

Chapter 6

Popular Financial Reporting: A New Information Tool for Local Public Groups

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ABSTRACT

The study intends to investigate the possibility of adopting popular financial reporting with a view to greater transparency, accountability, and sharing of results with stakeholders, and responding with this tool to requests for non-financial information. Governance and stakeholders often see a close correlation, and this is what gives rise to the need for non-financial information introduced by Directive 2014/95/EU. The answer to this need for transparency towards stakeholders arises first with the corporatization of public bodies, companies, and social utility bodies; then with the introduction of accounting harmonization within a rational accounting process. The research highlights the relevant aspects and approaches of popular financial reporting, assessing their compliance with the needs of the company, the needs of the stakeholders, and the needs of non-financial information to be considered quality after having analysed the other social reporting tools through the case study of the city of Turin.

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1. INTRODUCTION

The approach to New Public Management and New Public Governance (Klijn, 2008; Osborne, 2010; Osborne et al., 2013) has placed emphasis on the relationship between the reference stakeholders and public administration with the introduction of new tools and new levers (Biancone et al., 2018). It becomes urgent to understand and identify the priority stakeholders (Clarkson, 1995; Donaldson & Preston, 1995; Carroll, 1996) defining the main ones in terms of power, legitimacy and urgency (Mitchel et al., 1997). Investors and citizens are the two main stakeholders of interest to public groups. It is emphasized how the reports and disclosures normally realized for a few providers including investors (Jones, 1992) supply information that is often too technical and complex to be available and accessible to the citizens (Jones et al., 1985; IPSASB, 2013). From this perspective, the growing need for accountability towards stakeholders (Sternberg, 1997; Belal, 2002; Bäckstrand, 2006; Collier, 2008; Caperchione, 2003) is a particular feature of the environment of local bodies; as is the evolution of the concept of citizenship, from customer and user of services to active stakeholder and co-producer (Doh & Guay, 2006; Chess & Purcell, 1999; Bovaird, 2006) with a say in how business is conducted. In recent years the significant step in the public sector has been to provide more understandable and easy information to a greater number of users (Christiaens et al., 2010). The creation of accessible and transparent financial documents is a starting point for the involvement of citizens, popular financial reporting has gained increasing attention from both scholars, managers and politicians. Several finance professional associations including the Government Finance Officers Association (GFOA), the finance professional association have been promoted the Popular Reporting as a reporting tool. Both the Governmental Accounting Standards Board (GASB) and the Association for Governmental Accountants (AGA) promote the diffusion of popular reporting differently with their own guidelines, also proposing prizes (Harris, McKenzie, & Rentfro, 2008). Popular Reporting is a communication tool that is placed at the highest level of the “Pyramid of Accountability” prepared by the Association of Government Accountants (AGA), as it is able to provide aggregated data that meet the needs of public administrations. to account for the use of public resources (AGA, 2010). According to GASB the Popular Financial Reporting could be subjected to a comprehensive and easy-going availability of other potential users such as politicians, public sector employees, the media, community groups, etc. (GASB, 1992). Popular Financial Reportings (PFRs) are defined as financial reports targeted at public stakeholders (e.g. citizens, businesses and community group) who lack a background in public finance but who need or desire a less detailed overview of the government’s financial activities (Yusuf & Jordan, 2012). The Popular Financial Reporting purpose is to facilitate public stakeholders understanding of their

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