



RUSSIAN PUBLIC SECTOR REFORM: THE IMPACT ON UNIVERSITY ACCOUNTING

Konstantin Timoshenko

*Bodø Graduate School of Business,
Bodø University College, Norway
E-mail: konstantin.timoshenko@hibo.no*

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Abstract. The last few decades have witnessed substantial efforts to reinvent the state worldwide. The Russian state is no exception to this global trend. At the outset of a new millennium, the need for renewal of the post-Soviet model of the state has been acknowledged, and an up-to-date reform package has been promoted by the central government. This has encompassed the reconstruction of public sector accounting. Given the paucity of consistent research efforts on the topic, this article seeks to describe and analyze, and by so doing, contribute to knowledge about Russian public sector accounting in times of change. To tackle the general purpose, two levels are incorporated in this study to link reform initiatives for the government as a whole with those endeavours to implement them in one state-sponsored university of Russian tertiary education. The major questions to be addressed are of whether, why, and how changes at the central government level have penetrated down to the university and extended to its accounting system. The evidence gathered in this paper reveals that a new Russian public sector ideology has markedly been affected by overseas developments in the shape of large international organizations. However, no compelling evidence has been documented in this research as unveiling that changes at the macro-level have penetrated down to the university to any significant extent. This study concludes that launching a new version of accounting by the Russian state can be regarded as more of a symbol of legitimacy for the university rather than of an actual financial management tool.

Keywords: Russia, public sector reform, accounting, university.

1. Introduction

The last few decades have witnessed substantial efforts to reinvent the state worldwide. While OECD countries have stood at the forefront of these developments, more recently questions of how to revive the public sector have been put on top of the agenda in many developing countries and those in transition. The Russian state is no exception to this global trend, distancing itself from the legacy of its Soviet past. At the outset of the new millennium, appeals for boosting efficiency, effectiveness, and accountability have begun to be widely heard in the country, serving as truths, in the name of which, the Russian public sector is to be revitalized. Driven by a motto to double Russia's GDP by 2010, a series of ambitious initiatives have been put forward by government officials, signaling a clear-cut shift in the ideology in Russian public administration (Russia Journal 2004). The modernization of the whole budget process was announced to be at the core of the program of economic transformation and development in Russia with the primary goal of "boosting accountability in government expenditures".

The importance of these efforts can hardly be emphasized enough as they are laid down in the *Concept of the Budget Process Reform for 2004 – 2006* endorsed by Cabinet Resolution # 249 on May 22nd, 2004 (hereafter, the concept). The reform, widely nicknamed by some Russian mass media as "A Reform for the People," "A Real Breakthrough in Boosting the Efficiency," or "A Budgetary Revolution" (Finansovye Izvestia 2004; Kommersant 2004), has been declared to be a step of vital social significance as it intends to make government expenditures clear and transparent to each Russian citizen. The objective of the modernization process, as stated in the concept, is "to lay down preconditions and prerequisites for the most effective allocation and management of government finances by appropriate prioritization of various government activities considered to have critical bearing on a country's development" (2004: 2). In essence, the reform process is meant to move away from the costs and inputs (so-called "smeta" financing or administration of resources) towards goals and outputs (management by results) by "strengthening the accountability and widening the managerial autonomy within a medium-

term financial planning framework” (2004: 2) (see also Lavrov 2004; Tambovtsev 2004). Out of those policy measures outlined in the concept, streamlining public accounting is reckoned to be “a necessary and indispensable precondition in modernizing a country’s budget process,” or “the paramount constituent part of the Budget Process Reform” (Charkov and Choroshev 2005: 9). A common argument behind this step is to establish a system of accounting and financial reporting in the Russian public sector that is capable not simply of tracking the flow of budgetary resources, but also of assessing their effective use. Literally speaking, the concept is in strong favour of a move from traditional cash accounting towards businesslike accrual accounting in order to boost accountability and transparency of government transactions.

Planned changes in public sector accounting are thought to be linked to the emergence of particular systems and specific ways of seeking to govern Russian society. This fits well with modern literature that treats the techniques and practices of accounting as being fundamentally bound up with a wider social and organizational change (see e.g., Miller 1994; Hopwood *et al.* 1994). That is why it is vital to attend to conditions under which specific accounting technologies such as accrual accounting appear, penetrate, and extend into particular public sector organizations. Consequently, if we are to comprehend how a nascent version of Russian public sector accounting emerges; how demands for more efficiency, effectiveness, and accountability come to be translated into up-to-date calculative apparatus of accrual accounting; and why such significance is accorded the latter, we have to move beyond the boundaries of the organization and examine this accounting change in relation to new ways of managing the Russian public sector. This is congruent with the emerging view of accounting as a social and institutional practice widely advocated in contemporary literature (see e.g., Miller 1994; Burchell *et al.* 1985; Preston *et al.* 1992; Mellempvik *et al.* 1988). It is in this research tradition that I endeavour to approach and understand changes in Russian public sector accounting. Indeed, Hopwood (1983: 302) spoke of “the external origins of internal accounts,” implying that accounting “can never be seen in purely organizational terms”. This is due to the fact that accounting is a social construction which cannot be isolated from its context, i.e., social processes taking place in and around any organization (Mellempvik *et al.* 1988; Hopwood 1983; Miller 1994). Hence, it is intellectually rewarding to study accounting in the context in which it is enmeshed.

Based on the above-mentioned, the present paper seeks to describe and analyze the process of accounting change at one state-sponsored university of Russian tertiary education. By doing so, this research is intended to contribute to knowledge about the Russian public sector and its accounting in times of change. With its predominant focus on a micro-level, this insight aims at exploring whether, why, and how new budgeting and accounting technologies and practices propagated by the Russian central government come to be embedded, put together, or reconstructed in a particular organizational setting (namely, the university) over time. Indeed, ambitious efforts to reinvent the Russian public sector by the federal government are somehow expected to affect the field of tertiary education. In order to shed some light on this, education has been inaugurated by President Putin as a large-scale top priority national project “that will improve the living standards of every Russian citizen” (RIA Novosti 2006). Along with other related initiatives, this project sets down a number of measures in order to augment the quality, accessibility, and efficiency of educational services to be rendered. More probably, changing attitudes to the provision of educational services in the Russian public sector, nascent ideas about appropriate ways of managing and/or administering state-owned universities and institutes of higher learning, changing perceptions of the efficiency and of quality of education and much more besides can all impinge on the emergence, persistence, and alteration of a specific system of accounting at the university. This is what the subject-matter of this interpretative study concerns itself with.

To comprehend the development of particular budgeting and accounting practices and procedures at the university, I strive to do as Latour (1987) recommends, and arrive before the technology is fixed, known, and unproblematic. It is in this spirit that I examine the attempted introduction of an up-to-date system of accounting and financial reporting at the university. This choice of organization is considered to be a conveniently accessible example for the purpose of conducting this research due to the relative proximity of the author to some of the academic staff.

It is worth pointing out here that Western English-language literature is relatively voluminous on the reformed practices in OECD countries (see e.g., Benito *et al.* 2005; Lüder and Jones 2003). Meanwhile, there is a conspicuous absence of rigorous research efforts on the Russian government accounting system. Whereas Russian local government accounting is already covered by Bourmistrov and Mellempvik (1999, 2001, 2002),

there is virtually nothing about Russian central government accounting in most of international accounting's research networks, workshops, and groups (see e.g., Bourmistrov and Mellemvik 2005). Furthermore, the literature is not too vast on those accounting systems regarding specific organizations operating under the federal government, including Russian public universities and institutes of higher learning. Such a paucity of knowledge can be considered a valuable source of motivation to expand our knowledge in the field of Russian public sector accounting. As Bergevärn *et al.* (1995: 39) stress, "such studies are obviously important today, when the public sector is putting so much effort into the reconstruction of accounting and accountability". In a more or less similar manner, Miller (1994) encourages single studies of particular accounting events, serving as a starting point for new literature. Last, but not least, Preston *et al.* (1992) argue for a need for studies of the creation of specific accounting systems and the manner in which such systems alter (Ginevičius, Korsakienė 2005). That is why the exploration of changes in Russian public sector accounting is worth independent research efforts due to a plausibly unique reforming path and its particularity.

The remainder of this paper is organized as follows. First of all, an overview of the data-capturing techniques utilized in the study is undertaken in section 2. Next, section 3 is meant to examine nascent government initiatives in the field of Russian higher education that may in principle impinge on the way accounting is done in individual educational establishments. This insight is deemed to be valuable as it points to the contexts in which Russian public universities and their accounting systems operate. Furthermore, a review of the status, issues, and challenges of the transformation process by using the example of one government agency of Russian tertiary education is presented in section 4. In turn, the penultimate section investigates the way in which particular accounting techniques and procedures come to be embedded, put together, or reconstructed at the university over time. Finally, some discussion and concluding comments are brought to light in section 6.

2. Reflections on the method applied in the study

The empirical data for this research is based on a case study conducted in one state-owned university of Russian tertiary education. To be more specific, the educational establishment under consideration and its accounting system are applied as the research settings

in this case study. The choice of the educational establishment is due to the relative proximity of the author to some of the academic staff providing good access to rich data for the case. Since the method of research employed is a case study, the generalization or transferability (Linkoln and Guba 1985) of results to other settings such as other Russian state-sponsored universities and institutes of higher education may be quite problematic. This be as it may, I leave it to users of my research themselves to judge whether the findings are applicable to their own settings or not.

The data used to construct the case study is primarily sourced from interviews with staff members. All together, 27 interviews were conducted with 21 organizational members, ranging from top university administrators (rector, vice-rectors, chief accountant, and chief financial and planning administrator) to teachers, at different organizational levels, and from different departments. Some people were interviewed more than once, including a chief accountant and a chief financial and planning administrator. Each interview lasted between 30 and 40 minutes on average. Interviews were made until the topic became saturated, that is, when my interviewees introduced no new perspectives on the phenomenon of interest. It is worth mentioning that those interviewed did also contribute with a multitude of other independent and additional "texts". Among those were the university charter, accounting policies and reports, the guidelines for the statute of the educational establishment, rector's decrees, academic council's resolutions, leaflets, and brochures. In addition, some information was captured through other secondary sources like textbooks, articles, and websites (e.g. present thinking on the budget process and higher education reforms as reflected in the Russian press) with the aim of boosting the level of detail and care. What should be noted here is that, although textual information constituted the core of the data to be gathered and interpreted, whether it was the transcriptions of interview records or official documents, quantitative data like budgeting and accounting figures and tables were not alien to and widely permeated throughout the investigation.

3. Russian higher education in change: New challenges and realities

The development of Russian higher education over time is deemed to be similar to pertinent patterns in Russian public administration as a whole. This is not surprising given that institutions of tertiary learning reflect the societies in which they operate (World Bank 2000).

In effect, a move from a centrally planned economy to a market-based environment launched in the beginning of the 90s made alterations at public universities inevitable. This marked the first endeavor to develop and implement a new reform strategy for education in post-Soviet Russia. Among the most remarkable initiatives announced during that time were the democratic administration of education and the autonomy of educational institutions. This was enacted through the passage of an up-to-date legislative framework, incorporating the 1992 Federal Law on Education (later amended in 1996) and the 1996 Federal Law on Higher and Professional Education.

Following these provisions, Russian state institutions of higher learning were granted the right to set up their own internal organization; to seek income from non-governmental sources and engage in entrepreneurial and similar activities; to determine the level of remuneration of the academic staff within the limits of available financial resources; to define the uses of their revenues; to set up other legal entities and enter into contractual relationships with other entities, and to organize the educational and research process at their own discretion (see e.g. Butovsky 2004). In particular, the new laws prescribed that every university was to be governed according to its own charter and that its rector was to be elected and would no longer be directly appointed by the Ministry. As defined by introduced charters, Russian universities were to be managed by academic councils where long-term policies, annual budgets, and major curriculum changes were collegially discussed. This means that every university was entitled to undertake specific efforts in determining its own governance and academic principles, most appropriate structure, and in setting up procedures and rules to match the needs of the university.

Perhaps more importantly for the sake of this study, change efforts were intensified at an accelerated pace at the outset of the new century, eventually bringing the field of education into one of four priority national projects that can help raise the living standards of each Russian citizen (RIA Novosti 2006). As is the case of the Russian public sector as a whole, a nascent policy package aims to enhance the quality, accessibility, and efficiency of educational services to be rendered. This is expected to be carried out by establishing a variety of organizational and legal forms (such as state autonomous noncommercial organizations), enjoying more financial and managerial autonomy in contrast to the traditional state-sponsored universities. There is also a shift towards new schemes of budget financing based on outputs rather than on inputs. Such a shift requires

from any educational program financed from the federal budget the inclusion of a strict set of performance indicators, which would permit the augmentation of the efficiency in government spending (Rozhdestvenskaya and Shishkin 2005).

After all, the transformation process within Russian tertiary education is thought to put special emphasis on “searching for those mechanisms enabling the deep integration of education and research institutions” (Russian Ministry for Education and Science 2004: 24). This integration is to be achieved through the establishment of research universities and integrated university complexes, linking research, innovations, and training in a positive way. In so doing, the Russian Ministry for Education and Science favours the enlargement of higher educational establishments across the country by incorporating other institutions of varying educational levels, research organizations, and industrial firms into them. In the aftermath of the reform process, about 20 research universities, as well as 100 leading higher educational establishments and integrated university complexes will be created throughout the country by 2008. These “centers of excellence” should assist in developing a world-class higher education system in Russia in order to better to create knowledge and to enhance transparency (Rozhdestvenskaya 2005).

To sum up, an emerging reform agenda sketched above is essentially intended to shape the scope and function of the Russian higher education system in the future. As is the case for Russian public administration in general, there is a clear-cut move towards greater accountability and managerial autonomy within Russian higher education. However, it is one thing to create a national initiative and quite another to succeed in its implementation (Preston *et al.* 1992; Brunsson and Olsen 1997). That is why the degree and velocity of the transformation process is likely to vary sharply between different educational establishments across the country. In fact, some may thrive in coping with the new realities, while others may fall short of expectations in so doing for various reasons. This makes it promising to examine challenges which a particular government organization of Russian higher education has encountered throughout this journey, and the case of the chosen educational establishment provides us with such an opportunity. I am especially interested in examining whether, why, and how reform efforts at the central government level have affected the university and extended further to its budgeting and accounting systems if any. This is what constitutes the subject-matter of the following two sections of the present research.

4. Transforming one Russian public university: from hierarchy to a more autonomous organization

The university under consideration is located on the territory of the Northwest Federal District of Russia. Established as an engineering institute in 1929, it has gone a long and rich historical development, acquired the status of the technical university in 1994, and was awarded the North Pride Prize for its contribution to developing regional science and know-how in 2004. Indeed, the strengths of the university are believed to lie in its close relations with the local community and its people. At present, it provides training at eight faculties and four institutes, in three colleges and four branches in contrast to the traditional faculties under the Soviet reign. The faculties and institutes mainly offer programs of higher professional education, while colleges furnish training in programs of secondary professional education. Besides the accredited programs, the university renders a wide range of additional educational services on a tuition-paying basis. This encompasses various short-term, evening and weekend courses for adults, retraining programs, and enhancing and upgrading professional skills.

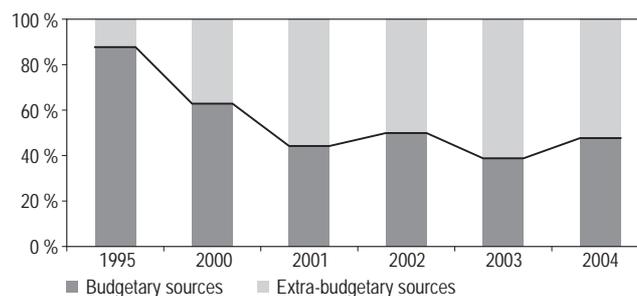
A total of 16.000 students are currently enrolled at the educational establishment, including full-time, part-time, and by correspondence. Every year about 3.000 new students begin their training at all the university departments. Out of them, about 900 students are admitted on a competitive basis funded by the federal budget, whilst the remainder constitutes different types of fee-paying learners. Whereas providing educational services is a top priority for the university, research and consultancy activities have gained in importance in recent years. To conduct them, the scientific-and-research department is established there, incorporating eight research institutions and ten research laboratories. By 2004, the total amount of research efforts have for the first time topped the level of USD 1 million. All this enabled demand-driven courses and research directions to be introduced on a broader scale with the overall aim of facing the needs of the local community.

According to the 2002 university charter, the educational establishment under consideration is a government entity of higher professional education under the direct jurisdiction of the state of Russia. The founder of the university is the Russian federal government, whose functions are represented by the Federal Agency for Education. Legally speaking, the university represents a non-for-profit organization financed from the federal budget through the Federal Agency for Educa-

tion, as well as other sources authorized by the current legislation. To fulfil its educational mission, the university is provided with fixed assets contributed by the owner (i.e. the state) for operational use, and it is therefore accountable to the latter for their safety and efficient use.

In order to conduct its charter-stipulated activities, the educational establishment is financed from a number of diversified sources, making up roughly USD 13 million in total for 2004. This is in stark contrast to the Soviet era when the only source of finance was the USSR state budget. Nearly 50 % of the total university's financing today comes from the federal budget through the Federal Agency for Education in order to render educational services. About 10 % are generated through research efforts, encompassing grants from the differing state bodies and various types of applied research and consultancy services carried out on a contractual basis for industrial enterprises in the region. The remainder embodies a vast amount of revenue-generating activities such as private and student contributions, rental of assets, selling scientific, academic and methodological literature, publishing activities, dormitory and transportation services, etc. Of these, rendering fee-based educational services is unconditionally the main source of finance, amounting to some 25 %. Given that market-related activities constitute more than a half of the university budget in recent years (see Figure), this makes them at least as significant as those resources from the federal budget. This means that the educational establishment under consideration has explored, pursued, and planned augmented levels of off-budget funds over time.

All in all, since the transformation of its official status into university, the educational establishment under consideration has undergone noticeable alterations in all aspects of its life. Indeed, a spectrum of the university offerings has dramatically been extended, nowadays covering training and retraining programs at all levels of secondary, higher, postgraduate, and continu-



The Proportion of Budget and Off-Budget Resources Executed at the University in 1995–2004

ing education. Perhaps more importantly, the university more than tripled student enrolment, decentralized its administration, and moved away from a situation when none of its students paid fees to one where the overwhelming majority does. Indeed, where previously the Soviet and later the Russian government covered all costs, nearly fifty per cent of the total university funding today comes from fee-paying students and commercially oriented research of interest to private firms in the region. This has made the university more responsive to the market needs and hence less reliant upon the state budget, and enabled it to maintain an adequate scale of operations and to motivate its faculty members. As a matter of fact, it is viewed today as a more businesslike public educational establishment of Russian tertiary learning, rather than as a government agency.

5. The evolution of accounting at the university: Progress until recently

An evolving reform package in the Russian public sector in general and in the field of tertiary learning in particular is anticipated to affect the way accounting is practiced and used at the educational establishment in years to come. More likely than that, a shift towards more progressive mechanisms of budget financing based on outputs and a strict set of performance indicators outlined in section 3 may give a fresh impetus for the development and elaboration of a particular version of accounting at the university. Amongst other things, this may herald an up-dated pattern of relations between actual budgeting and accounting systems. Having said this, the present section seeks to trace the evolution of accounting at the university over time, pointing in part to conditions impinging on the development of accounting. Although varying stages and

time intervals can be designated in order to trace the evolution of the accounting system at the university, I have approached this by focusing on the three distinct periods (see Table). Let me now discover the forces that drove this evolution of accounting by dealing with the three periods in more detail. In so doing, the Soviet model of accounting serves as a starting-point for further discussion.

5.1. The Soviet system of accounting at the University

The starting point here is that, like any other organization under the Communist rule, the educational establishment under consideration was a government agency of Soviet higher education tightly controlled by federal bodies in Moscow and directly funded through the USSR budget. The Soviet government in general and the Soviet Ministry of Education in particular were indisputably the only principal bodies, prescribing the university to obey a “Byzantine” collection of clearly articulated directives and implementation guidance established by them. These directives and guidelines were, in fact, all-embracing in that they regulated all aspects of university activities. This indicates that the university was administered by the Soviet state rather than managed, and that its officials were administrators of budget funds rather than managers. Hence, subordinate accountability to the Ministry was the prevalent pattern.

In such a pattern, the role of accounting information was limited to a strict adherence to prescribed charts of accounts supported by detailed accounting rules and instructions, and designed to meet the requirements of central planning. Inherited from the so-called “balance school,” the focus of Soviet accounting was more on bookkeeping than on the process of accounting (see e.g. Bourmistrov 2001). According to Athukorala and Reid

The Development of Accounting at the University over time

ITEM	The Soviet model (till 1992)	The outgoing system (1992 until recently)	The emerging system (from 2004)
Potent institutional forces	Exclusively the Soviet government	The Russian federal government as the primary force	The Russian federal government, affected by development overseas
The dominant accountability patterns	Hierarchical administrative accountability to the state bodies	A mix of different types, with the hierarchical form still playing the most decisive role	Towards political accountability
The system of university accounting	Serving the requirements of central planning	Budgetary accounting	Towards accrual accounting, with no significant impact on the budgetary process so far

(2003), they were essentially considered to be one and the same thing. Albeit entailing double-entry technique and “quasi-accrual” measurement, the informational value of Soviet accounts was generally characterized as “very limited,” not enabling legal and economic interpretations to transactions (IMF 2004; Athukorala and Reid 2003; Diamond 2002; Bourmistrov 2001).

5.2. The outgoing system of accounting at the University: legacy of the Soviet past?

The reforms of the 90s and up-to-date legislative framework saw the university becoming more responsive to the market needs. Change at the educational establishment has, in fact, had several interrelated elements, among which have been implementing alternative financing strategies, installing new management structures, and introducing demand-driven courses and research directions. Indeed, even though still formally possessing the status of a government agency of Russian tertiary education, the university now makes money responding to markets for various educational, research, and consultancy services, underscoring a network of individuals and groups which have a stake in the university system. Alongside the state, there are also free-of-charge and fee-paying students, academy, parents, industrial firms, and potential employees. This has given rise to a rather diversified structure of university funding, no longer circumscribed by the federal budget. As shown in section 4, budget sources and non-state funding provide roughly equal shares of the finances of the educational establishment, depicting an all-Russian trend. This enables us to see the university as consisting of a set of contracts, in which the largest contractor or financier is the Federal Agency for Education, with a constellation of smaller educational and research contracts coming in addition. Therefore, there is an obvious need to be responsive to the concerns of different contractors who have a legal, moral, or ownership-type right to know how the university has spent its money and what results have been achieved.

Given a constellation of various stakeholders, the university accounting system was merely to suit the requirements of the state, geared to ensuring observance of the rules for budget limits and expenditures set up by its supervisory body, and to detecting cases of improper use of funds. Literally speaking, accounting at the university was called to “provide a *systematic control* for how appropriated revenues and expenditures are executed, for how accounts receivable and payable are tracked, and for how cash resources, fixed assets, and inventories are preserved” (Russian Ministry of Finance 1999: 12). The aim of this control was to

determine whether the educational establishment had complied with its spending mandates for each budget item over a particular period of time with respect to both budget and off-budget resources, and whether cases of inappropriate use of funds had occurred. This is well in line with the university chief planning and financial administrator, stating that “*the role of accounting information is to inform on actual spending versus appropriations in a line-by-line manner for a particular period of time (month) and to unveil how much should be spent throughout the remainder of the year*”. This means that the purpose of accounting was to ensure that actual expenditures were within approved ceilings and used appropriately; that applicable Russian laws and regulations were followed, and that the accounts and reports were issued and disseminated in time. For example, funds allocated to the university for scholarships had to be utilized for that purpose, and not for another! Otherwise, sanctions might be imposed, up to halting state financing. The same scenario might occur given the university’s failure to submit its reports in time.

The burden of financial reporting at the university was assessed by its chief accountant as very heavy, giving the priority to details and accuracy of financial data, rather than to the uses of information. In turn, the accounting provisions implanted by the Russian state were called “*crude and full of inconsistencies and irregularities*”, lacking major or dramatic changes in their content until recently. She compared the job of an accountant under this system with that of “*a navy*”, who was “*forced to keep an eye on the use of any single kopeck and to make both revenues and expenditures meet exactly*”. All this is to say that accounting was, in fact, an adjunct to the budget and that the control objective of accounting was clearly emphasized. Even though the operational environment of the university had undergone noticeable alterations over the 90s due to an up-to-date legislative framework, its accounting and financial reporting system continued chiefly to rely on the practices and procedures inherited from the Soviet past. As is in the case of one local government (Bourmistrov 2001; Bourmistrov and Mellemvik 1999, 2000, 2001, 2002), the transformation of Russian society, economy and politics in the 90s had not markedly extended to the budgeting and accounting systems of the educational establishment.

For instance, accounting statements of the university continued to be treated as confidential documents and not transparent to the general public, even though the university charter required this. In a similar manner, neither educators nor learners within the educational

establishment could gain free access to financial information. As those interviewed revealed, only those university administrators with budget responsibility were permitted to do so within the limits of their authority. All in all, only minor and purely technical changes in university accounting took place until recently, encompassing the recognition of transactions associated with entrepreneurial and similar activities.

Moreover, with the state of Russia pursuing its policy directed at strengthening the financial discipline in the country, revenue-generating activities of the university had come to be handled through and covered by a Treasury system since 2000. As interviews conducted at the university disclosed, while the educational establishment was previously free to deposit its off-budget revenues from the provision of paid services into banks, it is nowadays much more constrained in financial terms as compared to the mid 90s. In so doing, the Russian government was likely to be driven by an eager desire to bring the public universities in accordance with their current legal status as state-owned (government) entities, thereby hindering their independence and enabling some interviewees to mark this as *“the return of the good old days”*. This suggests that the hierarchical administrative accountability to the Federal Agency for Education and the Federal Treasury still flourishes to the present day. Nevertheless, with the university as an entity formally accountable to the state in legal terms, some teachers and researchers interviewed saw themselves as more responsible to their clients, rather than to the university employing them. As one teacher told me, *“I do not care about financial information at all. I am not among those with the power to make managerial decisions. Indeed, my possession and comprehension of accounting information would affect the flows of financial resources in no way... Yet, it is not relevant for the purpose of my educational and research activities”*. This points to the existence of the socializing forms of accountability within the educational establishment.

To summarize, all the above demonstrates that the outdated system of accounting and financial reporting at the university was *“quite closed”* and hardly suited for the market economy. Specifically, it was merely aimed at supporting the requirements of the state and thereby characterized as *“of the government, by the government, and for the government”* (Chan 2003). With its roots in the Soviet planning paradigm, this system continued to operate virtually unchanged until recently, even though the economic and financial conditions had drastically altered. As Bourmistrov (2005) has found out, the evolution of Russian public accounting during

the 90s and at the beginning of the new century was better explained as a sediment of the Soviet past. This indicates that transforming accounting and financial reporting in the public sector has lagged far behind other developments in the Russian economy and in the private sector particularly (Zudov and Tokarev 2000; Tokarev 2000). However, this traditional situation began to alter at the beginning of 2005 when the state of Russia adopted a new set of accounting provisions and ordinances to be followed by all government entities across the country along with wider changes in the budget system. The subsequent discussion looks further at the most recent alterations in the accounting system at the university triggered by the Russian federal government.

5.3. Towards a new system of accounting at the University?

An up-to-date policy package endorsed by the Federal Ministry for Education and Science in 2004 is expected to bring about dramatic changes in relations between the university and the Russian state, and in institutional management of the university in years to come. Generally speaking, restructuring in Russian higher education has been announced a priority national project, leaning towards a set of initiatives commonly propagated in the West. Amongst other things are launching alternative mechanisms of budget financing based on outputs and altering the legal status of higher educational establishments across the country in favour of more autonomous organizations. There is also a definite trend towards coalescing education and research in order to foster innovation.

Even though the future of the university and of its legal status is still uncertain for the time being, plenty of effort is being put in at regional level to amalgamate different institutions of varying educational levels, research organizations, and industrial firms. Whatever the outcome of these efforts will be, it is very likely that this will result in the emergence of new stakeholders and new accountability patterns, implicating a move away exclusively from the hierarchical type of accountability towards a more political one. This, in turn, may have outright consequences for the university accounting system in the future. Indeed, rather than just adhering to those accounting rules and regulations imposed by the state in the course of budget execution, the accounting system may be rearranged to meet reporting demands presented by different stakeholders. At the same time, with the state of Russia still remaining the potent institutional pressure for the university, it is currently required to migrate towards an up-to-date

system of accounting and financial reporting. Strongly advocated by the Ministry of Finance, a new myth of accrual accounting is sent to the university as either a suitable replacement for or a possible compliment to the myth of cash. Just as cash accounting was accepted as the only rational way to account for public monies at the university over many years, accrual accounting is meant to supersede or complement it in the foreseeable future.

Next, the adoption and implementation of new accounting and financial reporting is taking place within the existing administrative framework, prompting the university to comply entirely with deadlines and procedures set up by the Federal Agency for Education and the Federal Ministry of Finance. By way of illustration, the deadline for submitting those financial statements in accordance with new rules was set to July 1st, 2005, i.e. three months prior to the timeframe specified by the Federal Ministry of Finance. This is because the Ministry for Education and Science was picked up as one of two federal government bodies to participate in an experiment. As the university chief accountant shared her experience with me, this news was met by her colleagues across the country with some resistance; some accountants even endeavoured to convince the authorities in charge that it simply could not be done within the given timetable. However, any refusal or failure to submit reports in time was said to result in penalties for those higher educational establishments not complying, even resulting in halting state financing. Under these circumstances, she compared her situation with that of “*a baby, who is plunged into the water in the hope that she starts swimming*”. Therefore, the university had nothing but to learn how to “*keep afloat*”, irrespective of organizational-and-technical preparedness. This means that the Russian government was likely to be guided by its old compliance mentality, compelling universities and other institutes of higher learning to generate new reports three months ahead of time, and without any additional human and material resources.

At the university, the main body formally responsible for implementing change is the accounting department. While the accounting staff has the expert knowledge on handling an outgoing cash-based system over many years, they did not appear to be acquainted with the functioning of an emerging, accrual-based system (e.g. how to account for nonfinancial assets such as land and intangible assets). This is not surprising given that there was no accounting profession in the former Soviet Union in the sense understood in the Western world (Coombs and Liberman 1994). That is why extensive training has been one of the main pillars, determining

the success of these efforts. Interviews conducted at the educational establishment indicate that the university’s accounting staff has attended various seminars, workshops, and training programs organized both in Moscow and locally. While arranged quite often and by differing bodies and educational centers, only those seminars hosted by top Ministry of Finance officials have generally been acknowledged to be of the utmost importance. This points to a lack of qualified accountants and consultants needed to bring about the reform in the universities, making it rather a costly effort.

Perhaps more importantly, it does not appear to be clear at present whether or not the adoption of accrual accounting alters those practices and procedures currently in place at the educational establishment. My empirical evidence suggests that an up-to-date version of accounting and financial reporting has not considerably affected the current budgetary practices at the university so far. In fact, as was the case a decade ago, cash-basis data is still extensively used and indeed constitutes the only source of information in the day-to-day management of university operations (e.g. the payments from fee-paying students) and in the budgetary process. Furthermore, it appears rather problematic for university top managers to deal with accrual-based financial statements, given that their theoretical background comes from technical subjects, and not from the accounting field. Throughout the interviews conducted at the university, I got the impression that university top managers were not just uninterested in, but rather absolutely unaware of the notion of accrual accounting. Their major concern seems to be off-budget funds under their jurisdiction, and how they can be spent. As such, they celebrate accounting more in their rhetoric rather than in the process of internal decision-making. This indicates that changes at the central government level have only penetrated down to the university in form, and much less in practice. Apparently, launching a new version of accounting by the Russian state can so far be regarded as more of *a symbol of legitimacy* for the university rather than of an actual financial management tool.

6. Discussion and concluding remarks

The theme of the state and its reconstruction dominates today’s agenda in the country. Being the main driving force of any change, the state of Russia has recently embarked on a reform path. The policy package is, in fact, quite simple and clear-cut to comprehend, pointing to the future rather than the present. To be more specific, it pledges to double Russia’s GDP by 2010, to

boost the effectiveness and efficiency of use of budgetary expenditures, and to make them transparent to each Russian citizen, just to name a few. To achieve all this, a new system of Russian public sector accounting and financial reporting has been called for in the country, representing the subject-matter of this study. More precisely, the present study sought to describe and analyze the process of accounting change at one state-sponsored university of tertiary education, and by doing so, contribute to knowledge about the Russian public sector and its accounting in times of change.

The evidence presented in this study indicates that government initiatives at the level of the Russian state have not penetrated down to the educational establishment to any significant extent. While there is currently much talk about the reforms of universities and of their budgeting and accounting systems at the macro-level, local alterations are so far more in form, and much less in real practice. All this suggests that government initiatives at the macro-level may provide some guidance to the general direction of the development and elaboration of accounting practices and technologies. But they do not say much about the ability of reforms to achieve their main goal, being to improve efficiency and effectiveness. As the present research shows, the destiny of these initiatives cannot be fully realized without reference to the micro-level. As Preston *et al.* (1992: 590) have argued, the final accounting technology is “just as much the result of the actions and reactions of others as of the designers themselves”.

Indeed, as Czarniawska and Joerges (1996) state, ideas implanted by the leadership often fail to materialize in practice. It is worth observing here that the Russian public sector has not been subject to substantive reforms for many years, and that the accounting profession has, at least, been not so prestigious there. This becomes even more complicated given the short time horizon for carrying out the present reform, the paucity of qualified accountants across the country, and low wages and salaries in the Russian public sector. This gives rise to concern as to whether Russian human resource platform is, in fact, supportive in promoting the government accounting initiative. Therefore, although there is a long way to go before accounting change is implemented, this may lead to internal resistance, probably due to a lack of knowledge and experience to cope with this change. This may jeopardize the desired reform outcome. To avoid this, Russian officials persist in educating and persuading at seminars, workshops, and conferences that accrual-based financial reporting is needed, while accountants seem to have little or no ‘say’ in this process.

To summarize, the evidence gathered in this research points to the existence of a strong pattern of relations between the Russian state as the principal and the educational establishment as its agent. Inherited from Soviet times, the accounting norm system still remains in the hands of the executive branch, which predetermines entirely the design of the university accounting system. In other words, those accounting provisions implanted in Moscow are to be followed locally, chiefly because they are legally binding. Indeed, because of the strong one-way relationship between the state and the educational establishment, the university accounting system functions as a network of those practices and procedures which are “invented and endorsed” in the Ministry of Finance and which are distributed to the accounting department at the university for execution. And any endeavour at non-compliance may bring about sanctions imposed upon the university, with halting state financing being the most severe one. In sum, accounting is seen as a mere exercise, leaving the accounting department with no involvement other than following rules set up in Moscow. That is why *compliance* turns out to be a reasonable strategic response to install the accrual-based accounting and financial reporting system insofar as it enhances the university’s likelihood of survival by protecting it from (public) criticism and the financial penalties of non-compliance (Oliver 1991; Covaleski and Dirsmith 1998).

The present investigation exhibits that, while the ideas associated with a new accountable Russian public sector originate in a rather normative manner from international organizations (see e.g. Timoshenko 2006, 2007), they are diffused to the university via a *hierarchical mode of learning* (Bergevörn *et al.* 1995). This is what is also known in the literature as the “*expository kind of ideological control*”, “*management by decree*” (Panozzo 2000), or “*imposition by means of authority*” (Scott 1987) that underscores the authority of the “teacher – leader.” Under this mode, truth (i.e. the notion of accrual accounting) is exposed to the “learner” (i.e. the university), whose only task is to assimilate it. This is evidenced by the continuity and stability of those accounting provisions and regulations adopted from the Soviet past. In fact, with some minor modifications and adjustments in the accounting rules throughout the 90s, no major or dramatic changes had occurred in their content matter until recently. However, since 2004 there has been a distinct shift in the ideology in the Russian public sector towards greater efficiency, effectiveness, and accountability, and a host of initiatives have been promulgated by the Russian federal government in response. Indeed, in its pursuits to become ‘strong’, ‘progressive’, and ‘modern’ in

the eyes of the public and others, the Russian state has taken the lead in the transformation process by imposing a fundamentally different set of accounting provisions to be followed by all public entities across the country, encompassing public universities and institutes of higher learning. This is to say that the central government continues to exercise sole power in altering the accounting rules and, through them, the university's accounting system. Putting it differently, with the existence of an elaborate administrative apparatus to enforce the accounting norms, the state of Russia, being the most influential principal, still decides how accounting at the university is to be done.

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