



PUBLIC SECTOR
FINANCIAL MANAGEMENT

Financial Sustainability of Public Sector Entities

The Relevance of Accounting Frameworks

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CONTENTS

1	Exploring the Relevance of Accounting Frameworks in the Pursuit of Financial Sustainability of Public Sector Entities: A Holistic Approach	1
	Joseette Caruana, Isabel Brusca, Eugenio Caperchione, Sandra Cohen, and Francesca Manes Rossi	
2	The Potential Role of Public Sector Accounting Frameworks Towards Financial Sustainability Reporting	19
	Giovanna Dabbicco	
3	A Framework for Comparing Financial Sustainability in EU Countries: National Accounts, Governmental Accounting and the Challenge of Harmonization	41
	Vicente Montesinos, Rosa M ^a Dasí, and Isabel Brusca	
4	The Role of Budgetary Rules in Multi-Level Governments	63
	Enrico Guarini and Anna Francesca Pattaro	

5	Accounting Framework (Re)Interpretation to Accommodate Tensions from Financial Sustainability Competing Concepts	83
	André C. B. Aquino and Ricardo Lopes Cardoso	
6	Making Financial Sustainability Measurement More Relevant: An Analysis of Consolidated Financial Statements	103
	Cristian Carini and Claudio Teodori	
7	The Role of Public Sector Accounting on Financial Sustainability and Governmental Effectiveness	123
	Marco Bisogno and Beatriz Cuadrado-Ballesteros	
8	Cost Accounting Systems and Practices in Public Organizations: A Framework for Understanding Costing Evolution and Connections to Sustainability Strategies	145
	Zachary Mohr	
9	Financial Sustainability of Higher Education Institutions: A Challenge for the Accounting System	165
	Guido Modugno and Ferdinando Di Carlo	
10	Integrated Popular Reporting as a Tool for Citizen Involvement in Financial Sustainability Decisions	185
	Natalia Aversano, Paolo Tartaglia Polcini, Giuseppe Sannino, and Francesco Agliata	
	Appendices	207
	Index	215



Integrated Popular Reporting as a Tool for Citizen Involvement in Financial Sustainability Decisions

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I INTRODUCTION

In recent years, the worldwide financial crisis has placed increased pressure on governments to cultivate financial sustainability and, by way of achieving this objective, to increase citizens' access to government information (Bertot et al. 2010; Pina et al. 2010). The dissemination of information

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regarding the financial impact of government decisions forces public sector entities to make choices in a transparent and responsible manner.

Governmental financial reporting plays a relevant role in assessing financial sustainability; however, reporting practices have evolved to meet the information needs of users that require not only economic-financial information, but also social, environmental, and sustainability information (Jones et al. 1985; Hay and Antonio 1990; Tooley et al. 2010). Numerous tools could be utilised to involve citizens in achieving financial sustainability, including popular reporting (PR), integrated reporting (IR), sustainability reporting, and intellectual capital reporting. Among these, PR is receiving growing attention in the public sector.

PR is a tool for informing citizens about the financial condition of a federal, state, or local government in a convenient and accessible manner, thus meeting demands for accountability and transparency (Stanley et al. 2008). The provision of such information can facilitate communication between governments and citizens, which fulfils the democratic goal of citizen involvement in government decisions. It is presumed that citizens should not only be informed, but also be involved in long-term decisions regarding financial sustainability.

IR is an evolution of mainstream reporting, and represents an opportunity for improving transparency, governance, and decision making for public sector organisations (Eccles and Krzus 2012). IR provides linkages between an organisation's strategy, governance, and financial performance and the social, environmental, and economic context within which it operates. By strengthening these connections, IR enables citizens and other stakeholders to understand how an organisation is really performing, and thus has the potential to help public sector organisations to involve citizens in sustainability financial decisions.

Assuming that citizens require information beyond that which is included in traditional financial reporting, public sector entities interested in enhancing public governance could consider implementing integrated popular reporting (IPR). This new type of report melds the main characteristics of IR and PR, thereby providing holistic, useful, and meaningful sets of financial and non-financial information in an easy-to-understand and attractive manner (Cohen and Karatzimas 2015). Governments could use IPR to ensure transparency and neutrality, as well as stakeholder participation, in the decision-making process (Barbera et al. 2016b). It is presumed that IPR promotes two-way communication and meaningful

dialogue between citizens and governments, thus giving citizens the power to express their points of view. Moreover, the use of information and communication technologies, particularly the internet, could facilitate the incorporation of new interactive participative tools into financial reporting.

The design of an integrated popular report should take into consideration the Recommended Practice Guidelines (RPG 1) for ‘Reporting on the Long-Term Sustainability of an Entity’s Finances’ issued by the International Public Sector Accounting Standards Board (IPSASB), and the ‘International Integrated Reporting Framework’ (IR Framework) developed by the International Integrated Reporting Council (IIRC). In line with RPG 1, an IPR could provide information on the impact of current policies and decisions on future financial inflows and outflows (IFAC 2013). On the other hand, the IR Framework aims to bring greater cohesion and efficiency to the reporting process by including information about strategy, resource allocation, and performance (IIRC 2013).

This chapter presents a prototype integrated popular report developed to promote citizen participation in financial sustainability. Through a theoretical-deductive methodology, it aims to identify the main features that an integrated popular report should contain to best respond to the information needs of public sector user groups, focusing on citizens in particular. The following section describes the theoretical framework used to evaluate fiscal sustainability and citizen participation. Section 3 highlights the main characteristics and scope of integrated popular reports. Section 4 analyses the implementation of integrated popular reports in the public sector and explores how IPR could enhance citizen participation. The chapter concludes with a summary of the information presented and offers implications for further research.

2 FISCAL SUSTAINABILITY AND CITIZEN PARTICIPATION

The primary objectives of government financial reporting are accountability and helping users make decisions (Brusca and Montesinos 2006). Of the different user groups considered relevant for governmental financial reporting (e.g., politicians, investors and creditors, oversight and governing bodies), citizens represent the most significant group (Daniels and Daniels 1991). Citizens cannot choose whether or not to pay taxes, and there is no exchange relationship between the resources provided by citizens and the services they receive (Brusca and Montesinos 2006). Thus,

citizens are involuntary providers of financial resources. Furthermore, according to *agency theory* (Mayston 1993), citizens (*principals*) delegate political power to politicians (*agents*); therefore, politicians must act on behalf of citizens and, using various transparency tools, inform them about the management of public resources (Strom 2006). This will help to foster consensus among stakeholders and establish legitimacy for politicians as decision-makers.

As a consequence of the global financial crisis, it has become even more imperative for citizens to be aware of the financial performance of their local governments (Cohen et al. 2017). Financial transparency is based on the provision of financial information to citizens (Caba Pérez et al. 2005; Piotrowski and Van Ryzin 2007). Transparency, in turn, supports accountability (Papenfuß and Schaefer 2010). It also supports citizen participation in financial sustainability (Bertot et al. 2010) as democratic participation is dependent on the information disclosed to citizens (Griffin et al. 2012).

2.1 *Financial Sustainability*

Government transparency as a prerequisite for accountability has been widely discussed in both scholarly and professional literature (Ruijter 2017). Public entities need financial sustainability to exist in the long term and to achieve their basic institutional aims, namely, efficiency and effectiveness in providing public services and cultivating social welfare. In previous research, analysis of the financial sustainability of public sector entities has been approached in various ways, taking into consideration both financial and non-financial factors (Bisogno et al. 2017; Padovani et al. 2018). While numerous studies have focused their attention on financial disclosure and accountability (Pina et al. 2010; Manes Rossi et al. 2016), relatively few have considered the question of financial sustainability reporting (Dumay et al. 2010).

The concept of *financial sustainability* itself, however, has proved notoriously challenging to define, despite voluminous literature on the topic (Dollery and Crase 2006; Drew and Dollery 2014; Bolívar et al. 2017). It is thus difficult to find a definition that is generally accepted or agreed upon. Moreover, as Honadle et al. (2004) observed, there is not even a consensus regarding the terminology surrounding financial sustainability. In literature and practice, terms such as ‘fiscal health’ and ‘financial condition’ or ‘fiscal strain’ and ‘fiscal stress’ are used interchangeably.

In this chapter, financial sustainability is defined as the ‘council’s ability to manage expected financial requirements and financial risks and shocks over the long term without the use of disruptive revenue or expenditure measures’ (PwC 2006, p. 95). This definition involves two elements: first, councils should maintain healthy finances, taking into account current expenditures and revenue policies, as well as foreseeable future developments; second, councils must ensure that infrastructure expenditure matches asset planning.

In RPG 1, the IPSASB defined long-term fiscal sustainability as the ‘ability of an entity to meet service delivery and financial commitments both now and in the future’ (IFAC 2013, p. 5). The RPG identified three intertwined dimensions of long-term financial sustainability: *service*, *revenue*, and *debt*. The service dimension includes the volume and quality of services for recipients and beneficiaries. The revenue dimension includes taxation levels and other revenue sources. The debt dimension deals with debt levels within a certain period and extends to the ability to meet financial commitments (IFAC 2013). For each dimension, the capacity of the entity to manage the dimension, as well as the entity’s level of dependency on external factors that it cannot control (i.e., vulnerability), must be taken into consideration. The RPG 1 places special emphasis on the importance of long-term financial sustainability and providing citizens with information on government financial decisions that address the social and environmental impact of these decisions.

One of the key features of financial sustainability is ‘intergenerational equity’, which is needed to assess the effect of different levels of intergenerational transfers on the efficiency of resource allocation (Norgaard 1992). In a long-term perspective, the income statement is strongly linked to the concept of intergenerational equity as it enables users to assess, on the one hand, an entity’s ability to continue providing at least the same volume of goods and services in the present, and, on the other hand, the level of resources that will be needed if the entity is to fulfil its public service obligations in the future (IFAC 2014). Therefore, several international organisations (GASB 1990; EU 2012; IFAC 2014) as well as scholars and researchers (Navarro-Galera et al. 2016; Subires and Rodríguez Bolívar 2017) have recognised that the income statement should play a fundamental role in the assessment of financial sustainability in public administration as it provides information on resources needed to fulfil public service delivery (Subires and Rodríguez Bolívar 2017).

The income statement can also be extended to include the three financial sustainability dimensions indicated in the RPG 1.

However, it should be noted that the scarce use of accrual accounting by public sector entities complicates the assessment of a governmental entity's financial health. Despite the efforts of the IPSASB, many governmental entities still prepare their income and financial statements on a cash or modified-cash/modified-accrual basis. Without the use of accrual accounting, financial health can only be partially measured. Furthermore, some important economic factors, such as information about infrastructure assets, may be obscured (Lapsley et al. 2009).

Several approaches and indicators to measure or predict governmental entities' financial health or financial sustainability have been suggested in the literature (EU 2012; Rodríguez Bolívar et al. 2013; Cuadrado-Ballesteros et al. 2014; Subires and Rodríguez Bolívar 2017). Padovani et al. (2018) suggested that five financial statements and ten financial ratios can be implemented to assess a city's financial health (see Table 10.1). This template can be used to discriminate between financially healthy and financially unhealthy government entities; in fact, these indicators could assist citizens to compare two or more cities and to somehow assess the quality of life of the cities in which they live or would like to live.

2.2 *Citizen Participation in Financial Sustainability*

In recent years, policymakers have shifted from perceiving citizens as semi-passive users in governmental decisions to acknowledging them as active users in governmental decisions (Wakeford and Singh 2008; Barbera et al. 2016a). Citizens are interested in their local government's decisions and how financial resources received through taxes are used. Therefore, governments should not only be accountable for the use of taxes and the provision of quality goods and services, but also for the provision of tools that will encourage citizen participation in collective financial decisions (Warren 2002). Indeed, a number of studies have argued that local governments should provide more opportunities for citizen participation and more tools to promote it (Kweit and Kweit 2004; Griffin et al. 2012).

The participation of citizens in financial sustainability decisions implies a process by which citizens may voluntarily and regularly contribute to decision making over at least part of a public budget via an annual series of scheduled meetings with government authorities (Goldfrank 2007). Such participation can be facilitated by four key elements: (1) direct citizen

Table 10.1 Financial health template to assess a city's financial health

<i>Financial statements</i>	<i>Financial ratios</i>
Operating performance	Financial autonomy (city's earned revenues/total revenues)
Capital operations	Overall financial flow balance (overall financial flow surplus/current revenues)
Financial flow	Borrowing capacity (similar to the second ratio, but excludes financial operations)
Cash flow	Operating balance (division of current revenues/current expenditures and debt principal repayments)
Debts	Debt repayment period (amount of debt at the end of the year/required principal payments)
	Debt repayment capacity (amount of debt at the end of the year/year's revenues)
	Debt pay-down capacity (amount of debt at the end of the year/operating surplus)
	Cash facility burden (receipts from overdrafts and other cash inflows/current revenues)
	Amount of commercial debt (pending payments at the end of the year/amount of current capital expenditures)
	Cost of debt (amount of interest and other debt-related expenses/current year's revenues)

Source: Padovani et al. (2018, pp. 3–8)

participation in government decision-making processes and oversight; (2) administrative and fiscal transparency aimed at preventing corruption; (3) tangible improvements to urban infrastructure and services; and (4) cultivating a new political culture in which 'city residents' are perceived of as 'citizens' (Goldfrank 2007).

Of the numerous tools that can be employed to foster citizen participation in financial sustainability decisions, *participatory budgeting* represents one of the most popular. It is generally defined as the direct participation of individual citizens in setting budget priorities for municipal investment plans, which constitutes a real transfer of power (Wakeford and Singh 2008, p. 62). Two additional models of participatory budgeting are the *proximity participation* model and the *consultation on public finances* model, typically used in France and Germany, respectively (Sintomer et al. 2008). However, these models include consultative processes, meaning that participants do not vote, and, after the participatory process, local

governments can freely (and arbitrarily) choose to integrate or not the citizens' proposals into public policies.

Specific practices can be implemented to generate direct citizen participation. For example, *citizens' juries* have emerged as a means to allow non-experts to make informed recommendations on important issues concerning the current and future well-being of their fellow citizens. Other participation tools include general town-hall meetings and specific public hearings or referenda on particular budget items.

It should also be noted that citizen participation can be facilitated by the development of new information technology tools, particularly web-based internet applications. In fact, information and communication technologies play an important role in both improving the interaction between citizens and administrators and increasing citizen participation in political decision making (Cohen et al. 2017). Among the numerous tools used for the improvement of democratic participation (Pina et al. 2010), the principle of *open government*, or a direct relationship between citizens and administrators based on trust, has assumed particular importance. Many open government initiatives are rooted in the concept of *e-democracy*, or electronic democracy, which offers citizens access to political processes and/or policy decisions via various electronic tools (e.g., online meetings or forums, opinion surveys, citizen blogs) with the aim of fostering citizen participation in decision making (Blair 2000; Heeks and Bailur 2007).

3 RESPONDING TO USERS' INFORMATION NEEDS: INTEGRATED AND POPULAR REPORTING

During the last 20 years, social, political, and economic changes have impacted the concept of accountability in the public sector. Today, the annual report is by and large the primary medium for the discharge of accountability by an organisation to its users (Steccolini 2004). It is imperative that public organisations improve their reporting processes and disclose more complete information about their financial activities and performance.

A considerable body of literature has emerged regarding financial reporting and public sector users' information needs. Some authors have identified potential public organisation users from a normative perspective (Anthony 1978; Jones et al. 1985; Hay 1994; Borgonovi and Anessi-Pessina 2000); others, using an empirical approach, have sought to identify current users and their real information needs, highlighting differences

between *potential* and *actual* users (Coy et al. 1997; Steccolini 2004; Ryan and Mack 2007).

Analysis of information needs of actual users of public organisations shows that, while information pertaining to financial position is important, stakeholders have a strong interest in performance information not traditionally disclosed in financial statements (Jones et al. 1985; Hay and Antonio 1990; Tooley et al. 2010). Users are interested in non-financial performance and future-oriented information. Citizens in particular, as major resource providers, have the following primary information needs: the way resources are used; the management of governmental programmes (Caba Pérez et al. 2005); the cost of services provided (Daniels and Daniels 1991); future taxation aspects (Brusca and Montesinos 2006); and the financial condition of the local government (Brusca 1997).

To satisfy these information needs of citizens and reduce the gap between potential and actual users of financial reporting, traditional financial reports should be supplemented by additional social, environmental, and sustainability information, which can be presented separately or in a joint report. Moreover, to allow citizens to be active users in government financial decisions (Wakeford and Singh 2008), these new reports should include electronic citizen participation forms (Katsikas et al. 2016; Nistor et al. 2017). To this end, the following sections will analyse two forms of reporting that are receiving growing attention at the international level: the *integrated report* and the *popular report*.

3.1 *Integrated Reporting*

The voluntary production and presentation of an integrated report may be an opportunity for improving transparency, governance, and decision making for public organisations (Adams and Simnett 2011; Incollingo 2014; Katsikas et al. 2016), extending the information contained in traditional financial statements to provide a complete picture of wealth creation for all stakeholders. IR is a process based on integrated thinking that translates into an integrated periodic report in which value creation over time, as well as information regarding specific aspects of an organisation's value creation, is presented (IIRC 2013, p. 33). The integrated report is 'a summary notice describing how the strategy, governance, performance and prospects of an organization, in the context of its external environment, allow the creation of value in the short, medium and long term' (IIRC 2013, p. 8).

The decision to prepare an integrated report involves adopting an analytical vision instead of a systematic one (White 2010). Conceptually, the organisation continues to be considered an aggregation of different types of capital (e.g., financial, productive, intellectual, human, social, relational), but these must now be expressed in a coordinated manner (Pirozzi and Ferulano 2016). An integrated report should be developed following the IR Framework issued by the IIRC, which identifies a series of questions to be answered during the preparation of the report (IIRC 2013, p. 7).

The adoption of IR promises numerous benefits to government entities, including the provision of greater clarity on relationships and commitments; bolstering decision-making and accountability processes (Eccles and Krzus 2012); and responding to users' information needs, specifically in terms of non-financial performance and future-oriented information. The primary weakness of IR, however, is that integrated reports are often not presented in a concise, comprehensive, and interactive manner. As a result, they may be hard for citizens to understand and, by extension, will not facilitate citizen participation in government financial decisions. Therefore, to better meet citizens' information needs and promote citizen participation, the integrated report could be combined with the 'popular report'.

3.2 *Popular Reporting*

A popular report is a simplified report that primarily provides financial information of a government entity in a comprehensive and simple manner so as to be easily understood by users who lack expertise in accounting and financial matters (Stanley et al. 2008). As evidenced by Yusuf and Jordan (2012, p. 48) 'effective popular reports are short, visually appealing and timely, providing financial information relevant to citizen interests and concerns, including broad community issues, and are widely distributed and made accessible to citizens'.

Popular reports give information about a government's sources of revenue and major taxes; expenditures and the cost of government services; the cost and impact of capital projects; the amount, cost, and affordability of debt; and government outcomes and performance. To capture citizens' interest, PR should be *community oriented*, addressing both current and

long-term non-financial issues, as well as providing city contact information and instructions to obtain progress reports or more detailed information (Yusuf and Jordan 2012). Moreover, macro-level information, such as economic forecasts and future challenges, may also be included.

An effective popular report should have the following characteristics (Biancone et al. 2016; Cohen et al. 2017): information that is timely, easy to understand, credible, and objective; a link to official financial statements for users who are interested in additional financial information; and, finally, the option for users to provide feedback in order to encourage citizen participation. To ensure that information is easy to understand, the report should be written in a concise and clear style, without the use of technical jargon. Information about revenue and expenditures should be presented in charts, diagrams, and graphics.

To promote citizen participation, proper dissemination of the popular report through various channels is crucial. Public libraries and other government repositories, for example, have traditionally been considered effective channels for the dissemination of information (Yusuf and Jordan 2015). Popular reports should be made available to citizens in electronic format, whether via e-mail bulletins sent to citizens, updates published on the reporting entity's website or a social media network (e.g., Facebook, Twitter), or some other means (Cohen and Karatzimas 2015; Cohen et al. 2017).

Integrated reports and popular reports represent a response to two common citizen needs (information and participation) that influence wealth creation in and the financial sustainability of a municipality. By combining the two financial statements, the integrated popular report may represent an even more effective method for cultivating informed participation in financial sustainability decisions. A hypothetical structure and recommended content for this new tool will be outlined in the following section.

4 THE DEVELOPMENT OF INTEGRATED POPULAR REPORTING AS A TOOL FOR ENHANCING CITIZEN PARTICIPATION

Integrated popular reports are not currently implemented by government entities; thus, this section provides a theoretical analysis of a prototype integrated popular report for a government entity. To address citizens'

needs, two elements will be taken into consideration: first, the characteristics and content that an integrated popular report should have to adequately inform citizens in preparation for participation in financial decision making; second, the tools and requisites that an integrated popular report should include to cultivate an effective and dynamic participatory process, allowing citizens to be active citizens and to be involved in the financial decisions of their local government.

To respond to new information needs, the integrated popular report should combine the primary characteristics of the integrated report and the popular report (see Table 10.2).

4.1 *Characteristics and Content of an Effective Integrated Popular Report*

An effective integrated popular report should respond to the new information needs of citizens evidenced by the literature: in addition to information on past financial performance, citizens require future-oriented information and increased transparency regarding their municipality's financial condition. To address these needs, an effective integrated popular report should present information about a city's past, present, and future financial and non-financial performance (e.g., financial sustainability, liveability of the city) in a concise and understandable way.

Therefore, the first section of an integrated popular report (*General Information*) should include a table of contents and a message to citizens from the city manager. The objective of the report should also be indicated; for example, it could be asserted that the report 'provides a brief analysis of where city revenue comes from, how revenue is spent, and the city's financial condition in the previous year. The report also encourages citizens to get involved in financial decisions about the city's programs, operations, and services'. Finally, explanations of terms and acronyms should be included to ensure that the document can be understood by all readers, including those unfamiliar with accounting and financial terminology (Yusuf and Jordan 2012; Cohen et al. 2017).

The second section of an integrated popular report should refer to the *Presentation of the City* including information on the story, heritage assets, and population of the city, along with pictures of the municipality. In accordance with the principles of practice of IR, the third and fourth sections of the integrated popular report (*Governance* and *Strategic Focus*, respectively) should provide information on the city government in

Table 10.2 Prototype integrated popular report

General information		
Table of contents	Message to citizens from the city manager	
Objective of the integrated popular report	Definition of key terms	
Presentation of the city		
History of the city	Heritage assets	
Population	Photo of the city	
Governance: City government		
Structure of the city government	City departments	
List of municipal council members, including contact information and photos		
Strategic focus		
Strategic objectives	Vision	
Mission	Projects in progress	
Liveability of the city		
Quality of life	Public safety	
Water utility	Recycling	
Infrastructure	Community development	
Recreation and parks	Employment and unemployment rates	
Air quality	Fiscal pressure/tax rates	
Economic-financial performance		
Balance sheet scheme	Income statement scheme	
Indication of main revenue sources, including their total amount and graphic representations	Indication of main expenditures, including their total amount and graphic representations	
Budget scheme	Changes to the budget	
Comparison of budget results	Risk management policies	
Financial policies	Property taxes	
Investment policies	Type and amount of funds	
Reasons for increasing or decreasing funds	Net position	
Referral to a specific link to download full financial documents	Link, to municipality's institutional website to download full financial documents	
Fund balance	Information about projects proposed by citizens	
Financial sustainability		
Financial statement:		
Operating performance	Financial ratios:	Overall financial flow balance
Financial flow	Financial autonomy	Operating balance
Capital operations	Borrowing capacity	Debt repayment period
	Debt repayment capacity	

(continued)

Table 10.2 (continued)

Cash flow	Debt pay-down capacity	Cash facility burden
Debts	Amount of commercial debt	Cost of debts
Citizen participation tools		
Participatory budget	Citizen blogs	
Consultation on public finances	Soliciting citizen comments about projects in progress	
Areas in which citizens can propose projects	Specific forum	
Poll about which project should be financed	Referendum on specific financial sustainability items	
Opinion survey	Social media (e.g., Facebook, Twitter)	

question and its strategic objectives, vision, and mission, as well as projects currently in progress. The fifth section should refer to the *Liveability of the City*, providing information on the infrastructure and services offered by the city, the fiscal pressures that it faces, and employment and unemployment rates.

After all, in accordance with the principles and practices of both PR and IR, the integrated popular report should provide a considerable amount of economic-financial performance information. Moreover, in line with what is highlighted in the literature about PR (Yusuf and Jordan 2015) the IPR should include visual aids (e.g., tables, charts) for city's revenues and expenditures and referrals and/or links to institutional websites from which complete financial documents can be downloaded or more detailed financial information can be obtained. Moreover, IPR should provide information regarding the city's financial health, which can be assessed according to Padovani et al.'s (2018) financial health template (see Table 10.1).

4.2 *Citizen Participation in Integrated Popular Reporting*

An effective integrated popular report should not only satisfy the information needs of citizens but also include E-democracy tools that allow them to participate in the financial sustainability decisions of their municipality. To ensure that the participatory process for financial sustainability decisions is both dynamic and effective, some prerequisites have to be met (Sintomer et al. 2008): (1) financial decisions should be discussed with

citizens; (2) a representative(s) from the municipality and/or a (decentralised) district governed by an elected body should be involved; (3) some form of public deliberation within the framework of specific meetings/forums must be included; (4) the process must be repeated; and (5) accountability regarding the output of the process is essential.

When implementing IPR, government entities should also take advantage of the opportunities to enhance citizen participation offered by new information and communication technologies. These have the potential to modify the ways in which citizens communicate with public entities. Participatory budgeting, for example, can incorporate online opinion surveys and digital forums or referenda, allowing citizens to directly participate in debate, and make decisions about budget or investment priorities for municipal investment plans (Wakeford and Singh 2008, p. 62).

The integrated popular report in particular, as suggested by Cohen et al. (2017), should be developed using a *website format*. The *website format* allows for the inclusion of interactive citizen participation tools, as recommended by the literature (Sintomer et al. 2008; Wakeford and Singh 2008). Citizen blogs and social media networks can be used to discuss and decide which projects should be financed as well as to propose new projects. However, it should be noted that the level and authenticity of citizen engagement are dependent on the degree to which the citizens in question accept new digital and social networking technologies (Janssen and Helbig 2016).

5 CONCLUSION

Recently, in order to enhance their accountability and transparency, public administration institutions have demonstrated an interest in several changes aimed at promoting a new culture where greater emphasis is placed on achieving citizen involvement (Ruijter 2017). Government entities should consider implementing new reporting tools, such as the integrated popular report, in combination with information communication technologies (i.e., e-democracy tools) to create additional spaces for democratic participation, thereby meeting the increased information needs of citizens and facilitating their participation in financial sustainability decisions.

The integrated popular report that is proposed in this chapter should not be presented as a text or file, which citizens may simply download, read, and discard. The proposed report should be a *virtual democratic*

space. It can serve as a means by which interested citizens can learn about and actively participate in the financial health of the city in which they live by discussing and debating financial sustainability decisions (e.g., tax increases, specific finance projects, new proposed projects), or by directly influencing these decisions through voting. This process can thus act as a *citizenship school* for participants by increasing their knowledge of accounting and financial terminology, as well as the financial state and performance of their municipality (Wakeford and Singh 2008).

This chapter used a theoretical-deductive analysis to define the characteristics and content of an effective integrated popular report, the primary purpose of which is to facilitate citizen involvement in financial sustainability decisions. A prototype integrated popular report is presented, melding the main characteristics of the integrated report and the popular report to provide a holistic, useful, and meaningful set of financial and non-financial information in an easy-to-understand, concise, and attractive manner (Cohen and Karatzimas 2015).

However, the research presents some limitations as it only represents a preliminary theoretical analysis. The empirical implications of the results, therefore, cannot be discussed. Furthermore, e-democracy tools may produce widely varied results in and among different regions, cultures, and contexts. Indeed, the success of e-democracy and e-government initiatives is heavily dependent on the extent that government officials and citizens accept such initiatives or information and communication technologies in general (Jaeger and Matteson 2009; Bertot et al. 2010). Several studies have demonstrated that individuals with higher levels of education, for example, are typically more open to online interactions with government entities and representatives (Ebbers et al. 2008). Future research on the integrated popular report may shed light on the quantitative aspects of IPR, as well as suggest best practices for its design and implementation.

As a preliminary analysis, however, this chapter adds fresh knowledge in an under-researched field, offering governmental managers a new tool that, thanks to the possibilities offered by contemporary information and communication technologies, is expected to enhance the level of interaction between citizens and government entities; meet the increased information needs of modern citizens; and improve government accountability and transparency. Local governments should, therefore, consider implementing IPR because providing transparent and accessible financial information to citizens is a starting point for real involvement in the democratic process.

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