USERS, USE, USEFULNESS AND USER NEEDS: THE CHALLENGES FACED BY PUBLIC SECTOR FINANCIAL MANAGEMENT

EGPA PS XII SPRING WORKSHOP

ROSTOCK, 2018

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Our program:

- 18 papers
- Keynote speech: Dennis Hilgers
- Discussion Panel: Yuri Biondi, Torsten Domroes, Francesca Manes Rossi
- Social Program: Barbecue+ networking evening (ship and dinner)
The topics of the workshop:

- The users and the usefulness of financial statements and budgetary reporting
- The differences between public sector accounting and private sector entities
- Creative accounting and the use of financial instruments by governments
- Alternative reporting formats to present the information
- Teaching Public Sector Accounting
The topics of the workshop:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative accounting</td>
<td>2</td>
</tr>
<tr>
<td>Differences public-private entities</td>
<td>1+1</td>
</tr>
<tr>
<td>EPSAS</td>
<td>1</td>
</tr>
<tr>
<td>Financial instruments</td>
<td>2</td>
</tr>
<tr>
<td>Financial management of assets</td>
<td>1</td>
</tr>
<tr>
<td>Financial sustainability</td>
<td>1</td>
</tr>
<tr>
<td>GFS-GA</td>
<td>1</td>
</tr>
<tr>
<td>Integrated + Popular reporting</td>
<td>1+2</td>
</tr>
<tr>
<td>Teaching PSA</td>
<td>1</td>
</tr>
<tr>
<td>Users and usefulness</td>
<td>8</td>
</tr>
</tbody>
</table>
Type of organizations:

- Broad Scope
- Central Government
- EU agencies
- Local Government
- State-Owned Financial Institution versus Privately
The methods used:

- Conceptual Paper
- Content Analysis
- Documentary analysis
- Empirical Analysis
- Exploratory: descriptive analysis
- Exploratory: Interviews
- Exploratory: survey
What type of users have been discussed:

<table>
<thead>
<tr>
<th>Type of users</th>
<th>N. P</th>
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<tbody>
<tr>
<td>Local Councilors</td>
<td>1</td>
</tr>
<tr>
<td>Members of parliament</td>
<td>2</td>
</tr>
<tr>
<td>Broad scope</td>
<td>1</td>
</tr>
<tr>
<td>Internal and external user</td>
<td>3</td>
</tr>
</tbody>
</table>

- Who is interested in IPSASB Public consultation?
What type of information has been discussed:

<table>
<thead>
<tr>
<th>Type of information</th>
<th>N. P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary and Financial Reporting</td>
<td>3</td>
</tr>
<tr>
<td>Budget reporting</td>
<td>1</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>2</td>
</tr>
<tr>
<td>Heritage assets</td>
<td>1</td>
</tr>
<tr>
<td>Consolidated Statements</td>
<td>1</td>
</tr>
</tbody>
</table>
For what countries?

<table>
<thead>
<tr>
<th>Country</th>
<th>N. P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany and Finland</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
</tr>
<tr>
<td>EU</td>
<td>1</td>
</tr>
<tr>
<td>International level</td>
<td>1</td>
</tr>
<tr>
<td>Spain and Portugal</td>
<td>1</td>
</tr>
</tbody>
</table>

What about the other countries?
What has not been discussed?

- The harmonization and comparability of governmental accounting
- The EPSAS project: users and usefulness
- Management Accounting: who produce and uses it?
- Citizens?
- The use of performance reporting and performance indicators
Some conclusions from the papers

- Local councilors do not use the information
- Members of the parliament are not able to read and use the information
- Only a part of the information the deputies use for their decision making is budgetary reporting
- EU agencies: IPSAS based financial reporting is not used to a great extent. There is a certain decoupling within the EU agencies' organization connected to IPSAS based financial reporting
Some conclusions from the papers

- The main use is accountability and the main users are SAI and oversight organizations.
- Papers about creative accounting provide evidence that LGs engage in earnings management and earnings management is also affected by the electoral cycle, especially in the case of Greek municipalities. **Can we trust in financial reporting?**
- In the USA, municipalities are using Popular Annual Financial Reports.
Who are interested in IPSASB PC?

- Academics and Other Public Interest represent the half of participants in PC (just 6 Ministries of Finance and 5 SAI)

- Officers will do what laws and standards require but they are not active in the debate

- We have an important responsibility, to certain extent the evolution and paradigms of financial and non financial reporting
Corollary

• Are we going on in the correct way?

• Should we re-start and consider again where we are and what should we do?
The differences between Public and Private Sector Entities

- Our users are different to the users of a business, so we need different information. Have we failed with this?
- There are some major conceptual differences between government financial statistics (GFS) and public sector accounting. How can we conciliated both systems?
What implications have this?

- **Financial Reporting**: We have to find the model that fits better the characteristics of government entities.

- **Financial information is not enough**: This needs to be completed with non financial information: sustainability reporting, popular reporting and integrated popular reporting.
Our future compromise:

- Proposals for changes and modification in the current model: EPSAS are a good opportunity

- Propose alternative formats for presenting reporting

- Include in the discussion different entities: universities, social and health entities

- To test all this: for users, oversight and supreme audit institutions, resource providers, politicians, parliament members, managers, citizens,
How can we do it?

- Theoretical framework and theories
- Case studies
- Experiments
- Surveys
- Empirical Studies
Where can we discuss all this?

- **EGPA Conference 2018**, 5-7 September Lausanne
  
  https://www.egpa-conference2018.org

- **EGPA spring Workshop**: to be announced
2018 EGPA Conference

2018 EGPA CONFERENCE

LAUSANNE, 5-7 SEPTEMBER 2018
PRECEDED BY 2018 EGPA PHD SYMPOSIUM
- LAUSANNE, 3-4 SEPTEMBER 2018
AND BY EPPA I FINAL CONFERENCE -
LAUSANNE, 4-5 SEPTEMBER 2018
Next Spring workshop

• First week of May 2019

• We will inform by email and CFP
Where can we publish all this?

- Palgrave Mc Millan Public Financial Management Series


- Special issue “users, uses and usefulness of financial reporting in Journal of Public Budgeting, Accounting and Financial Management
Special issue

- Call for Papers will be circularized
- Possible deadline: 31 of October
Thanks Ellen, Peter and all the team!

Thanks to all for joining us!