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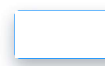
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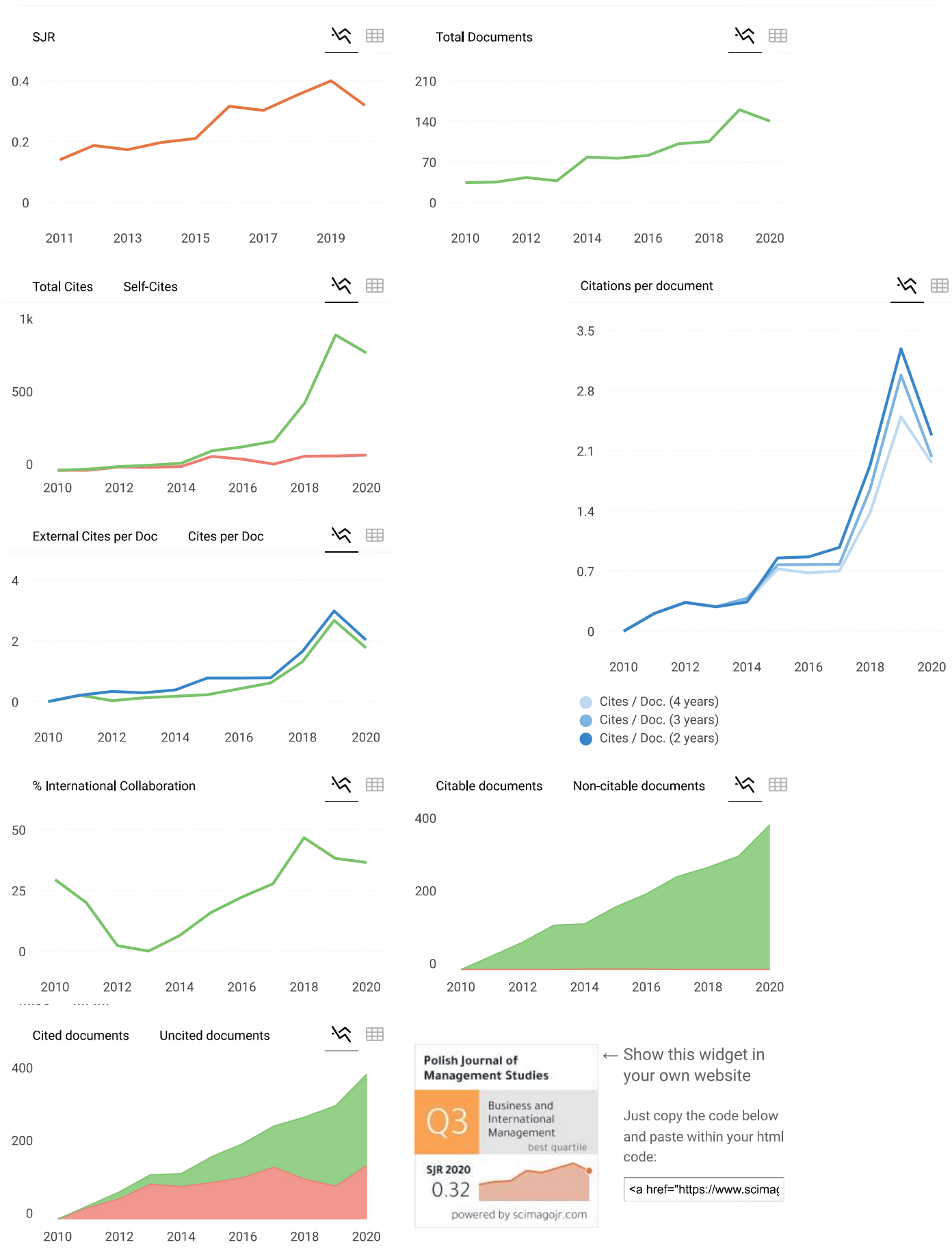
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LONGITUDINAL PERCEPTIONS OF ENFORCEMENT MECHANISMS IN AN IFRS-BASED ACCOUNTING REFORM

Silva A.P., Fontes A., Martins A.*

Abstract: Adopting International Financial Reporting Standards (IFRS) or IFRS-based accounting models per se may not suffice to reach worldwide accounting de facto convergence. Prior research suggests successful worldwide adoption of IFRS is highly reliant on effective enforcement. Notwithstanding, there is a paucity of qualitative evidence on the effectiveness of enforcement mechanisms following an IFRS-based accounting reform that could help uncover opportunities for improvement and enhance de facto implementation. The purpose of this paper is to explore the appropriateness of IFRS enforcement mechanisms based on the perceptions of Portuguese auditors and tax officials. Data were obtained directly from interviews conducted just before adopting an IFRS-based system in 2009 and at a vantage point after adoption, in 2017, in Portugal. Using an institutional lens, the evidence of this longitudinal qualitative study raises serious concerns regarding the effect of poor enforcement on the occurrence of resistance to the adoption of an IFRS-based accounting system. Therefore, several measures are suggested to secure the Portuguese accounting reform's success.

Keywords: Enforcement, Accounting, International Financial Reporting Standards, Portugal, Perceptions.

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Introduction

Neo-institutional theorists have emphasized the importance of conforming to the external environment and the convenience of adhering to external rules and standards for the social validity and survival of organizations (Covaleski and Dirsmith, 1988; DiMaggio and Powell, 1983; Greenwood et al., 2017; Meyer and Rowan, 1977). But organizations do not always adhere to rationalized myths or expectations of their institutional environment (Boxenbaum and Jonsson, 2017; Oliver, 1991). Despite the strength of the isomorphic mechanisms, they have alternative choices to cope with external institutions' demands under certain

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circumstances. Therefore, from an institutional perspective, the adoption of International Financial Reporting Standards (IFRS) or IFRS-based accounting models per se may not suffice to reach worldwide accounting de facto convergence.

While traditional formulations of the neo-institutional approach admit that organizations have only a very restricted repertoire of responses, with the exclusive prescription "conform, either now or later" (Scott, 2001), more recent developments suggest that pursuit of legitimacy in an organizational field does not necessarily lead to unreserved compliance (Deephouse et al., 2017; Oliver, 1991). Furthermore, DiMaggio (1988), based on Gouldner (1954), already recognized that institutions have continuously developed and functioned with the interference of interest groups with different degrees of power. Thus, conformity or resistance to institutional pressures constitutes strategic choices affected by organizational interests (Covaleski and Dirsmith, 1988; Goodstein, 1994). Organizations may strategically decide not to comply with accounting standards, and audit function may lack independence (Humphrey 2008; Quagli et al., 2020). There is much evidence of prior literature (e.g., Al-Hussaini et al., 2008; Al-Shammari et al., 2008; Ball., 2006, 2016; Bonetti et al., 2016; Bradbury and Scott, 2020; Brown and Tarca, 2005; Carneiro et al., 2017; Naser et al., 2005; Quagli et al., 2020) reporting the enforcement of IFRS-based financial statements as a necessary condition for the worldwide success of financial reporting convergence. Following recurrent corporate collapses worldwide, there are growing concerns about the quality of financial reporting. Countries set up enforcement bodies to ensure rigorous and consistent standards application (Brown and Tarca, 2005; Quagli et al., 2020). In this vein, enforcement mechanisms are relevant to overcome resistance to change (Oliver, 1991).

The impact of IFRS adoption depends on the enforcement level, which varies between countries (Uzma, 2016). Country-specific factors influence its accounting practices (Nurunnabi et al., 2017; Rodrigues and Craig, 2007). Literature shows that culture, as a set of shared values and beliefs, is vital in explaining cross-country variations in implementing, enforcing, and assessing IFRS adoption effectiveness (El-Helaly et al., 2020; Guerreiro et al., 2012; Silva et al., 2021). Notwithstanding a substantial body of IFRS literature, there is a paucity of research on IFRS enforcement (Bradbury and Scott, 2020; Nurunnabi et al., 2017; Silva et al., 2021). Such dearth is particularly salient of qualitative research (Gordon et al., 2019). Since enforcement is a complex phenomenon shaped by its environmental context dynamics (Quagli et al., 2020), understanding its adequacy and implications requires in-depth studies.

To align the Portuguese accounting standards with EU-endorsed IFRS, the Comissão de Normalização Contabilística (CNC, the Portuguese Accounting Standards Board) approved a new Accounting Standards System, the Sistema de Normalização Contabilística (SNC, System of Accounting Standardization) of compulsory adoption by non-financial unlisted companies since January 1, 2010

(Decree-Law 158/2009 of July 13). SNC is generally aligned with IFRS (André, 2017; Isidro and Pais, 2017). The research question addressed in this study is: How sufficient, and effective are the current enforcement mechanisms to ensure the SNC's consistent application? Therefore, we seek to provide qualitative insights on the appropriateness of enforcement mechanisms following an IFRS-based accounting reform to help uncover opportunities for improvement and enhance de facto implementation. There is no such study regarding Portugal to the best of our knowledge. Yet, this country provides a rich research setting of the core theme because it is a code law country, with significant pre-IFRS divergence and weak pre-IFRS legal enforcement mechanisms, which remains under-researched in the context of international accounting harmonization (Oliveira et al., 2018).

This paper draws from the perceptions of tax officials working with companies' external inspection and registered members of the auditors' association in Portugal (OROC - Ordem dos Revisores Oficiais de Contas). This is a qualitative longitudinal study since interviews were conducted in 2009 and 2017. Evidence suggests that tax officials and auditors perceive efficient and credible enforcement structures are yet to be created to ensure the success of the reform around IFRS adoption. The findings have important implications for researchers, national and international regulators in evaluating IFRS enforcement mechanisms' efficacy.

Theoretical framework

Institutions are the foundation of social life and are generally defined as "rules, norms and beliefs that describe reality for the organization, explaining what is and what is not, what can be acted upon and what cannot" (Hoffman, 1999). These understandings, taken-for-granted and culturally absorbed, specify and justify social arrangements and formal and informal behaviors (Garud et al., 2007). Thus, institutional influences are exerted on organizations through rules and regulations, normative prescriptions, and social expectations (Pache and Santos, 2010). A country's social, political, economic, and accounting environment cannot be ignored in the process of international accounting convergence (Uzma, 2016). The neo-institutional theory has been applied to better understand how accounting influences and is influenced by the institutional context at the organizational and societal levels (Dillard et al., 2004).

Historically, the institutional perspective has been mainly used as a theoretical framework to explain the perceived homogeneity within organizational fields (DiMaggio and Powell, 1983; Greenwood et al., 2017). Neo-institutional theorists tend to focus on how organizations obtain legitimacy by describing processes of isomorphism and compliance within a particular organizational field (Deephouse et al., 2017). In these fields, cultural, social and political issues explain the change. In this regard, Baum, and Powell (1995) argue socio-political legitimacy cannot be ignored since organizations do not function in isolation from professions, the State, and broader societal influences.

The most common reasons quoted for adopting IFRS have been "to eliminate barriers to cross-border investing, to increase the reliability, transparency and comparability of financial reports, to increase market efficiency, and to decrease the cost of capital" (Brown 2011; See also Albu and Albu, 2012). Notwithstanding, prior research strongly suggests that IFRS adoption alone is insufficient to improve the quality of financial reporting (Nurunnabi et al., 2017; Uzma, 2016). Organizations have interests and capabilities that condition their strategies and choices in response to institutional processes (Canning and O'Dwyer, 2013; Lawrence and Buchanan, 2017; Oliver, 1991). In fact, institutionalization is "profoundly political and reflects the relative power of organized interests and the actors who mobilize around them" (Shapiro and Matson, 2008). As an alternative to isomorphic processes, organizational practices may only appear to conform to societal rules and norms - a decoupling strategy.

Early institutional research defined decoupling as adopting an organizational structure that enhances legitimacy without the corresponding implementation at the operational level due to a conflict with organizational efficiency issues (Meyer and Rowan, 1977). Some authors have reinterpreted the concept of "structure" to include other organizational elements, such as programs, policies, images, and decisions (Boxenbaum and Jonsson, 2008; Pache and Santos, 2013). Accordingly, the commitment to an accounting standard can be purely symbolic and dissociated from organizational practices (Boxenbaum and Jonsson, 2017). This type of behavior is particularly adjusted to situations in which a new policy prescribed by external constituents contradicts an institutionalized practice promoted internally by organizations (Boxenbaum and Jonsson, 2017; Martins et al., 2020; Pache and Santos, 2013). It has been shown that organizations employ decoupling strategies during transition periods when facing conflicting prescriptions regarding a wide variety of policies (Pache and Santos, 2013). Actors charged with the accounting enforcement function may meet conflicting demands (Christopher et al., 2009; Funnell and Wade, 2012; Oliver, 1991). Under such circumstances, actors may ensure formal but not substantive IFRS compliance by giving an impression of commitment with proper adherence to rules rather than substantially achieving the regulatory aim through their actions (Quagli et al., 2020).

The European Union (E.U.) endorsement process has resulted in different versions of IFRS being accepted across countries (DeLuca and Prather-Kinsey, 2018). This endorsement process was set forth to provide IFRS with the power of the law when standards are sanctioned by its member states (De Luca and Prather-Kinsey, 2018). Effective enforcement mechanisms are fundamental in determining the quality of accounting following IFRS adoption because the IASB does not have enforcement power (Soderstrom and Sun, 2007). The effectiveness of actors in regulatory fields is dependent on the social and political landscape in which they are embedded (Quagli et al., 2020). Moreover, since IFRS are principle-based, preparers in Continental-European countries will follow general principles rather than the rigid rules they abided by before (Ball, 2006). In countries committed to a high level of

protection of shareholders' rights, interpretation will lead to investors' fair presentation of information. In contrast, in countries with a strong record of creditors' protection, interpretation will tend to satisfy banks' contracting demands (Soderstrom and Sun, 2007).

Success in effecting worldwide adoption of IFRS is therefore highly reliant on effective enforcement mechanisms. For example, evidence exists (e.g., Brown and Tarca, 2005; Daske *et al.*, 2013; Wang and Yu, 2015) that the capital-market benefits around IFRS adoption are more likely to occur in countries with effective legal enforcement. Enforcement of accounting standards takes place at a national level through different structures, such as regulatory organizations and government agencies (DeLuca and Prather-Kinsey, 2018). The imposition of institutional requirements by powerful institutional actors is likely to meet little resistance (Goodstein, 1994). Regulatory authorities and the State exert the most significant pressures (DiMaggio and Powell, 1983; Shapiro and Matson, 2008). Whenever the enforcement mechanism is the State's coercive power (Scott, 2001), the penalties for non-compliance can be tangible and often serious (Lawrence and Buchanan, 2017; Oliver, 1991).

To promote compliance with this IFRS-based model, Decree-Law (DL) authorized the SNC to establish penalties for non-compliance (DL 158/2009 Article 14, amended by DL 98/2015). Companies that do not apply the accounting standards' provisions, thereby distorting financial statements, are liable to a penalty ranging from €1,500 to €30,000. Notwithstanding the enforcement mechanism mentioned above, the perceived mismatch between the institutional framework underlying the traditional Portuguese accounting system and IFRS is likely to affect the IFRS model's national-level implementation. Importantly, these differences are likely to negatively influence behaviors and predispositions to the IFRS philosophy in Portugal and compromise the quality of ensuing accounting information. Analysis of the Portuguese context and divergences between the traditional Portuguese GAAP and the IASB model suggests that unlisted Portuguese companies will lack incentives to support the IFRS philosophy. The apparent incompatibility of IFRS with traditional Portuguese accounting culture may also engender resistance to change. Because of the preceding factors, enforcement mechanisms are expected to play a vital role in the Portuguese accounting reform's success.

Research method

This research's methodological foundation is qualitative since the primary objective did not involve a quest to generalize the perceptions gained. Instead, consistently with the primary objective of qualitative research, we sought to obtain detailed insights surrounding enforcement mechanisms by delving deep into interviewees' thoughts (Miles and Huberman, 1994; Che Azmi and English, 2016; Mahama and Khalifa, 2017).

A semi-structured interview guide was developed to balance the flexibility and comparability of the data collected. Interviewees belonged to two professional

groups whose perceptions regarding IFRS adoption remain under-researched: tax officials working with the external inspection of companies and auditors who were registered members of the auditors' association in Portugal – OROC. Despite under-researched, these professionals are well-positioned to provide rich insights in that they deal closely with many preparers on their inspection/auditing practice, and they play a disciplinary role by seeking to ascertain financial statements' credibility (Albu and Albu, 2012; Arafat et al., 2020; Silva et al., 2021).

The interviews first took place in the period from January to June 2009, when the Portuguese business community was in preparation for adopting the new accounting system. At this time, SNC implementation was still under considerable debate, and the ideas and views regarding its underlying philosophy were novel and fresh. Follow-up interviews were later conducted at a vantage point seven years after SNC adoption in 2017. The interviewees were the same in both years of interviews.

The final sample size in each year was 9 for tax officials (TO) and 16 for auditors (A), and it was determined by the attainment of theoretical saturation (Strauss and Corbin, 1990; Marginson, 2004; Villiers et al., 2019). Four auditors worked at multinational auditing firms, and 12 auditors were employed by national auditing firms.

The sampling of interviewees was non-probabilistic since simple random sampling is a poor way to draw a small sample (Maxwell, 1996; Villiers et al., 2019). To potentiate extraction of highly relevant qualitative evidence, interviewees' selection fell upon mature professionals, who were still young enough to escape the possible age effect of being unfavorable to change processes underlying the research theme. In what follows, for both professional groups, all but one of the sampled professionals had more than 15 years of working experience (n=8 for TO; n=15 for A), and the dominant age group was 35-44. Reflecting a dominant professional trait, most interviewees were male (n=8 for TO; n=10 for A).

Results

Throughout this section, several interview quotations are presented. The respondents are identified by the corresponding professional group and interview number to ensure anonymity (for example, A1= auditor 1, and TO1 = tax official 1). Table 1 summarizes interviewees' overall perceptions regarding the sufficiency or effectiveness of Portuguese enforcement mechanisms to ensure the consistent application of the IFRS- based accounting standards. The results presented were informed by an institutional lens. The case shows that interviewees perceive that the reform's success around IFRS adoption requires more efficient and reliable enforcement structures.

Table 1. Perceptions of enforcement mechanisms to the IFRS-based model

Interviewees	Interview Year	Insufficient / Ineffective	Undecided	Sufficient / Effective
Tax Officials (n=9)	2009	9	0	0
	2017	9	0	0
Auditors (n=16)	2009	8	3	5
	2017	8	2	6

Both just before adoption and seven years after adopting the IFRS-based model, all tax officials and half of the auditors perceived existing Portuguese enforcement mechanisms as unsuitable for ensuring proper application of the new accounting model. In a counterpoint, a minority of five auditors in 2009, and six auditors in 2017, perceived the enforcement mechanisms as sufficient "given the country's and businesses' size... if they operate, in a pedagogic and timely manner" (A4, 2017). It was thus suggested to be "pointless to create more structures with additional costs and bureaucracy" (A2, 2009) since "there is also the supervision of the market, the banks and the various stakeholders" (A6, 2009). In the same line, it was maintained that:

Supervisory mechanisms don't work as we'd like. Sometimes what we feel is that hundreds of people are working in these control and supervisory bodies, but maybe they don't do it the way they should... So, better than adding enforcement mechanisms, one should enact preparers' ethics through education and training (A2, 2017).

Outstandingly, the minority of respondents who perceived existing enforcement mechanisms to suffice acknowledged some caveats as to their effectiveness: "In number, they [enforcement mechanisms] suffice; their quality is a different story..." (A6, 2017). On debating the enforcement issue, a vast majority of interviewees proved extremely critical, either in 2009 or 2017.

Remarkably, core perceptions of insufficiency or ineffectiveness of enforcement mechanisms were maintained over the years, consistent with enforcement not being a short-time bridgeable obstacle to developing a country's accounting system.

The analysis of the interview findings in 2009 and 2017 further revealed the influence of the financial crisis and financial scandals on the national enforcement's perceived adequacy for SNC adoption. In general, the auditors referring to this issue noted that the crisis at the time of first interviews and the financial scandals raised reservations on the enforcement mechanisms and highlighted the need for their enhancement, as the following remark illustrates: "For what we have seen recently, they [the enforcement mechanisms] are not fully effective" (A1, 2009).

As early as before adoption, in 2009, enforcement was perceived to be a weapon to offset the potential threats posed by the national institutional context. By decreasing citation, such threats related to the accounting profession, the accounting culture, and the tax-accounting relationship. Drawing upon the

accounting profession market problems - such as the relationship of dependence between accounting professionals and their clients and the unfavorable context in which accountants operate - two auditors, in 2009, underlined the enforcement strategies' relevance to ensure the differentiation of accounting professionals. Moreover, some respondents already anticipated that the shift on traditional cultural values and the disengagement between accounting and taxation underlying the new accounting model's implementation demanded enhanced supervision. For example: "I think that with the adoption of the SNC there must be additional concerns regarding control because of the entailed subjectivity" (A4, 2009). Yet, strengthening supervision mainly was perceived in 2017 not to have, at least satisfactorily, occurred.

Major criticisms to enforcement made in 2009 were the excessive long processes, the lack of coordination among enforcement authorities, and the inexistence of penalizations for non-compliance. However, it should be noted that in 2009 the CNC's enforcement system (art. 14, DL 158/2009) - namely the penalties measures resulting from the non-application of the SNC - had not yet been announced and therefore, they were unknown to the respondents. Nevertheless, seven years after having been implemented, interviewees were unanimous in acknowledging the CNC's enforcement system not to be in place, which was attributed to "CNC's shortage of human resources to carry out inspections" (TO7, 2017). In the words of one tax official, "When this enforcement system was created and announced, accountants feared it, but now they have realized nothing has happened to date, so they are very much laid-back towards the accounting practice" (TO3, 2017). It was underlined that "It is important to bring CNC's enforcement system to operate to uncover the extent of actual adherence to SNC standards" (TO7, 2017).

Auditors' perceptions of enforcement were more optimistic than tax officials' for two reasons: (i) they considered their supervisory role towards financial statements preparation highly, thus, SNC implementation; and (ii) auditors are particularly experienced with larger, therefore usually more-compliant, firms due to the legal framework of auditing. Indeed, a dominant view emerged that auditing is possibly the most critical enforcement mechanism in place, followed by tax officials' inspection practice. According to one auditor, "Auditing is nothing more than comparing assumptions from financial statements with the underlying accounting principles, and so, we can also filter out accounting errors of practice" (A16, 2017). Interestingly, instances were found of each interviewed professional group being critical of the other's enforcement role. Several tax officials (TO1, TO2, TO7, 2017) acknowledged that, in so far as their clients are paying auditors, there is no true independence, so their certifications of financial statements are distrustful:

The relevance we [tax officials, in inspection practice] give to a legal certification of accounts is truly little. We already concluded that there are many flaws at the accounting level from the experience we have, which sometimes actually have major implications, namely in terms of continuity, and auditors often omit them. (TO7, 2009)

I don't believe statutory auditors very much (...) actually the first ones to carry out abusive tax planning to justify the large amounts they earn (...). Their work is not one of independence. (TO2, 2017)

(...) there is something that puzzles me: if the most significant corrections forced by tax authorities correspond to erroneous accounting situations, mainly occurring in large firms (...) how come that, according to the corresponding Audit Certificates on the Financial Statements, there was an accurate and fair view?! (...) I am sure problems are spotted. However, they are not reported because of economic dependency considerations. (TO1, 2017)

Besides tax officials' criticisms, a few auditors were also critical of their enforcement role. In the words of one auditor, "When auditors are enticed with fees of millions, ethics dissipates to the background" (A7, 2017).

To overcome auditors' alleged independence problem, it was suggested: "External auditors should not be freely selected and hired by the companies themselves" (TO1, 2009), because "As long as there is a dependency relationship, if the auditor doesn't do what the client says, the client will say they will hire another auditor" (TO1, 2009).

In turn, two auditors (A5, A14, 2017) corroborated their concern about the supposed persistent tax-oriented accounting practice by arguing that "The only enforcement mechanism in place is that of tax authorities, and this is oriented solely to validate income tax according to tax rules" (A5, 2017). This is consistent with one tax official's discourse: "In our practice, we have two tax methods [direct and indirect] ... When we find subjectivity is too much... we employ the method of indirect taxation... [therefore] I am not concerned about this issue [enforcement mechanisms]" (TO5, 2009).

The quality control process that registered auditors are subject to – by OROC, and by the Portuguese stock market regulator (known as CMVM - Comissão de Mercado de Valores Mobiliários) as far as listed companies are concerned - was perceived as an effective enforcement mechanism, already in 2009, and again in 2017 (A1, A2, A6, A11, 2009; A9, 2017). As stated by one auditor: "Penalties are remarkably high, so we want to comply. The mechanism is designed for extreme rigor and extreme stringency, so I think auditors are deeply committed to doing well... The scrutiny is very tight indeed" (A9, 2017). Nevertheless, it was underlined that "the focus [of this enforcement mechanism] lies on the auditing standards, rather than on the accounting standards" (A14, 2017); "It should be the profession [of accountants] itself, and particularly OCC [the Certified Accountants Association - Ordem dos Contabilistas Certificados], to supervise accounting practice" (A16, 2017).

Most auditors and some tax officials admitted being, to some extent, unfamiliar with the process and effectiveness of the random quality control carried out by OCC. While a few auditors thought it acted as an effective deterrent of malpractice (A1, A10, 2017), the dominant view of auditors (A3, A4, A5, A8, A11, A14, 2017) and tax officials (TO2, TO6, TO7, TO8, TO9, 2017) was that OCC's enforcement

mechanism was ineffective: "There is a leap that the OCC has not made in terms of requirement level and control" (A4, 2017). This was corroborated by quotations such as the following:

Many accountants are highly fraudulent (...) I see accountants that are in the market, and given the batch of frauds they commit, they should no longer be accredited (...), and there is no culture of reporting these people, and little culture of OCC kicking out these people (...) this culture of blowing the whistle should be stimulated by OCC. (TO2, 2017)

In the same vein, one auditor claimed, "There should be a mechanism inside OCC for anyone to possibly complain about accountants' conduct" (A11, 2009). It was also suggested OCC's quality control should enlarge its scope because currently, "it only reaches a few preparers" (A3, 2017).

Additionally, problems of independence were underscored by auditors on sharing their perceptions of OCC's quality control: "It is the profession controlling the profession, unlike it is the case in auditing supervision" (A16, 2017).

The enforcement measures suggested by the interviewees include the following: (i) discussing the way the supervision is being exercised and regulated (importance of the supervisors to interpret their mission correctly); (ii) profession-wide quality assurance; (iii) reinforcing preparers' responsibilities; (iv) developing a concerted effort by all banks inducing the compliance with the required disclosures; (v) fostering accounting profession education in ethics and deontology; (vi) changing the way the auditing activity is regulated (change the relationship between auditors and their clients), and (vii) increasing the spectrum of companies subject to auditing. As to the latter suggestion, some interviewees raised concerns about its feasibility because "...if companies have to pay for supervisory mechanisms, it is not affordable... already, several companies are required to have external auditing, and they do not actually have it because they cannot afford to pay to an auditor" (TO2, 2009). Also, one auditor claimed, "Many limited liability companies do not hire an external auditor when they are legally liable to do so because nobody is controlling that, namely the CNC" (A9, 2017).

Discussion of Results

Regardless of the implementation stage of the IFRS-based model in Portugal, at which our interviews were conducted (2009, 2017), tax officials and auditors perceive credible and efficient enforcement structures are yet to be created to ensure the success of the accounting reform. Such longitudinal finding suggests poor enforcement may not be a short-time bridgeable obstacle to developing a country's accounting system. Powerful enforcement mechanisms were perceived to be crucial to sustain commitment among the accounting reform targets and ensure differentiation among accounting professionals. In what follows, the evidence raises serious concerns regarding the adverse effect of poor enforcement on the occurrence of resistance to the implementation of the IFRS-based accounting

system in Portugal. This point is particularly critical in the Portuguese context, given the a priori unfavorable institutional context.

Despite the auditing process being regarded as an important channel for achieving individuals' commitment to the new accounting system, some suspicion of auditors' independence emerged. Conflicts of interest threaten audit functions objectivity. Evidence corroborates that tensions arise from the pressure to provide value-added services and preserve independence, in line with Christopher et al. (2009). It was suggested that auditors be allocated to companies by an independent third party. This is in line with Bradbury and Scott (2020), who suggested: "private enforcement (auditing) and public enforcement (regulation) are complementary activities". Little consensus was found regarding who should validate small unlisted companies' financial statements not subject to external auditing, namely because of the difficulty of the great majority of these companies to bear with such costs.

Although it was underscored that there is a need for enforcement measures to secure the accounting reform's success, the Portuguese government's policy initiatives to improve supervision, mainly the CNC's enforcement system, received much criticism. Evidence gathered suggests this enforcement system should be put into operation, or else preparers may engage in decoupling. The legitimacy obtained with the adoption of IFRS can be undermined by dissociated accounting practices that are not in accordance with accepted accounting standards and raises the operational effects of formal harmonization, as suggested in the literature (e.g., Rodrigues and Craig, 2007). Other opportunities for improvement were uncovered, namely a broader and more stringent control exerted by OCC, in addition to other possible enforcement measures suggested by interviewees, as described earlier.

Overall, our evidence is in line with Brown and Tarca's (2005) study, whose interviewees recognized the need to change national enforcement bodies' roles and standard setters following IFRS adoption. From an institutional perspective, this evidence brings forward Oliver's (1991) contention on the relevance of enforcement mechanisms to overcome resistance to change. Otherwise, in line with Hassan et al. (2014), IFRS adoption may be merely symbolic, or, using DeLuca and Prather-Kinsey's words (2018), a pure "pseudo-adoption". The emergent evidence is also in tune with many findings of prior literature (e.g., Ball, 2006, 2016; Bradbury and Scott, 2020; Quagli et al., 2020) reporting the enforcement of IFRS-based financial statements as a necessary condition for worldwide financial reporting convergence. But international accounting standards are interpreted at the world level, endorsed at the European level, and enforced at the national level, which according to Quagli et al. (2020), can lead to a lack of interpretative support and impair the enforceability of IFRS.

Conclusion

In 2010, a new accounting system based on IFRS was implemented in Portugal. Before this date, no laws or enforcement mechanisms were applied to those

organizations that adopted IFRS voluntarily. The adoption became compulsory for non-financial unlisted companies from 2010 onwards to align Portuguese accounting standards with EU-endorsed IFRS. But the effects of IFRS adoption remain somewhat uncertain.

Accounting research highlights the significance of accounting enforcement. IFRS enforcement cannot be analyzed as a mechanical process driven by the global adoption of international accounting standards (Quagli et al., 2020). Considering the evidence in this research, it might be claimed that enforcement is a critical component of the IFRS-based financial reporting framework and that it depends on the dynamics of country-specific factors. As acknowledged by interviewees, sufficient and effective enforcement is vital to overcome institutional barriers to the accounting reform's success. Therefore, failure to undertake the recommended strategies might generate adverse consequences for the implementation of the new accounting system, such as (i) decoupling - namely, the maintenance of the prudence and secrecy cultural traits, and the linkage between taxation and accounting; (ii) manipulation risk, and (iii) poor adjustment to change. Therefore, this study's findings advance the incremental knowledge on IFRS implementation issues and may assist national and international regulators, namely the IASB, the CNC, and the OCC, craft sufficient and effective enforcement mechanisms. The findings also support Quagli et al.'s (2020) conclusion regarding the opportunity to establish an E.U. supranational IFRS enforcer.

Given the nature of qualitative research, which tries to explore rather than generalize, our findings cannot provide a comprehensive picture of the Portuguese enforcement mechanisms' appropriateness. Yet, they can help define the parameters for a follow-up survey or series of new case studies. Future research could extend this study to other countries undergoing a similar accounting reform. A better understanding of the country's institutional setting characteristics might improve the effectiveness of IFRS enforcement. Further, it would also be interesting to research the perceptions of other groups of stakeholders regarding the enforcement of IFRS, such as government officials, academics, investors, and professional bodies. Such research would be relevant for the IASB, the E.U., and national accounting standards-setting bodies in other countries that are planning to adopt IFRS.

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DLUGOTERMINOWE POSTRZEGANIE MECHANIZMÓW EGZEKWACYJNYCH W REFORMIE RACHUNKOWOŚCI OPARTEJ NA MSSF

Streszczenie: Przyjęcie Międzynarodowych Standardów Sprawozdawczości Finansowej (MSSF) lub modeli rachunkowości opartych na MSSF jako takich może nie wystarczyć do osiągnięcia faktycznej konwergencji rachunkowości na całym świecie. Wcześniejsze badania sugerują, że pomyślne przyjęcie MSSF na całym świecie w dużym stopniu zależy od skutecznego egzekwowania. Niemniej jednak brakuje jakościowych dowodów na skuteczność mechanizmów egzekwowania prawa po reformie rachunkowości opartej na MSSF, które mogłyby pomóc odkryć możliwości poprawy i usprawnić faktyczne wdrażanie. Celem tego artykułu jest zbadanie stosowności mechanizmów egzekwowania MSSF w oparciu o spostrzeżenia portugalskich audytorów i urzędników podatkowych. Dane uzyskano bezpośrednio z wywiadów przeprowadzonych tuż przed przyjęciem systemu opartego na MSSF w 2009 r. Oraz z punktu widzenia po przyjęciu, w 2017 r., w Portugalii. Patrząc z perspektywy instytucjonalnej, dowody z tego długoterminowego badania jakościowego budzą poważne obawy dotyczące wpływu słabego egzekwowania prawa na występowanie oporu przed przyjęciem systemu rachunkowości opartego na MSSF. Dlatego sugeruje się kilka środków, które zapewnią sukces portugalskiej reformy rachunkowości.

Słowa kluczowe: egzekwowanie prawa, rachunkowość, międzynarodowe standardy sprawozdawczości finansowej, Portugalia, postrzeganie.

基于IFRS的会计改革中执行机制的纵向知觉

摘要:采用国际财务报告准则(IFRS)或基于IFRS的会计模型本身可能不足以达到全球范围内的会计事实上的趋同。先前的研究表明,IFRS在全球范围内的成功采用高度依赖于有效的执行。尽管如此,在基于IFRS的会计改革之后,关于执行机制有效性的定性证据很少,这可能有助于发现改进的机会并加强实际执行。本文的目的是根据葡萄牙审计师和税务官员的观点,探讨国际财务报告准则执行机制的适当性。数据直接来自于2009年采用IFRS之前的访谈,以及2017年在葡萄牙采用IFRS之后的有利时机。从制度的角度来看,这项纵向定性研究的证据引起了人们的严重关注,即执法不力对采用基于IFRS的会计系统产生抵制的影响。因此,建议采取几种措施来确保葡萄牙会计改革的成功。

关键字:执法,会计,国际财务报告准则,葡萄牙,感知。