

COMPARATIVE STUDY ON THE PROCESS OF CONVERGENCE TO INTERNATIONAL ACCOUNTING STANDARDS APPLIED TO THE PUBLIC SECTOR IN BRAZIL AND PORTUGAL



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ABSTRACT

The New Institutional Sociology advocates that internal structures and procedures, including accounting, are influenced by external elements, so organizations and accounting are led to incorporate socially institutionalized practices and procedures. In this sense, we can link the convergence process to international accounting standards as the incorporation of socially institutionalized practices and procedures. Thus, researching the challenges that countries have overcome helps others to know the obstacles that the convergence process imposes. Thus, the objective of this research is to verify what were the challenges that influenced the process of convergence to international standards of accounting applied to the public sector in Brazil and Portugal. In Brazil, the challenges begin with the encouragement of greater participation of academia in the subject, from a critical point of view, accompanied by a full disclosure, followed by a greater adherence of Brazilian standards with international ones, aided by a disclosure of all assets and liabilities under the accrual basis, in addition to supporting pressures in the political and cultural fields. In Portugal, the challenges begin by encouraging the training of Portuguese accountants who will have to deal with an accounting based on principles, followed by the creation of institutional mechanisms that support pressures in the political and cultural fields, investing in the harmonization of local legislation in order to obtain greater comparability, accelerating the use of the SNC-AP in all Portuguese bodies and promoting the necessary accounting adjustments that inform the real value of the entities' assets involved in the process.

Keywords: IPSAS. IPSASB. IFAC. Brazil. Portugal.

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INTRODUCTION

Individuals are faced with the need to guide their behavior by norms or principles that are deemed more correct or worthy of being complied with (Vázquez, 1992). These norms or principles are intimately accepted according to Vázquez (1992), or imposed by a regulator who decides which set of rules best achieves the regulatory objectives according to Frantz & Instefjord (2018), and recognized as compulsory: according to them, individuals understand that they must act in this or that way according to Vázquez (1992).

In this way, social groups "claim that their principles and norms have universal validity" (Vázquez, 1992), trying to take into account the needs, interests, social, cultural and economic factors of each entity. Given the above, we can assume that the *International Accounting Standards Board* (IASB) and the *International Public Sector Accounting Standards Board* (IPSASB) are social groups that seek the edition of accounting standards with universal validity.

From a theoretical point of view, the New Institutional Sociology (NIS), a branch of Institutional Theory, explains that the institutional environment is characterized by the acceptance of norms, practices and beliefs where organizations and individuals need to conform to be accepted, receive support and legitimacy, in addition to the NIS the process of convergence to international accounting standards is the result of pressures exerted by the environment in which accounting operates (by Moura Soeiro & de Araújo Wanderley, 2019).

In the field of corporate accounting, the process of convergence to international accounting standards, with the adoption of the *International Financial Reporting Standards* (IFRS), edited by the IASB, grew and gained relevance especially at the beginning of the twenty-first century, with the requirement of its adoption within the European Union (Dantas et al., 2010).

In the context of accounting applied to the public sector, according to Jones (1992), the normative efforts developed in the United States of America, although they do not currently converge with the international accounting standards applied to the public sector produced by the *International Public Sector Accounting Standards Board* (IPSASB/IFAC), have significantly influenced several countries since the 1980s, especially Canada, the United Kingdom and New Zealand.

As for the standards issued by the IPSASB, their growth and relevance is due to two factors, the first occurred from 2004 with the emergence of the IPSASB, after the extinction

of the *Public Sector Comimittee* (PSC) and the second occurred on November 22, 2011 when the IASB and the *International Federation of Accountants* (IFAC) have signed an agreement aimed at strengthening and cooperating for the development of high-standard accounting standards for the private and public sectors (Berger, 2018).

In Brazil, the first steps in the process of convergence to international accounting standards applied to the public sector produced by *IPSASB/IFAC* in the normative scope occurred with the publication of Resolution No. 1,111/2007 of the Federal Accounting Council (CFC), which dealt with the interpretation of the Accounting Principles from the Perspective of the Public Sector, initiating the process of editing the first standards applied to the Public Sector. thus, in 2008 10 standards were published following the normative standards of *IPSASB/IFAC*.

However, when these standards were published, there was no critical engagement on the part of the Brazilian accounting class (professionals and academia) about where public accounting was, where it wanted to go and how the translation of international standards, produced by professionals who are unaware of the Brazilian political/cultural reality, could be applied at all costs in Brazil.

Within the scope of Brazilian regulation, according to Figueiredo (2017):

[...] The Brazilian Ministry of Finance published Ordinance No. 184, of August 25, 2008, providing for the intention to converge the accounting rules aimed at public entities in accordance with the International Accounting Standards Applied to the Public Sector – IPSAS, issued by IFAC through its committee, the IPSASB (Figueiredo, 2017, p. 18).

The Brazilian regulator, exercising its role, justifies the convergence process first because of the world economic scenario and because of globalization; secondly, because of the economic stage reached by Brazil and only in third place, he mentions transparency and comparability as quality attributes of converged financial statements (Fazenda, 2008).

Unlike Brazil (which opted for international convergence to accounting standards applied to the public sector in a stable economic moment, despite the rest of the world suffering the consequences of the 2008 economic crisis) Portugal did not have this merit, with an economy in crisis (Pereira, 2018) and a fragile accounting system (Gonçalves, Lira, & da Conceição Marques, 2017) the process of convergence to international accounting standards applied to the public sector produced by IPSAB in Portugal began in 2011.

By means of the Portuguese Decree-Law No. 134/2012, the Accounting Standardization Commission was created, which was in charge of preparing an accounting system that met the requirements of adequate planning, accountability and financial control

and that was convergent with the standards issued by the *IPSASB/IFAC* (Gonçalves et al., 2017).

Dos Santos and Alves (2016) verified the impact, in the transition period, of the adoption of the standards produced by *the IPSASB/IFAC* on the balance sheet and in a statement of the results of a Portuguese public body prepared in accordance with the Official Public Accounting Plan, they noted that the impacts derived from the change in the normative standard were significant and consistent with previous research, strengthening the convergence process in Portugal.

Considering the above and supported by the foundations of the New Institutional Sociology (NSI), a strand of Institutional Theory, which identifies characteristics that allow verifying the challenges, the extent of coercive, normative and mimetic pressures capable of influencing the convergence to international accounting standards applied to the public sector in the countries addressed (Pires, 2018) is that the concern arises about what were and will be the challenges that influenced the process of convergence to international accounting standards applied to the public sector in Brazil and Portugal? Thus, the general objective of this study is to demonstrate what were and will be the challenges faced, in general, by both countries.

There is evidence that the standardizer has a fundamental role in the process of convergence to international accounting standards, since its standards are accepted by the institutional environment and for organizations have universal validity, however, the challenges imposed in this process are several: technological restructuring, cultural, political, legal changes and personnel training. All this effort to produce quality Financial Statements that convey confidence. In addition to the above, this dichotomous economic/accounting scenario experienced by Brazil and Portugal at the time they decide to embark on the convergence process to international standards justifies this research.

INSTITUTIONAL THEORY AND ITS ASPECTS

The Institutional Theory according to Scott & Meyer (1994) and Mintzberg et al. (2000) can be conceptualized as the one that manages impressions, seeks to explain the structure and functioning of institutions in a social reality, under this panorama, they are seen as entities that act according to the rules, procedures, beliefs and values predominant in a given context.

For Schultz (2016) it seeks to understand how organizations seek to legitimize themselves in their environment, in addition to the search for legitimacy will justify the existence of analogous organizational structures and organizations that adopt similar management practices. Based on this approach, which provides subsidies for the analysis of the institutional pressures suffered by an organization, several institutionalist authors, according to Daft (2014, p. 187), recall that "organizations adopt structures and processes to please outsiders and these activities end up assuming the status of rules in organizations".

For Mintzberg et al. (2000), institutional theory sees the environment as a deposit of economic and symbolic resources; Economic resources are understood as tangible money, land and machinery and symbolic resources as intangible values such as reputation for efficiency, leaders celebrated for past achievements and the prestige derived from connections with companies and acquaintances. It is noted that the great challenge for organizations is to balance these resources so that organizations reduce the uncertainties surrounding their environment (Schultz, 2016).

Scott & Meyer (1994) and Pires (2018) indicate that there are several strands to Institutional Theory, and those that are most researched in the accounting area are: the new institutional economics, the old institutional economics and the new institutional sociology.

The emphasis of the new institutional economics is on economic institutions where those involved want to save on transactional costs, agents act in a timely manner and rationality is limited. The old institutional economics focuses on the routines of the organization and its institutionalization, and the new institutional sociology is opposed to the organizational model based on rational conceptions (Pires, 2018).

THE NEW INSTITUTIONAL SOCIOLOGY (NSI)

Therefore, initially studies on NSI sought to demonstrate how and why changes occur in formal organizational structures when there is no explanation pointing only to reasons for the search for efficiency. These changes are understood to be cultural and political, focusing on restlessness more on legitimacy and power than on efficiency alone (Carruthers, 1995).

NSI idealizes that internal structures and procedures, including Accounting, are modeled by external elements rather than designs that take into account efficiency (Moll et al. (2006) and Pires (2018)). Meyer and Rowan (1977) propose that organizations are

directed to incorporate practices and procedures that are socially institutionalized and that function as rationalized customs of adequate procedure.

Following the reasoning of Meyer and Rowan (1977), it is possible to link the incorporation of practices and procedures with the process of convergence to international accounting standards, which, according to Niyama (2010), is a process that seeks to preserve the legal and cultural particularities inherent to each country, so that it allows comparability of financial information between entities from several different countries.

It should be noted that the Institutions differ in the degree to which the activities reach the hands of the accountants, the activities carried out require the participation of more accountants than the same activities carried out decades or centuries ago. From this perspective, the expansion of accounting work reflects the size and differentiation of modern organizations (Blau & Schoenherr, 1971; cited by Scott & Meyer (1994) see p. 122), as a matter of technical necessity, so accounting activity arises to maintain central control in a situation of increasing complexity or differentiation.

In this area, countries will adapt their accounting structures to the international accounting standards issued by the standardizing body (*IPSASB/IFAC*) so that procedures, rules and structures that increase their external legitimacy are reproduced (Carruthers, 1995). As a result, financial information, as well as organizations, tend to be similar and the focus of the institutional context rests on the process of isomorphism, which represents the structural similarity between organizations (Beckert, 1999).

For DiMaggio & Powell (2005) there are two types of isomorphism: the competitive one is the one in which a systemic rationality is assumed that emphasizes competition in the market, the change of niches and measures of adequacy, and the institutional one that complements the concept of competitive isomorphism, according to Kanter (1972, p. 152-54), cited by DiMaggio & Powell (2005), There are forces that pressure organizations towards an adaptation to the outside world, that is, in the accounting environment this "adaptation to the outside world" can be understood as the process of convergences to international accounting standards.

Institutional isomorphism can be classified into 3 categories, according to DiMaggio & Powell (2005), Moll et al. (2006) and Pires (2018), as being: 1. coercive, which results from political influences and the adversity of legitimacy; 2. mimetic, the result of standardized responses to uncertainty; and 3. normative, associated with

professionalization. Regarding the process of convergences, international accounting standards, normative isomorphism is the most appropriate to explain this process.

Finally, to illustrate the use of NSI, several researches are developed in the accounting area from the Institutional Theory and its insights. Therefore, and considering the objectives of this study, we present below research that investigates the choice and adoption of accounting practices from the perspective of NSI.

Pires (2018), in his doctoral thesis, sought to identify that different institutional tensions influence the recognition, measurement and disclosure of *heritage assets* in Australian, New Zealand and English museums, relying on the foundations of NSI, to identify characteristics of museums that would allow the verification of the extent to which they were subject to coercive, normative and mimetic pressures capable of influencing accounting practices Observed. The results revealed that there is adoption of different practices both when museums in the same country are observed and when countries are compared with each other, in addition, normative and mimetic pressures can influence the accounting treatment given to *heritage assets* in the three countries studied.

Santos, L. A. F. et al. (2017) based on concepts within the scope of NSI sought to inquire at the epistemological level where conservatism would be classified today in the conceptual structure of Accounting, for this they investigated whether there was a predominance of such practice among companies listed on B3, in the period of 2007 and 2013, in view of the regulation of IFRS and what were the motivations for this. The results reject the hypothesis that measures of conservatism were not subdued by the application of fair value.

Almeida & Callado (2017) sought to identify, in the light of the NSI, isomorphic characteristics in the disclosure of social and environmental performance indicators of companies in the electricity sector from 2010 to 2013, analyzed 66 sustainability reports published by 21 companies (available on *the Global Reporting Initiative* website - GRI). Its results point to an 82% increase in voluntary adherence to the GRI sustainability reporting standard and indicate a learning process for the implementation of sustainability reporting along the lines of the GRI, for the authors this results can be explained as indicative of the normative isomorphism process.

O IPSASB/IFAC

The process of convergence to international standards necessarily involves the standards issued by the *International Public Sector Accounting Standards Board* (IPSASB/IFAC). Its standards aim to improve the quality of general-purpose financial reports issued by public sector entities, providing more accurate analysis of the resource allocation processes made by governments and greater transparency and accountability (Berger, 2018).

Created in 05/1987, IPSASB/IFAC, one of the four councils supported by the International Federation of Accountants (IFAC), is an independent committee that develops International Public Sector Accounting Standards (IPSAS). Composed of 18 members representing the following countries: Australia, Austria, Brazil, Canada, China, France, Germany, Italy, Japan, Nigeria, New Zealand, Panama, Romania, South Africa, Switzerland, the United Kingdom, and the United States. The Presidency has been held by the United Kingdom, since 2016, by Mr *Ian Carruthers*. Currently, the IPSASB/IFAC work program reflects the need to address specific public sector issues while maintaining convergence with IFRS (Berger, 2018 & IFAC, 2018a).

IPSASB/IFAC follows a structured process in the production of standards, transparent and public. This process provides opportunities for those interested in public sector financial reporting, including preparers and users, to demonstrate their views (through comment letters) known to IPSASB/IFAC, and to ensure that they are considered in the development of new standard-setting (IFAC, 2018b).

Working since 1997, the IPSASB/IFAC has developed and issued a set of 38 standards, 3 recommended practice guidelines, which broadly guide general purpose financial reporting, in addition to guiding countries (that use the cash basis) to progress to the accrual basis of accounting. In October 2014, IPSASB/IFAC issued the first Conceptual Framework of accounting standards applied to the public sector, a global conceptual framework for entities in this sphere, the magna norma will underpin the development, guidelines and standard-setting activities of IPSASB/IFAC (IFAC, 2018b).

The IPSASB/IFAC justifies the use of the accrual basis because governments that report on a cash basis do not account for significant liabilities, such as pensions and loans to employees and assets, such as fixed assets and investments. To qualify the accounting information produced by the public sector, IPSASB/IFAC encourages these countries to adopt the accrual basis - which will improve financial management and increase

transparency, resulting in a more comprehensive and accurate view of the financial position of the Government's public finances, in addition many countries and international institutions have already adopted *IPSAS* - many others are on the way to convergence (IFAC, 2018b).

RECENT RESEARCH ON CONVERGENCE

As for the accounting research on convergence to international standards proposed by IPSASB Zeff (2007) researched the obstacles, at a global level, of high-level comparability and convergence, in this work he observed that comparability is a very difficult notion to understand even within a country, let alone globally, also noted that countries seek convergence (or accounting harmonization by the 1990s) to international standards with the intention of fostering the compatibility of their accounting standards with these standards and increasing the comparability of locally produced financial statements.

Rocher (2017) criticizes the use of private sector accounting practices as a way to modernize the management of public organizations in the short term, his research revealed that by prioritizing the adaptation of international accounting standards from the private sector to the public sector, without considering the specific aspects of the public sector, it led to unproductive results.

Lima et al. (2017) verified the level of adherence of the Accounting Standards Applied to the Brazilian Public Sector (NBCASP) in relation to *IPSAS*, that is, another challenge faced by Brazilian Standardizing and Regulatory Bodies in the convergence of Brazilian standards to *IPSAS*. To conduct the research, they used Bardin's content analysis technique in conjunction with the *NVivo Pro11 software*, compared the content of the Manual of Accounting Applied to the Public Sector (MCASP) with the 2016 Handbook of *IPSASB/IFAC* and concluded that the level of adherence of MCASP with the former is low, around 40%.

Nunes and Lima (2017) sought to make a critical analysis of the Conceptual Framework of the Public Sector, published in 2016, aiming to verify the difficulties not overcome in the eight years of the convergence process to international accounting standards applied to the public sector in Brazil. They concluded that the edition of the Conceptual Framework of the Public Sector was an important step, as it is considered the norm of norms, however the convergence to international accounting standards tried, and still tries, to overcome several challenges such as: political pressures from federated

entities, cultural resistance, the technical training of accountants and technicians and the absence of debate in academia.

Zuccolotto et al. (2017) researched the challenges of using the accrual basis and convergence to *IPSAS* in four countries, including Brazil, which in 2016 published its Balance Sheet containing negative net worth for the first time. Through a comparative study, they concluded that the negative shareholders' equity presented in the Brazilian financial statements is the result of several changes in the criteria for evaluating assets and liabilities resulting from the adoption of the accrual basis and the convergence of the *IPSAS*; in addition to the challenge generated by the adoption of the accrual basis and the convergence to *the IPSAS* will be the recognition of several assets outside the Brazilian Balance Sheet such as infrastructure and biological assets and other liabilities such as the actuarial liability of Military Servants.

In the Portuguese scenario, Jesus & Almeida (2017), through a case study conducted by a qualitative investigation, researched the adoption of a new public accounting reform in Portugal that came to the detriment of the serious public debt crisis that affected the country in the period from 2009 to 2014; At the time, the International Monetary Fund (IMF) compelled Portugal to reduce the public deficit and seek to balance the public budget, but to achieve the objectives a reform in accounting applied to the Portuguese public sector was necessary.

Nunes et al. (2017) researched, through a case study in entities linked to the Portuguese National Health Service, the impacts of the implementation of the SNC-AP in relation to the assets of the entities and their difficulty in implementation. Regarding the implementation process, they concluded that the challenge to be overcome by Portuguese accountants is that of technical qualification in relation to the SNC-AP, given that the process of its implementation involves a plurality of subjects (political power, regulators, directors and the accounting teams that work in the agencies), in relation to the impacts, according to Nunes et al. (2017), non-current assets and liabilities were negatively impacted and, however, shareholders' equity was positive; These results indicate that there will be a greater concern in larger entities, that is, size.

Da Costa Marques (2018) analyzed the reform of Portuguese accounting based on the SNC-AP, compared to the previous regime, she concluded that the SNC-AP configures a modern accounting model based on principles, in addition to providing the Portuguese public administration with more efficient and convergent budgetary and financial systems

with those adopted at the international level, in addition to the implementation of the SNC-AP equity adjustments will be necessary due to the adoption of the accrual basis in the Accounting applied to the Portuguese public sector.

Rua (2018) researched, through a comparative and qualitative study, the Portuguese (SNC-AP) and Spanish (PGCP) accounting systems based on *IPSAS* regarding the measurement of non-current assets. Considering the object of the research, the author does not see distinctions between the accounting systems in relation to the measurement of non-current assets, highlighting the initial measurement of these, specifically for the Portuguese case, the challenge is the choice of accounting treatment given the subsequent measurement of properties intended for investment, for these assets the SNC-AP provides two measurement models that are cost or fair value.

Thus, investigating which institutional challenges influenced the process of convergence to the international accounting standards applied to the public sector of *the IPSASB/IFAC* in Brazil and Portugal, based on the NSI, seems reasonable to us to understand these challenges.

METHODOLOGY

In the search for answers to the challenges faced by both countries, according to Gil (2017) This research is classified as qualitative in terms of the form of the examination of the restlessness, relative to its purpose as applied and as to its general objectives it is classified as explanatory since it seeks to identify the challenges faced by both countries object of the research.

In order to achieve the objective proposed in this study, we prepared a structured interview, according to Lodi (1974) In this type, the interviewer follows a previously established script, here there is no use of discretion in conducting the interview process, since the questions asked were previously determined.

To elaborate the questions provided in the interview, we chose to follow the following path: we prepared the first version of the questions to be sent to the interviewees and submitted them to a round of blind peer evaluation (here one of the authors elaborated the questions and the others criticized without the intervention of each other); After peer review, we make the necessary corrections and include the suggested contributions.

In the second round, we sent the second version of the interview to three judges (Professors linked to a Graduate Program in Accounting Sciences and who teach in

Doctorate), the questionnaire was sent by e-mail, the judges were randomly selected and this evaluation was also done blindly. We obtained the answer from only one of the judges and included all the suggestions in the final version of the questionnaire for the interviewees.

The final version of the interview applied to the selected sample was:

Block 1 – Identification of the Interviewee:

1. Describe your professional trajectory.

Block 2 – The Convergence Process in General and the IPSASB:

2. [...] social groups "claim that their principles and norms have universal validity" (Vázquez, 1992), trying to take into account the needs, interests, social, cultural and economic factors of each entity. Based on the text, comment on how the normative process and the norms issued by IPASB seek this "universal validity".
3. Is the process of convergence to international accounting standards the result of pressures exerted by the environment in which accounting applied to the public sector operates? Explain your answer
4. Does the United States of America, although it does not currently converge with the international accounting standards applied to the public sector produced by the IPSASB, exert influence on the Board's normative process? Comment.
5. Talk about the importance of the *Accruals Basis* for the process of convergence to the international accounting standards applied to the public sector of IPASB.

Block 3: The Convergence Process in your Country of Origin:

6. Talk about your professional role (acting directly or indirectly) in the convergence process of your country of origin?
7. Talk about the economic situation of your country of origin when opting for the convergence process?
8. Was the economic scenario of your country of origin at the time of the convergence process preponderant for the adoption of the international standards of the IPSASB?
9. Talk about the stage of the process of convergence to international accounting standards applied to the public sector by the IPSASB that your country is in.
10. Talk about the challenges that your home country will face in completing the process of convergence to international accounting standards applied to the public sector by IPSASB.

The interviewees were selected admitting the "convenience of the researcher" who sought to observe those characters who interacted directly in the process of convergence to international accounting standards applied to the public sector in their countries, that is, had a relevant role in the decision-making on the subject.

The interview was sent to the e-mail of the interviewees and they had twenty days, after receipt, to answer the questions, the interviewees did not know of each other's existence and did not have contact to dialogue about the answers to the questions asked. The answers were also sent to the researchers by e-mail and there was no manipulation that altered their content.

To analyze the material collected in the interviews, we used the content analysis technique, recommended by Bardin (1977), which is demonstrated as a list of several techniques for analyzing communications, using systematic and rational procedures in the description of the content of messages, its intention is to infer knowledge related to the conditions of production, an inference that resorts to indicators (quantitative or not).

Content analysis is divided into three stages: pre-analysis, exploration of the material and treatment of the results, seeking inference and interpretation (Bardin, 1977). In the pre-analysis, the organization of the material and the elaboration of indicators that support the final interpretation of the material are sought (Bardin, 1977).

Second Bardin (1977) The construction of indicators helps in the final interpretation of the material and can be the explicit mention of a theme in a given message, so it is assumed that this theme is more important for the speaker given its repetition, therefore, we will dare to propose two indicators, built from research, namely:

I1: Fiscal crisis as the epicenter of the convergence process – when there is no presence of fiscal crisis, entities do not invest in the convergence process to international accounting standards applied to the public sector.

I2: The accrual basis is the first step in the process of convergence with international accounting standards applied to the public sector.

One of the steps of content analysis is the assembly of the categorical table on the perception of the interviewees regarding the topics asked, these categories were created from the answers presented by each interviewee with the help of the MAXQDA 2020 software.

ANALYSIS OF THE RESULTS

To create the categories, we consolidated the interviews in the following format: question, Brazil answer and Portugal answer, after which the document generated 34 coded segments that are presented in table 1 below:

Table 1 – Categories

Categories	Category Description	Frequency
Fiscal crisis stimulates the convergence process.	The fiscal crisis stimulates the process of convergence to the international standards of the IPSASB.	6
Accrual basis is fundamental for convergence.	The <i>accrual basis</i> is fundamental for the success of the process of convergence to international accounting standards.	3
International Validity.	IPSASB standards seek to have international validity	3
Legislative update.	It is necessary to update the legal provisions so that there is convergence with the accounting standards applied to the public sector.	2
The lack of financial resources.	Scarce financial resources are an obstacle to the convergence process.	2
Convergence process in progress.	The process of convergence to international accounting standards applied to the public sector is underway.	2
I am a standard-setter at the national level.	I am responsible, or work in the responsible body, for the establishment of accounting standards applied to the public sector, acting directly in the convergence process.	2
Existing regulatory conflict.	The norms produced by the board produce a normative conflict in the entity because they do not take into account regional situations.	2
Converged local norms.	Local standards are converged with IPSASB standards.	1
Professional training.	Several agencies and professionals need training to deal with the convergence process.	1
Federation format.	The federative format (union, state and municipality) in which the entity is subject is an impediment to the success of the process of convergence to international standards.	1
I represent the Academy in the convergence process.	I am a representative of the Academy/Researchers.	1
I am a member of IPSASB.	I work as a member of IPSASB.	1
Cash basis is limited.	The cash basis used in some countries limits decision-making by not demonstrating the long-term situation of national accounts.	1
The U.S. does not influence the IPSASB normative process.	The U.S. does not influence the board's normative process for producing standards applied to the public sector.	1
Funders stimulate the convergence process.	Public sector funders are in favour of the convergence process.	1

Converged rules encourage the transparency of accounts.	Convergence to international accounting standards produces clear and more transparent information on public accounts.	1
Accounting not adapted to the economic context.	The bases of accounting science cannot be modified due to the economic context.	1
Impersonality of the Interviewee.	When becoming a member of the Board, the interviewee seeks to work in an impersonal way: the interests of his country are not taken into account.	1
Rigor in normative production.	The IPSASB follows a rigorous process in the production of its standards	1

Source: Answers given in the Interview.

The exploration of the material occurs satisfactorily when the pre-analysis phases have been favorably concluded, that is, in this phase we only apply, in a systematic way, the definitions exposed by Bardin (1977). Finally, the treatment of the results seeking inference and interpretation of the data obtained through the interviews is done in this section.

The first block of questions in the interview sought to know more about the professional trajectory of the interviewees until their performance, so the Portuguese Interviewee (EP) chose not to answer this question and the Brazilian (EB) has a degree in Accounting Sciences – *"first function in the profession was as an Accountant"*, she had been approved in at least two public exams (Banco do Brasil and Secretary of the National Treasury) and held several positions in commission related to public accounting.

The second block of questions was produced from the concepts brought by the new institutional sociology, in which it was sought to verify, in a broad way, about: the process of production of norms by the IPSASB and its validity, if there is a -too much- North American influence, if there are external pressures to convergence and if the accrual regime is a preponderant factor in the process.

When categorizing the excerpts of the answers given, we seek to verify the frequency of occurrence of a certain central idea, often excerpts from the answers to other questions refer to categories already created, that is, there is not necessarily the creation of a category for each answer.

From table 1 we can see that the standards produced by the IPSASB have international validity in the view of the interviewees, there is no influence of the USA in the production of the IPSASB standards (the interviewees justify this because the USGAAP is at an advanced stage compared to the IPSAS) and it is unanimous that the fiscal crisis and the accrual basis are preponderant factors for the success of convergence.

When we analyze specifically the situation of each country, we see that in Portugal the fiscal crisis was fundamental for the beginning of the convergence process, according to the words of the EP: "it was preponderant, since the adoption of international standards was one of the objectives established with the Troika in the Memorandum of Understanding". This positioning of PE is convergent with the proposed indicator 1.

In Brazil, the convergence process began in 2008 and in this period the country was not going through a fiscal crisis, however, from 2015 onwards, with the advance of the fiscal crisis, which contributed to the impediment of the then President, the convergence process became more prioritized given the requirement of public sector financing agencies, According to EB: *"I think that the rejection of the 2015 accounts accelerated the process, but there was already this movement before, basically guided by new requirements from the IMF and other multilateral organizations."*

As for the accrual basis, both interviewees agree that it is the basis for the convergence process, it would not be an exaggeration to say that this is the first step for the entity that wishes to converge its rules to the international standards produced by the IPSASB, which corroborates with indicator 2.

The third, and last block, sought to know about the stage in which the process of convergence to international accounting standards applied to the public sector is and the local challenges that countries are facing during and after the process.

As for the stage, the interviewees agree that there should be greater investment by the government to achieve the convergence process and also an update of the legal provisions of each country in the process.

From a specific point of view, the form of organization of the country can be an obstacle in the convergence process, this is the case of Brazil, which divided into Union, States and Municipalities finds itself in a more time-consuming and expensive process in terms of convergence, as provided by the EB: [...] *"We face many problems, because the implementation must also occur in the municipalities"* [...]; while in countries with a Single State format it is easier to process.

CONCLUSIONS

We sought to verify what were the challenges that influenced the process of convergence to international standards of accounting applied to the public sector in Brazil and Portugal in the view of characters who actively participated in the process. Based on

the new constitutional sociology, where it can be observed that countries adapt their accounting structures to the international accounting standards issued by the standardizing body (*IPSASB/IFAC*) as a way to increase their external legitimacy and enable greater comparability of accounting numbers between countries.

We used structured interviews as a methodological apparatus and content analysis was used to interpret its codes, in addition to two indicators that sought to symbolize the great challenges that the entities are exposed to in the search for full convergence.

In Brazil, the challenges faced in the convergence process are many and will be continuous, starting with the greater participation of academia in the subject, since it is not mentioned by the interviewee, a greater adherence of Brazilian standards with international ones, aided by a disclosure of all assets and liabilities under the accrual basis, a greater investment in municipalities and in addition to supporting pressures in the political and cultural fields.

In Portugal, although the convergence process is recent (given that the SNC-AP was implemented as of 01/01/2018), the challenges faced in it begin by encouraging the training of Portuguese accountants who will have to deal with principled accounting, followed by the creation of institutional mechanisms that support pressures in the political and cultural fields, investing in the harmonization of local legislation in order to achieve greater comparability, accelerate the use of the SNC-AP in all Portuguese agencies and promote the necessary accounting adjustments that inform the real value of the assets of the entities involved in the process.

Considering the differences between the state models adopted by the countries object of this research (federated x single) it is verified that the challenges to be faced by both countries are similar in some aspects; Brazil already has the most mature convergence process and intends to complete it by 2025, in addition to participating in the *IPSASB/IFAC* meetings as a member, which in a way facilitates the planning of actions in this area and, finally, its continental dimensions and cultural diversity can be a hindrance to the process.

On the contrary, in Portugal, even starting its convergence process, the single-state model can be a facilitator in the convergence process (considering that in this model the political/cultural differences are smaller), investing in the training of local accountants is essential for the success of the process, updating local laws and promoting accounting

adjustments is also necessary and, finally, its geographic dimensions can facilitate the convergence process.

The relevance of studying accounting convergence applied to the public sector lies in the importance that the accounting numbers produced by the Public Administration must have reliability, neutrality and relevance in order to enable comparability between nations, *accountability* and control of the acts and facts of the public manager.

This research sought to contribute by demonstrating the point of view of authors who research the theme and the status of the process of convergence of accounting applied to the public sector in Brazil and Portugal, comparing both the challenges faced by these countries and those that should continue in the future, given that there are no comparative studies on the subject in vogue.

As a suggestion for future research, it is recommended to verify the level of adherence of Portuguese accounting standards to *IPSAS*, to research whether the level of disclosure by competence of Brazilian assets and liabilities has evolved, to examine if there was an incentive to train Portuguese accountants regarding converged standards, to verify if in other countries that are going through periods of fiscal crisis if there was the beginning of the convergence process, to research the level of adherence of local standards with those of the IPSASB in countries that adopt the competence regime and to verify whether the Brazilian academy has participated in a more active/critical way in the convergence process in Brazil.

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