be appropriate for those with low-skilled labour forces. This argument, in accordance with this paper, could point out the problem of sufficient relevant training or experience. On the contrary, one can argue that in the paper's sample there are usually more experienced officers, so there is not a problem with a low-skilled labour force. But sufficient relevant specific training is a different issue.

Tickell (2010) identified some similar findings in his research that too many changes had been made too soon, and especially when other public service reforms had been carried out simultaneously. This is an interesting aspect because the Czech Republic also carried out reform within the broader process of public finance reform. Other findings highlight the problem with the excessive

complexity of the financial management system and the low-skill base for public service accountants. Due to this, Tickell's (2010) research opened the discussion about the question of whether project leaders had not underestimated the amount of training for the personnel responsible for the implementation of accrual accounting on a daily basis.

Guthrie (1998) and Anthony (2000) argued that some countries developed an accounting system in the public sector through a reform process into the coexistence of two different accounting systems, which may confuse information users (managers, public, representatives and parliamentarians) and influence the use of accruals data. Therefore, from this research's point of view, this could potentially be one of the factors responsible for reform process failure because of its goals. The situation is similar to Czech conditions, as we have to use in coexistence a budget as well as an income statement, for instance. This aspect could be important when one tries to identify the general nature of the potential failure as it could be due to one or several aspects or, on the other hand, the main case could be of a more complex and deep - conceptual - nature. The author of the process should take into consideration this aspect when trying to improve or adjust the form, character and structure of the process.

Tiron Tudor (2006), in research focused on the reform of the Romanian local public accounting, stresses the following benefits and costs associated with this particular process and among the benefits of switching to accruals, the following reasons have been identified: to provide a better quality of information to stakeholders (11 %); to improve the quality of financial management (27 %); to enhance the compatibility with national and European accounts (19 %); because we are required to switch, whatever the merits (37 %); no idea (6 %). On the other hand, the following costs have also been identified: training the personnel employed in bookkeeping; training the personnel employed in the use of IT system; training the personnel employed in the use of information issued by the new accounting system; legal framework changes; IT system analyses; adapting the IT system to the requirements of the new accounting system; managerial system modifications (attributions, competences and responsibilities); informational flow modifications.

4 Conclusion

Every reform process has its goal or set of goals and way to reach these goals using certain tools. Once the implementation process has been done, it is highly desirable to be able to assess or evaluate this process from certain perspectives as the process could be of a complex nature. One can be interested whether a planned goal has been reached or whether the chosen way has been implemented properly. One can say that the reform process in the Czech Republic mentioned in this paper

is still ongoing. Therefore, one cannot completely assess whether the planned intentions have been fulfilled or not. Therefore, this paper has focused on the issue concerning the way of implementation. It has gone from its preliminary experience and individually reached feedback from the municipal sector that the recent newly established conditions built within the reform process are not without problem. Based on these very preliminary findings, the paper has decided to find out and identify the benefits and costs of the existing implementation process, from the view of municipal Chief Financial Officers, in the form of pilot research.

Although we are highly aware of limitations of this particular pilot research, we try formulate and define policy recommendations for improvements in further development based on findings and conclusions made by this and other relevant research. To be successful such extensive reform requires strong political support and leadership, also extensive communication strategy and special training, to assign enough consultancy capacity, to prepare, introduce and provide reasonable incentive system and identify benefits of a new system to convince the user about usefulness and positive contributions of intended change and potential benefits prevailing to costs of this change outcomes. The reform is not only about changing several parameters or techniques, but the real reform is about changing people's thinking and the culture (in this case also organizational culture). Because of this reason we recommend to appoint and train a person responsible for a new accounting methodology in individual municipalities, train and motivate the mayors to the successful introduction of new methodologies and implement management accounting as a further step giving a final sense to the reform.

We are highly aware of the limited sample as the research has addressed all available CFOs and received or carried out, altogether, 22 research samples. We would like to enlarge the sample and focus on different aspects of the process in the future.

So, even from this relatively limited sample, one can deduce certain findings and certain common experience from an international perspective. We think this research issue is still current and very desirable because similar or identical processes have been carried out in many countries worldwide, as previous parts of this paper have shown. This paper's outcomes can mean benefits in the form of understanding where the problems of such a type of implementation are in order to get knowledge and contribute to a better implementation process in practice in this country (the Czech Republic). Further, the research would also like to focus on the potential space for different kinds of innovation that may potentially arise thanks to the embodiment of this process.

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