

Chapter 9

Implications of Accountability Through the Prospect of Integrated Reporting Adoption in the Public Sector

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ABSTRACT

The main purpose of this chapter is to analyze the way in which the concept of accountability is addressed in the context of integrated reporting (focusing on the ongoing adoption process in the public sector). Starting from the theoretical underpinnings involving public stewardship, the authors ground their research endeavor on arguments from the literature which set public accountability at the core of a holistic form of reporting (such as integrated reporting) and investigate the theoretical implications and connections on the constituting elements of the respective reporting system. From a normative perspective, the chapter provides a conceptual analysis, using existing frameworks and guidelines, to reveal how public accountability is delineated and inferred in reporting practice. Ultimately, using content analysis, the authors conduct an exploratory study on early adopters of integrated reporting in the public sector and assess the extent to which reporting entities actually address specific issues connected to public accountability.

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INTRODUCTION

The contemporary global economic system enables a myriad of interactions between a large number of actors, creating many interconnected systems and networks. In this context, the functionality and usefulness of the systems depend overwhelmingly on how the ‘wheels’ work and what synergy effect they produce when put together.

As emphatic manifestations of change, the administrative reforms gained a significant support within Europe and countries such as United States, New Zealand, and Australia during the last decades. Most of the reforms had the intention to change the context and the culture within which public managers operate to increase the effectiveness, the efficiency and accountability of the government (Romzek, 2000).

In the past years, the use and importance of sustainability and accountability have significantly increased. The rise of multiple reporting outputs (mainly focused on the non-financial side) has put the perspective of increasing transparency in the spotlight. The recent developments considering integrated reporting are solid proof of the intent to generate a concise picture of the social, economic, environmental and governance impacts and performance of the organization (Bebbington et al., 2014).

The concept of accountability involves the obligation to answer for any made decision and requires openness, transparency and also the information provision arising from the nature of representative democratic government (Barton, 2006). In the public sector, the accountant-accountee relationship is much broader than the relationship between the shareholder and manager in the private sector (Samkin & Schneider, 2010) since the range of actors impacted by the public-sector organizations’ activities and outcomes is extensive. Thus, public accountability is an element which has to be considered by representatives of public sector organizations when they draft and implement their strategies and their resource allocation plans.

Moreover, by providing comprehensive information about their activities, results and outcomes to the general public (users of accounting information), public sector organizations fulfill their duty to society (by emphasizing the way in which public resources were employed for objective achievement) and are able to discharge this accountability (Donaldson & Preston, 1995). Between the two outliers (transparency enhancement and accountability discharge) there is an inherent balance and the intensity of manifestation of one is closely connected to the dynamic of the other.

Our underlying assumption is that public accountability manifests itself on most of the layers of new reporting trends (more precisely, in the context of its employment within integrated reporting implementation in public sector entities). Whether we are analyzing static structures (the six capitals) or dynamic processes (the value creation process), there is an inherent degree of public accountability as public-sector organizations have to act responsibly towards the product and service recipients (namely, the general public – including the taxpayers), to make rational use of publicly available resources and to report accordingly for their use of and effects on the capitals.

Our expectations regarding the research outcome are closely connected to the guidelines issuance and practical reporting patterns. We expect the ‘regulators’ and professional organizations to include the concept in the specific guidelines and to design a track for reporting entities on which public accountability to be a primary driver in the context of their activity (as they are empowered by the general public and are prone to be held accountable for their actions). Moreover, the reporting entities are expected to account for their use of public resources and their outcomes (through different means of disclosure – e.g., plan accomplishment; impact assessment on stakeholders and the external environment; KPIs). However, the

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