

Popular Report and Consolidated Financial Statements in Public Utilities. Different Tools to Inform the Citizens, a Long Journey of the Transparency

Paolo Biancone

Department of Management
University of Turin

Silvana Secinaro

Department of Management
University of Turin

Valerio Brescia

Department of management
University of Turin

Abstract

With the process of accounting harmonization within the European Union, a route that would ensure transparency and accessibility of the results is necessary. The population must be able to know the use of taxes and resources collected, and must understand how these are used in services. With the increase of services provided internally and outsourced to external companies or subsidiaries, a representation of all the necessary services and companies based on the needs identified by local authorities is required. Stakeholders and, in particular, the citizens need concrete tools to read information already disclosed in the balance sheet with regard to public companies consolidated. The basic tools, that we have explored, are financial reporting, popular reporting, integrated reporting, the service charter and the service contract. These different tools, frequently used by countries and companies, will be showed in economic terms and in terms of the results of the extra- local group. Using an integrated approach based on the planning and management control, on the rules of international organizations for standardization and on strategies for data presentation, we also propose a system to create an integrated popular report that includes elements of different existing tools.

Keywords: popular integrated report, public administration and utilities, reporting system, transparency

Introduction

The harmonization of accounting principles will improve the comparability and the transparency of financial statements and will enhance the decision-making at the macro level within the European Union. By producing transparent accrual-based EPSAS (European Public Sector Accounting Standards) financial statements, the governments will reflect the long-term impact of their decisions and can show the good use of public funds to their electors and to other stakeholders, such as fund providers.

These statements will be useful also to guarantee the transparency of the results to the stakeholders. However, a budgetary policy and a financial statement cannot be sufficient to describe the different political aims. Therefore, it is necessary to make a large study around the different tools that public utilities can use to describe the complicated combination of elements that constitute their activities.

In other words, as reported by the Governmental Accounting Standards Board (GASB), “citizen groups . . . want information about service efforts, costs, and accomplishments of a governmental entity. This information, when combined with information from other sources, helps users assess the economy, efficiency, and effectiveness of government and may help form the basis for voting or funding decisions” (GASB, 1987). Popular report and the elements of it was described for the first time in December 1991 through the GASB work papers. Since then, the GASB has answered questions in 13 additional stand-alone guides.

The first Comprehensive Implementation Guide was issued in 2003 to incorporate changes to reflect the effects of pronouncements issued subsequent to the release date of the original stand-alone guides and to collect the individual guides under a single cover. There has been founding explanations of the new structure and content in 2014 with the implementation guide of no.20XX - 1 of GASB. The International Federations of Accountants (IFAC) through the International Public Sector Accounting Standards Board (IPSASB) has launched a new project, framed in a wide framework in relation to the preparation of a General Purpose Financial Reporting (GPFR), which should include information on performance measurement to report to citizens. Performance management and measurement has long been considered one of the key drivers of modernization in public organizations; as such, a large number of reforms have taken place around the world (OECD, 1997; GASB, 2002; IFAC, 2008)

Other studies locate a tool of transparency on Integrated reporting that combines the most material elements of information currently included in separate reporting strands (financial, management commentary, governance and remuneration, and sustainability) in a coherent whole. Moreover, this tool shows the connectivity among them and explains how they affect the ability of an organization to create and sustain value in the short, medium and long term (IIRC, 2011). The local Generally Accepted Accounting Principles (GAAP) introduce the concept of significance. They have to be included in the consolidation area with all subsidiaries that are characteristic of significance. The definition of the public local group refers to a group of directly or indirectly controlled or associated companies or of societies with contractual relationship, in the equity of subsidiaries and a notion of participation.

This work aims to define a hypothesis of a new reporting system of popular report through the analysis of different experiences of reporting already proposed by the scientific and economic literature. This analysis of different tools, which is useful for the researchers, will consider the main features of reporting, also considering the terms of the new accountability needed to apply the principles of transparency. Finally, this paper provides information that is useful to help the management staff to deal with the problem to describe the data collection in a way that is clear and easy to read.

2. The method

The method adopted is qualitative, based on observation of theoretical approach of tools used for the social reporting in the context of public companies. It is a deductive method with the analysis of theoretical aspects for modelling. The steps of the research are: 1) data have been collected from primary and secondary literature source available like published report, conference proceeding, manuscript sources, journal, books, government publications through meta-analysis tools (research tool of university of Turin, google scholar and database IRIS of Unitorino) 2) analysis of the articles retrieved, with particular regard to publication with impact factor or published by scientific societies or quangos. 3) Analysis of different theories and tools, verifying the applicability of each methodology 4) Construction of a database considering the following items: Article or guideline, authors, scientific journal/quangos/scientific society, summary, impact factor of journal, evidence or methodological guidelines 5) verification of the methodology used more frequently. Based on the results of our search, we propose then a new comprehensive methodological approach and a specific tool for the definition of integrated popular reporting.

3. Theoretical Background

The jurisdiction regarding the examination and participation of citizens in government performance measurement should be implemented. In the last years, this concept has been put into practice in different occasions in the USA. The implementation of quality items becomes very important to improve public service. At the beginning of this decade, it is reported an increasing need to understand the contents, tools, strategies, achievements, costs, and challenges of contemporary performance measurement and of management reforms (E. Borgonovi 1984).. It is very important to analyse the public strategy performance and the performance of public services is a similar context with objective results. It is very difficult evaluate qualitative data, and it is more difficult to compare data between municipalities without a common chart of accounts that should include respectively the integrated plan of financial accounts, the chart of economic accounts and the chart of accounts balance sheet. If the analysis of results of local public companies is required, it is necessary to adopt of an accounting financial office with authorization and control function that have to perform the management reporting in a context of transparency.

The system should be designed primarily to ensure policy compliance at local levels by assigning top-down, result-oriented aims to local officials. This policy will link the performances based on target fulfilment of the officials to allow the advancement of career. In developed countries, it is evident as the reform of system on performance and the reform of strategy about the aims of public system, increase effectiveness and productivity as well as increased citizen satisfaction (Juta Elena Yusuf 2013). It should be reported a definition and proposal of a plan of indicators with the expected results of the budget in order to explain the objectives of the management, as well as to measure the results and to monitor the services provided and the activities performed. This should be carried out by placing them in the context of documents of strategic and operational planning of institution and it is useful to complete the definition of the Plan of Performance with the adoption of instruments of popular reports in local public companies.

A classification of these several operations allows to examine in detail and comprehensively all the activities of an ongoing nature (services) or extraordinary (projects), with reference to which resources are allocated to personnel and financial administration available to achieve the objectives of the mandate identified with respect to each mission / program and the program guidelines. Public choice is concerned with how information can affect the production and distribution of government output. These activities are analysed in terms of demand and supply. Consequently, there are demand models, which address how voter preferences for government output are revealed and enacted by political parties and candidates for public offices. The lesson for practitioners is that performance improvement requires more than the simple implementation of a performance measurement system, and for some organizations, performance measurement may even hamper efficiency if the fundamentals are not in good order. National, cultural, instructional, and organizational differences determine the purpose, function, design, and effectiveness of each particular performance measurement and management system. Facing the same need for performance improvement, each country and organization has its own formula, expectations, and pace of change, strengths, and weaknesses. Context always matters.

4. Presentation of the main contribution of the paper

4.1 Transparency and financial reporting

The 2015 revision of the IFRS (International Financial Reporting Standards) foundation's mission statement reintroduced the term 'accountability', identifying its mission now as 'to develop IFRS that bring transparency, accountability and efficiency to financial markets around the world' (IFRS Foundation, 2015). The international financial reporting standards are applied in some developed countries but not every country decided to adopt them. Indeed it is very difficult to transfer this complexity to the public sector. In the European countries the states do not apply both IPSAS and IFRS to base financial reporting, as instead did in New Zealand and Australia. Some Governments adopted accrual accounting and IPSAS standards, some modified adopted IFRS standards, while others continued with cash-based accounting. In general, countries that administratively and culturally fit into the Anglo - Saxon context have adopted accrual accounting and are inclined to adopt IPSAS. The definition of public accountability in this standard relates to capital markets, and largely ignores any idea of accountability to others. In 2011, the Council of the European Union (EU) adopted the 'Six - Pack', a legislative package on economic Governance in the EU. As part of the package, in 2012 the European Commission undertook public consultation on the assessment of the suitability of IPSAS for the Member States. The satisfaction of citizens is, often, in contrast with the goal of financial reporting in the public sector. For this reason, it is important to ensure greater transparency towards stakeholders and allow a greater sharing.

4.2 Citizens, stakeholders like users

The recipients of public information are, in general, all the stakeholders and the users of the balance sheet. It is important to distinguish between the subjects of "internal communication" and the ones of "external communication". The subjects of the former are: the community, the other public entities, the lenders, the providers, the third; the recipients of the latter are: the managers, the political and administrative bodies, employees (Puddu 2010). Based on this assumption, the importance of public consolidated information, because this is focused on information to outsources services (Biancone, Secinaro 2015). The public consolidated information have to satisfy the needs of information, internal and external, and this allows the dimension of the Group, the service features, result achieved, overall reliability of public administration and its subsidiaries (Grossi, Steccolini, 2008).

In particular, the consolidated balance sheet of the public local group, has been introducing in experimental phase to the Italian legislature. It has the possibility to provide useful informative elements to verify the level of achievement of objectives of all the aggregate, considering the compositions of the revenue and the expenditure. In this purview, the document allows to know the financial structure of the group and the level of financial independence as well as the level of public debt. The composition of net assets and global cheapness of it, the structure and composition of costs and the major voices of items balance sheet. The public consolidated information permits the knowledge of the different items of income besides analyse of the relationship between gains arising and raise taxes of the group in the Exchange relationships of the subsidiaries. It supplies the possibility to have consolidated preview for each activity and express schemes of major optimization in the collection and use of resources. The consolidated balance sheet could have limits in the global vision; in particular, it could hide the meaning of particular events. It is a difficult tool because the composition in space and time of data is constantly changing, flexible, and ductile and is the consolidated area (it depends directly to the consolidated group) (Grossi, Reichard, 2006). As in the business sector, the government financial reporting has as its primary objective to satisfy the needs of users and help them make decisions. Users are generally held to be citizens, oversight and regulatory bodies, managers, creditors and investors, financial analysts and resource providers. Government financial reporting could assist the users in the rate of decision on economic, social and politic decisions. The citizens in the most cases become involuntary provider of the service and the quality and quantity to offer or to be reached (Isabel Brusca, Vicente Montesinos 2006). This is an important factor to make policy decisions and define evaluation values. However, in most cases the citizen is not conscious of the important role he has and is not interested in financial reporting but focuses his attention on the tax levy.

In the few years with the corporatization of public companies, we are facing a radical change in the reporting system and the ways to share it. In particular, the uses of consolidated financial Statements of the municipality give a different way to read by and large the results of outsourcing and not only of the services that the municipality directly produces. The local GAAP and the international accounting standards are different, but integrated in order to provide an informative consolidated, representative of the local public groups, composed of heterogeneous reality at the same time, such as public companies and non-profit and for-profit companies, and significant in the interests of stakeholders. Beyond any taxation legislation, the exclusion from consolidation of non-profit companies implies, in our opinion, a serious shortcoming that affects the significance of financial statement. (GAAP 2015). We suggest, therefore, before opting for exclusion, a careful reflection on aspects of control and governance, which we discussed earlier, but also to take into account the relevance of the activity for the area and for the local parent company. In the democratic countries, we could not refuse the role of the interpretation of the results by taxpayers. Since several years in U.S. and Canada in different States and towns, it is widespread, a report, called "popular report", that contains financial information regarding governmental entities.

4.3 Popular reporting

Popular reporting refers to the preparation of a brief document that is easy to read. It has to comprehend financial reports based on citizens' target. Moreover it is complete and available by other user groups like politicians, public sector employees, the media, community groups, etc. (GASB 1992). Many states and local governments in the United States use issues of popular report. The GASB is the independent organization that establishes and improves standards of accounting and financial reporting for the U.S. state and local governments. It defines the criteria to establish guidelines on popular financial report. The first time that the GASB defined an issued inception on Governmental accounting standards was in the 1984 through different statements. It lays the groundwork to act and edit the popular report based on the financial statement. The provided information derives from a financial statement and hold a detailed analysis and difficult terms for the users. The understanding of the document is based on the maturity of citizens to translate and encode the different information. The utility of a popular report is to show through a summary information and in a simple language additional data on the public activity resulting from levies. The Government Finance Officers Association (GFOA) also offers a different approach to the financial statement in general accepted by accounting principles (GAAP). The GAAP is a common set of accounting principles, standards and procedures used by companies to compile their financial statement. GAAP is a combination of authoritative standards (set by policy board) or, in other words, the commonly accepted ways of recording and reporting accounting information. For the first time in February 2006, GFOA encourages to issue a comprehensive annual financial report (CAFR) in conformity with GAAP.

A recommended report is a consolidated or aggregating presentation with different characteristics: - the issue of popular report not later than six months , - the presentation of information in an attractive and easy to follow format and written in a concise and clear style, avoid technical jargon and translate information in graphs, - the narrative use of particular type of information to highlight important parts, - comparative trends and interpretation of financial data, and the most important aspect of encouragement to provide feedback to the citizens.

4.4 Integrated reporting

An integrated report is a concise communication about how an organization's strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the short, medium, and long term. A widely used framework is reporting performance under three capital categories: internal capital (non-financial capital created and nurtured within the organisation), external capital (non-financial capital created and nurtured with outside relations to the organisation), and human capital (non-financial capital created within the organisation or human resources rented from outside the organisation).

The resources embedded in each capital dimension can interact with each other in various permutations and combinations to generate financial performance, non-financial performance, environmental performance, and social performance. Transparency, accountability, and ethical leadership are three attributes of a good governance mechanism, and they are showed in integrated reporting. The role of organisational governance is twofold: to demonstrate accountability for the organisation's actions enacted through senior management, and to enhance organisational performance (Short et al.,1999). It is possible if the transformation of input into output is followed throughout the production process and the sustained value is characterized by a set of factors mentioned above.

4.5 The service charter

All providers of public services adopt the Service Charter, although operating in concessions or by agreement. Given its importance in the field of planning of public services, it was adopted in a defined time after publication. The elements indispensable in this document are five:

- 1) Definition of the fundamental principles that must be the provision of standardized service;
- 2) The information for citizen users, which result in the principle of transparency, that has become an indispensable element in the field of Public Administration;
- 3) A minimum level of service quality through the adoption of standard criteria, that could be presented as general (overall services rendered) or specific (verifiable from the single user) objectives;
- 4) The Evaluation of the quality of services;
- 5) The Application of forms of protection of the rights of citizens and users.

The verification of the adequacy of the above principles of service charters is entrusted to date by the Standing Committee on the implementation of the Charter of public services.

4.6 Service contract

The contract service is a tool which was introduced with the Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC. The contract is between the service organizations' owners and persons appointed to manage the service. The contract, with reference to sections that define the quality levels of service and monitoring tools is adopted after consultation with organizations representing users.

In case of award of the service through the race, the scheme of public service contract is placed according to the bankruptcy proceedings. A perfecting agreement based on the outcomes of the race takes place, which are also documented in the record award. The service agreement guarantees an adequate publicity and transparency for all the stakeholders. In the Contract, there are governed relations with customers that are also economics among the parties. As an example, the transfers are excluded by the administration when they have not been disciplined during the stipulation of the contract or in following editing of that stipulation.

Minimum contents of the agreement are: - duration of the contract of the service and the adequate guarantee of continuity of the service, - exercise program containing the specifications of which quantitative levels of service is needed, - investment program, - the discipline of heritage resources and the provision of the service, - competitive clauses purposes of access right and the takeover, - standard of quality and service specific and general objective of improvement, - reporting obligations and appropriate forms of guarantee comparison of members in connection with the cards of the quality of services (complaint, procedure, conciliation and settlement of disputes and automatic compensation shippers), - charges and incentives efficiency, - criteria for the definition of users rates those included facilitated and for their periodic update, - rewarding and sanctions related at the quality objectives, - efficiency,- economy and investment, - control and monitoring of the service contract, - reporting, - the fairness opinion and obligation of accounting separation, - contractual fines and penalties and the early termination of the contract, - conditions for compensation of the custodial outgoing and value of takeover, - conditions for settlement of disputes between the Manager and entrusting body, - how to change the service contract.

5. The approach

Planning and Management Control

Assuming that public organizations are economic entities and companies and that are defined as organizations able to transform resources into services, it is necessary to assess their ability to increase the value of the output (efficacy) and decrease the value of the input units needed to reach the expected output (efficiency). In all organizations, the value of the input must be less than that of output. Public organizations have usually the particularity of not having a system of prices to measure the value of output and to have no competition to the market. There are companies, however, with the goal of having a profit in order to protect the public service from the risk of bankruptcy. In these cases, to control their correct operation, we must therefore identify alternatives to quantify the value of outputs. Their activities are compared to activate of other societies and they can receive incentives in a system leading to the satisfaction of the population. Even local organizations with a view to proper management should be guided by management models that identify the goals, the consistency between plans / programs and the resources allocated to the objectives and the results according also to the responsibility of the different actors involved.

To reach a right organization is possible through appropriate “planning programming” and “management control” systems. Schedule planning and control mean to control the efficiency seeking the effectiveness of the service, taking into consideration the fact that the budget should not be just an economic issue, and that the overall control does not see specific areas of reporting and management of companies health. Currently it has many problems getting an overview of some factors often not homogeneous. It is very important to have in mind the method of reporting of the company under observation, that takes into account the reporting economically, financially and in terms of quality of service at the various levels of the system. Very often, the attention is focused on the short-term efficiency but nobody looks at the long term. In this context, the planning is necessary to evaluate the economic issue as a means and not an end. The accounting balance sheet presents a stratification of aggregate data that is difficult to read and not sufficiently clear to provide a clear picture of the situation.

The program planning and control is a system that should be able to measure the results, knowing the activities and empowering the various players involved, and must be able to be divided into sub systems where is possible to identify levers for action and accountability. Moreover, it is necessary to know the specific product, or rather the services made available to the customer, the operational processes as a set of activities carried out by individual organs grouped by output outward or inward instrumental service and the different resources available for the realization of the service. Considering the importance of the economic aspect, it should be identified for the actions the economic and financial aspects in order to avoid a loss in efficiency and effectiveness; it may involve direct or indirect result of impact and presents various aspects in the quality and quantity of service. Organizational models involved in the system are the organizational structure, the executive system, the model of leadership and corporate culture. In a system of planning and control, it should be carried out reports in order to verify the achievement of economic and financial criteria, cost centre by cost accounting and measurements outside the accounts. The budget is a necessary tool for monitoring the achievement of all indicators relating to accounting and unidentified system.

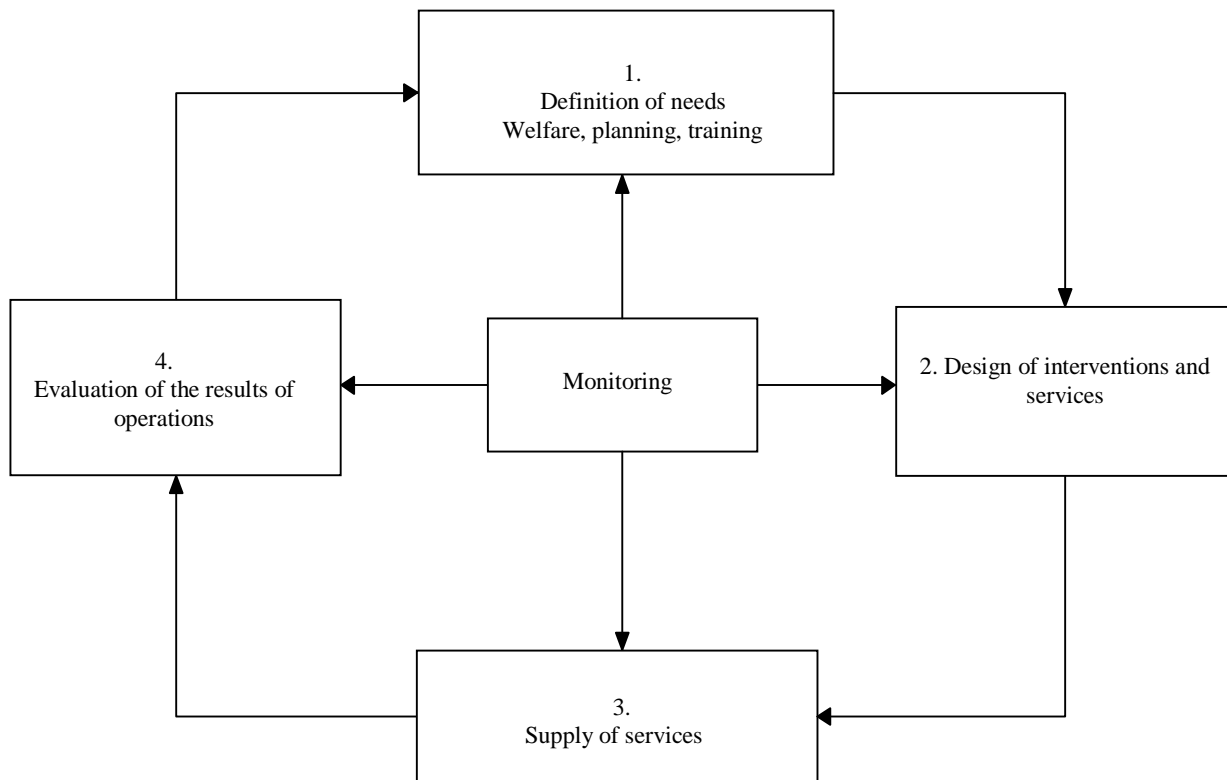
First of all the strategic planning must be defined including the mission, such as the fields of activity, and the business strategy, by identifying the operational programs of the short term and a system of ongoing and final monitoring. In this process of control and management, it is necessary to define several indicators able to resume the overall performance of each person responsible for subsystem in order to guide and evaluate the managerial action both in development phase that during the final control. The performance indicators are defined for each year and are described for each unit operating in the system with a role of responsibility. It is necessary to evaluate efficiency, effectiveness, affordability, tariff setting and budget oversight of the activities of the system to assess the effectiveness and efficiency of the utilities. In local government, the main output is the service provided and the efficiency is measured by the ability to accomplish the quantitative and qualitative goals. The effectiveness instead should be analysed according to a general and specific level. At the general level for the number of citizens served compared to those that could be potentially served (perspective view). The specific level concerns the quality perceived by the citizens served, and the verification of outcome or the result that the performance has produced in the well-being of the population. Efficiency is then evaluated in productivity, reducing the cost and time of execution. Efficiency and cost-effective need a control. It can be defined the efficacy endpoints both quantitative (number of services provided) and qualitative (goodness of performance, the results (indicators), or objectives of technical efficiency (productivity of the system) or economic (cost of providing estimated costs for standard). Through standard costs you can assess the appropriateness of the intervention (outcome of the service) and organizational (resources and organizational method used).

Deming Cycle and the approach through international organization for standardization tools and Faculty Quality Management System

The first definition of quality, included in ISO 8402, is summarized in the set of properties and characteristics of a product or service, as well as his ability to meet the expressed or implied needs. With the ISO 9000: 2000 the quality is made explicit as the degree to which a set of inherent characteristics (of a product, service, process, etc.) meet the requirements. In this context, the term requirement means a requirement or expectation that can be obligatory, expressed, or generally implied the requirement of the quality of primary importance is the degree of satisfaction of the various stakeholders, namely those involved in the projects of production and use of goods and services such as users and consumers, workers, owners and shareholders, suppliers, whose expectations are taken into account and met through compliance with the requirements themselves. The ISO 9000: 2000 defines the fundamentals and concepts of quality, with the ISO 9001 requirements treat quality management, it is specified in the requirements of quality management systems that a company / organization must meet to demonstrate its ability to deliver products (and services) that meet customer requirements and areas regulated. ISO 9004 the guidelines on the management systems for quality, including processes for continual improvement, for the purpose of customer satisfaction of the company / organization and the satisfaction of the other stakeholders. With the entry into force of the ISO 9001: 2008 the satisfaction regarding requirements at the workplace (structure) and the indirect indicators of satisfaction, which are the same economic interests with mandatory production, is important. The system must then be subjected to audit or conducting audits of management systems to test the effectiveness of the system and kept under control during the year. These rules are contained in ISO 9011, which also defines the requirements of the different auditors. The voluntary system of quality is based on a process structure that provides the ability to manage any organization through the identification and control of its processes and interactions in a systematic and organic order. The ISO 2000: 2008 is divided into four basic sections, corresponding to the four main categories of requirements of quality management as part of the process approach, namely:

- Management Responsibility
- Resource Management
- Creation of product
- Measurement, analysis and improvement

These sections are preceded by a specific paragraph on the "system of quality management" that defines the general requirements regarding the structure and the system documentation. The identification of processes related to the Quality Management System of the organization is based on the cycle PLAN DO CHECK ACT (PDCA) as well as their planning, implementation, monitoring and continuous improvement.

Figure 1: Continuous cycle of Deming

Source: Dissertation of degree “The Quality System in the Program of Continuing Medical Education” Valerio Brescia DOI: 10.13140/RG.2.1.4892.1049.

The Deming cycle indicated above divides the phases in continuous processes:

- PLAN: PLAN - PLAN: establish the objectives and processes necessary to deliver results in accordance with customer requirements and with the policies of the organization.
- DO: SHOW - DO: implement the processes
- CHECK: CHECK: monitor and measure processes and product against policies, objectives and requirements for the product and report the results
- ACTION: ACT: take actions to improve process of performance

To increase the application of the process, the “Integrated Management System” could be a model of Management Systems for Quality, Safety, Ethics and Environment and, then, studying their evolution towards a possible, deriving from a synergic interaction among the aspects of quality and social responsibility (safety, ethics, and environment). The system could be based on three level documental structure as the Faculty Quality Management System (QMS). It foresees in order:

- 1) Strategic guide documentation: quality policy, normative references, Manual for quality and accreditation;
- 2) Operative documentation: documented procedures, operative instructions;
- 3) Recording documentation: modules, recorders

In local government and in public administration it is necessary to control the entire system, to make several tools available. A quality tool, that analyses the system of auditing and the entire process of service delivery, it is needed. In this analysis, other instruments should be put into practice in order to collect data from an external evaluation (performed by citizens) or about potential complaints related to the system. Through the quality system it is, therefore, possible to identify critical points that, when corrected, will be helpful to the growth and the improvement of the processes of their services. The quality system must be necessarily complemented in the first place with the public organization data results and then with the objectives of the program.

Therefore it must not be only applied to procedures and protocols but to analyse the real fallout of the system put into practice on what the objectives of a specific service are. This approach is the base of the planning, management control to realize a consolidated report and a programming system based on performance index, and transparency aims.

How to show data representation

To give a clear message, (Bertin 1983) outlines five aspects of a graphical language: definition, construction, reading, questions and limits of the image. Understanding of these basic perceptual issues of this visual communication medium provides a foundation to strategic graphing choice. (Kosslyn 1994) states. The principles of perceptual organization must present different concept to be clear and guarantee transparency : proximity (elements close together will tend to be grouped together), good continuation (dasher or dotter tends to be grouped/linked up), similarity (similar marks will be grouped together), common fate (lines or marks that seem to be headed in the same direction will be grouped together), good form (regular enclosed shapes are seen as single units), compatibility principle (continuous data for line graph). As well as having purpose and intent, graphical displays are designed to communicate clear messages to particular audiences. The needs, demands and the knowledge base of the intended audience should be acknowledged when information is presented graphically. Sophisticated (technically competent) users and ordinary lay users require separate considerations. Report preparers of the communication may benefit from an understanding of the audience and the perceptual/controlling issues with different graphical choices. Often, a huge amount of data may have to be dealt with including: financial, quantitative, qualitative, ranking, opinion scaling, etc., and some could be time series or cross-sectional data. The tendency is to routinely generate common types of graphs. However, it is important to be focused to understand the nature of the phenomenon that is being measured and to note the measurement scale used. Some charts are appropriate for parametric measures only—where the assumptions of numeric additivity and a ratio scale are justified. Quality graphical presentation means more than the basic architecture, but it encompasses the purposes of the graphical presentation, such as comparative analysis and magnitude estimation. A fundamental maximum is that of relevance to communicate successfully (Wainer, 1996). The displays should not give more information than the needed one. The information to be presented should be helpful for answering questions (Kosslyn, 1994). Considering the wider educational impact, first, the paper favors a paradigm shift towards an interactive mode of learning encompassing both practical and critical data analysis but with a strong emphasis on the need for communication skills.

6. Discussion

In different European Countries there has been a transformation of cash-based system more complete with the construction of a balance based on accrual accounting (IPSAS 22). This is possible thanks to different steps of actuation of the international accounting standards, such as International Public Sector Accounting Standards (IPSAS), and European Public Sector Accounting Standards (EPSAS). An important role for the change is given to the new IPSAS translated in Italy by the National chartered public accounting in February 2015. It is ought to be considered to aggregate information useful for the assessment of management of the entity in terms of service costs, efficiency and effectiveness.

Lately, there has been an attention about the kind of transparency that the public utility guarantees. In Italy with the accounting harmonization implemented through a complex and detailed process of reform of public accounting, (Article. 2 of Law 31 December 2009 n. 196), it is necessary that the budgets of all public administrations are homogeneous, comparable and aggregated by means of operations performed in the same way, i.e. with the same accounting policies and methods, and with the result of meeting the information needs and transparency related to the coordination of public finance, in monitoring compliance with community rules and the famous fiscal federalism, pursuant to Law 42/2009. In local authorities, the legislation harmonizing accounting involves primarily the adjustment to the 18 general accounting principles referred to D.Lgs.118 / 2011 and the further adjustments to the accounting principles applied for planning, financial accounting, accounting economic equity and the consolidated financial statements. These general accounting principles are applied, as required by the article 3 of Legislative Decree no. 126/2014, censuring the consolidation and transparency of public accounts in accordance with 2013/23/EU directives and the adoption of consistent and interoperable information systems.

Pragmatic solutions are adopted in implementing the new standards. The upcoming IPSAS standard, adopted for the first time, can provide a useful framework. The study includes best practice examples drawn from Member States' reform experience. Governments can also develop plans to seek continual improvement in the quality of the accounting data and financial statements. In Other extra UE Countries, there is a different way to face the change, because the adoption of IPSAS is less widespread while the adoption of IAS is more frequent. Although the public sector context is different, the fundamental objectives of financial reporting are the same across both public and private sectors. The main difference is the use of cash principle to realize the budget and the balance.

The presentation of different tools to report and control public sector gives us an important point of view of the traditional approach in financial and economic system. Very often, however, it is not sufficient to represent the stakeholders that are the results in their entirety. In particular, it is often difficult to represent the consolidated situation and monitor the results related to the public administration. In most cases, there are no indicators of result and there is no system being able to provide outputs towards the citizens. If the public programming shows no performance indicators in terms of quality but only qualitative indicators, the public share of the consolidated companies do not collect these data and do not have their own internal programming. Therefore, through the analysis of elements and methods previously presented, we propose a tool for the report definition that must necessarily follow different steps to be made. According to the different tools and system, we suggest a deal with different steps in order to realize the composition of the consolidated integrated report:

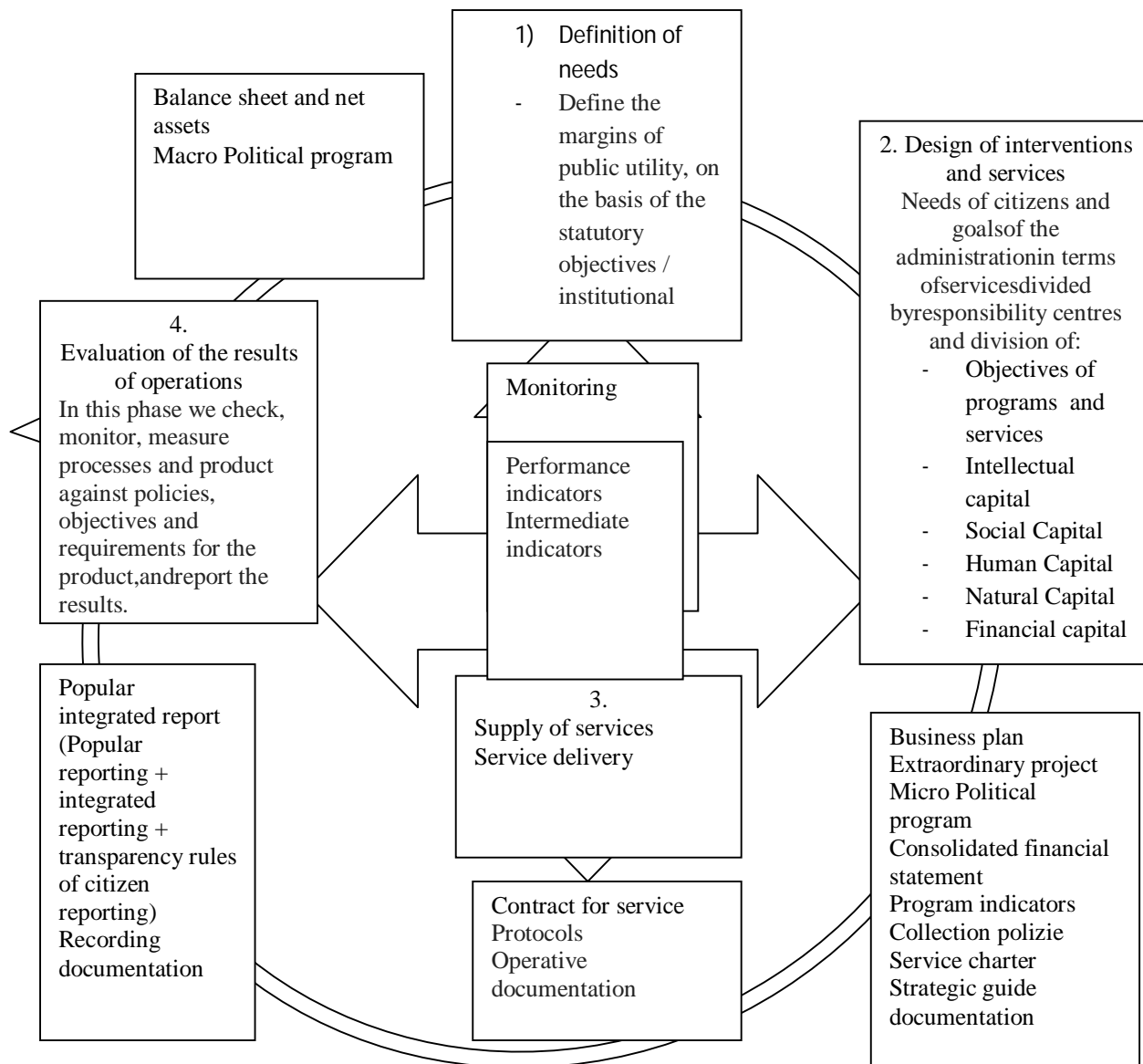
- 1) Define the margins of public utility, based on the statutory objectives / institutional. It is necessary to identify the contribution from operations through the composition of balance sheet and net assets.
- 2) Define public needs through the collection of what the needs of citizens and goals of the administration in terms of services divided by responsibility managing directors (e.g. departments) are, and it is necessary qualified business plans or extraordinary projects.
- 3) Define the services provided through its subsidiaries or affiliates and investments made in non-profit organizations. It is necessary to redact the consolidated financial statement to represent the real service composition. Each investment must be detailed in terms of the production process and service managers. Only in away it is possible to actuate a control system.
- 4) Therefore for each service the public authority or the subjects with political responsibility will be identified, and different elements to realize the service will be defined, in particular the natural, human, social, intellectual, manufactured and financial capital. After the identification of inputs, it is necessary to identify which the indicators of the system are, through the definition of a productive process and of other various processes needed to get those results. It will be necessary at this stage an internal audit and collection. If the process is entrusted to entities outside, the municipal administration will need guidelines on the approach and principles to act and collect data. It will be required a coordination between the office in charge of control and collection in local government and the office that deals with the same activities in the entity or company that provides the service. In this case the service has been entrusted to externally. They will be also identified quantitative and qualitative indicators to be collected in relation also to the programs and plans defined by the public administration. This phase is closely linked to the perception and the definition of the times of realization of service. In this step the definition of the service charter is necessary.
- 5) The transformation of inputs kicks off to define a business plan. In this step, if it is possible, will be standardized production processes defined through protocols and performance indicators attributed based on the inputs. At this stage the public authority will be monitored at all those parameters definable through any contracts for the service, and it will be able to intervene on the process of reporting before the end result, to replace or rebalance the input of the system. This could be possible only after a definition of intermediate indicators.
- 6) The public administration have to check and monitor and measure processes and product regard policies, objectives and requirements for the product and finally it has to report the results. In this phase it is necessary to combine the different tools of reporting using the approach of planning and management. Each program, service, project will be analyse in accountability, financial and ledger aspect. The results are a new form of popular integrated report that must show all the results of ordinary and extraordinary administration. For the big public authorities, it could be a tool difficult to apply because it is very complicated to analyse the services and resources with a direct and indirect management.

Normally the public authority analyses the results and the aims but each manager takes care of its own without an exchange of information amongst sectors. The method of data representation must be clear and ensure transparency to citizenship considering the average level of knowledge and reading skills of the population.

- 7) The analysis of results allows to the public authority to take actions to improve process performance. In particular, study and report index allows to the public to redefine processes based on the output of the service that can change from year to year based on the expectations and financial programs implemented. The new performance plan becomes the tool for the different managers to control and redefine the system and the record of data.

In this step, the new performance plan is the point of start for the budget and the financial plan of the New Year (or the new period). In the case of an extraordinary project, the result could be a base for a new elaboration of project. These factors range widely from an organization culture, learning capacity, empowerment of its employees, training, rewards, punishment and feedback systems, use of performance information, to the role of its funders or other stakeholders, strategic planning and decision-making process, leadership, collaboration, performance–trust link, and so on.

Figure 2: Process of drafting popular consolidated report



Source: Original graphic produced by the authors

7. Conclusion and Advances

The popular report is an accounting tool that has potential for development and implementation. The legitimating of public company as a group, in a social environment between complex dealing of stakeholders, has involved directly or indirectly in the business activities. This kind of legitimating is formed by the ability to contribute to strengthen relations. The company's provision is gauged on the capability to spread value. The main meaning is not only in consolidated economic and financial terms, but also in environmental, social, relational, which are induced. The popular report is the tool that shows the value product and widespread of public company: it links in a clear and transparent system, information and performance. Therefore, the popular report is a tool of reporting and communication through the forming and the arrangement of a public group that configures its social local and development responsibility. This is possible only if the popular report is integrated in a chart of systematic approach in the relationship between group and stakeholders. It meets requirements of transparency and communication accessible to citizens. It allows the true and fair view of the situation: consolidated financial economic and social development of local public groups.

The challenge is to identify the information to be included in the popular report, with a bigger view. Effectiveness of information for citizens should be accompanied with substantial contents according to the principles of accountability. On the base of the research, the representation and the information of the local public group, is composed of heterogeneous reality at the same time, public company, non-profit and for-profit companies, and significant in the interests of stakeholders. In this case it is important to find a way to develop a common method to collect and show different heterogeneous realities, which the public administrations have directly or indirectly managed. The popular consolidated report contains necessary information to explain balance sheet and consolidated financial statement, translate of data and performing results in a simple language, increasing also integrate information. In a consolidated public group, it does not exist another tool that contains at the same time the organization, policies, results and an analysis of the results necessary for programming. The rule of this particular tool is the same of an additional note and for the most aspects it could replace or integrate it. In the proposing approach to draft the popular consolidated report, it is important to realize all the steps and related documents from the beginning to the end because each document contains important information or policies that will be represented. In other terms, the popular consolidated report goes a real approach based on programming and control and give the base to increase the results of the services with regard to principles of transparency, fairness and consistency of rating criteria. This study would be a contribution to the discussion around the different reporting tools, and would stimulate the relationship between public authority and stakeholders in a transparency and comprehensibly vision of the results.

References

Reference to journal publications:

- Image and Brain: The Resolution of the Imagery Debate. Kosslyn, S. M. MIT Press, Cambridge, MA. 1994
- Are Citizens Significant Users of Government Financial Information?, Isabel Brusca and Vicente Montesinos, 1998 *Public Money & Management*, 26:4, 205-209
- Accrual accounting in the public sector: experiences from the central government in Sweden, Gert Paulsson, *Financial Accountability & Management*, 22(1), February 2006, 0267-4424
- Principi contabili e condizioni operative, Grossi G., Steccolini I., Azienda Pubblica 2008
- Effective Popular Financial Reports: The Citizen Perspective, Juita Elena Yusuf, Meagan M. Jordan, *Journal of government financial management* n.44 winter 2012
- Reporting corporate accountability through integrated reporting, C. Busco, L. Frigo, P. Quattrone, A. Riccaboni, August 2013 *Strategy finance*
- For the people: popular financial reporting. Practice of local government, Juita-elenayusuf, 2013 *Public Budgeting & finance*
- A template for integrated reporting, Indra Abeysekera, *Journal of intellectual capital* 14 (2), 227-245 2013
- Public Local Group: the influence of stakeholders in consolidated accounting process. Empirical Evidence in Italy, Paolo Pietro Biancone, Silvana Secinaro, Alessandra Indelicato, *International Journal of Management (IJM)* ISSN 0976-6502 (Print) ISSN 0976-6510 (Online) Volume 5, Issue 10, October (2014), pp. 115-121

- Public Local Group: The Financial Statement Effects of Adopting the International Public Sector Accounting Standards (The Case of Italy) Paolo Pietro Biancone, Silvana Secinaro, *International Business and Management* Vol. 10, No. 2, 2015, pp. 1-5 DOI:10.3968/6739
- Performance measurement and management in the public sector: some lessons from research evidenze, JieGao, National University of Singapore, Singapore, *public administration and development* Published online Dev.35, 65-72 (20152015) in Wiley Online Library DOI: 10.1002/pad.1716
- Integrated reporting: an opportunity for Australian's not for profit sector, Sarah Adams, April 2015 ISSN: 1035-6908; E-ISSN: 1835-2561; DOI: 10.1111/j.1835-2561.2011.00143.x John Wiley & son
- IPSAS or IFRS as the Framework for Public Sector Financial Reporting? New Zealand Preparers' Perspectives Fawzi Laswad, School of Accountancy, Massey University Nives Botica Redmayne, School of Accountancy, Massey University *Australian Accounting Review*, June 2015
- public administration and development *Public Admin. Dev.* 35, 86-96 (2015) Published online in Wiley Online Library (wileyonlinelibrary.com) DOI: 10.1002/pad.1704
- Public sector accounting: shifting concepts of accountability, Susan Newberry, 2015 *Public Money & Management*, 35:5, 371-376, DOI:10.1080/09540962.2015.1061180

Reference to a book:

- Popular Financial Reporting, P.P. Biancone, S. Secinaro, G. Giappichelli Editore, Torino 2015, ISBN/EAN 978-88-921-5010-2
- L'economia aziendale negli istituti pubblici territoriali, E. Borgonovi, Giuffrè 1973
- Semiology of graphics, Bertin J., University of Wisconsin Press 1983
- Pubblica amministrazione: prospettive aziendali di analisi e intervento, E. Borgonovi, Accademia Italiana di Economia Aziendale 1984 ISBN: 88-14-00156-1
- Introduzione all'economia delle amministrazioni pubbliche, E. Borgonovi, Giuffrè 1984 ISBN: 88-14-00033-6
- The role of information in a democracy and in government operations: the public chose methodology, James L. Chan and Marc A. Rubin
- Il Bilancio, Manuali di formazione e di consultazione professionale, F. Dezzani, P. Pisoni, L. Puddu Giuffrè Editore 1996 ISBN 88-14-05503-3
- Ovretveit J. La Qualità nel Servizio Sanitario. Edises Istituto Giano, 1996.
- Il Bilancio Consolidato IAS/IFRS, P. Pisoni, P.P. Biancone, D. Busso, M. Cisi, Giuffrè Editore 2007 ISBN 88-14-13726-9
- The quality certification and accreditation experience in the faculty of economics of the University of Turin, Marco Bechis, Paolo Pietro Biancone, Laura Tomatis Proceedings of the 11th Toulon-Verona, international Conference on Quality in Services Higher Education, Health Care, Local Government, Tourism, Banking University of Florence, Dipartimento di Scienze Aziendali 4-5 September 2008 - Firenze university press 2008
- Municipal corporatization in Germany and Italy, Grossi G., Reichard C. (2008), *Public Management Review*, vol 10, n. 5, pp. 597-617
- The public sector balance sheet, Jim O'Donoghue, *Economic & Labour Market Review*, Vol 3, No 7, July 2009
- European Commission Adoption of IPSAS to Reform Financial Reporting, G. Grossi, M. Soverchia, *ABACUS*, Vol. 47, No. 4, 2011 doi: 10.1111/j.1467-6281.2011.00353.x
- Sistemi manageriali di programmazione e controllo, Luigi Brusa, Milano, Giuffrè 2012 ISBN: 8-88-14173-56-1; 88--1-4-173-56-7
- Developing a government's balance sheet-does it improve performance?, Warren K., *Public Money & Management*, 2012, Vol. 32(1), pp. 9-14
- Il controllo di gestione nelle aziende sanitarie ai tempi dell'armonizzazione contabile, P. Ceruzzi, E. Sorano, IPSOA 2013 ISBN 978-88-217-4464-8
- Public Financial Management: Financial Reporting (IPSAS), *Public Financial Management: Financial Reporting (IPSAS)*, Centre for Financial and Management Studies, SOAS, University of London 2013, 2014
- Guidelines for graphical displays in financial reporting, Wan Ying Hill & Margaret Milner, *Accounting Education* ISSN: 0963-9284 (Print) 1468-4489 (Online) Journal homepage: <http://www.tandfonline.com/loi/raed20>
- Principi e sistemi aziendali per le amministrazioni pubbliche, E. Borgonovi, Egea 2015 ISBN: 88-238-2059-6

Reference to guidelines:

Governmental Accounting Standards Board (1992) Popular reporting: local government financial reports to the citizenry

Gfoa best Practice - gfoa executive board, February 2006

Reference to a web source:

Collection of information related to the potential impact, including costs, of implementing accrual accounting in the public sector and technical analysis of the suitability of individual IPSAS standards 2013/S 107-182395 www.pwxc.be

Dissertation of degree “The Quality System in the Program of Continuing Medical Education” Valerio Brescia https://wall.rettorato.unito.it/sia/studenti/intesi/Ricerca_tesi_libera/ricerca_tesi_dettaglio.asp?id_upload=53498&cdl_tesi=303&cdl=102&matricola=279472 DOI: 10.13140/RG.2.1.4892.1049

Dissertation of Master MIAS “The control of management in service -hospital emergency 118 Piedmont – ANPAS” Valerio Brescia, 2013 University of Turin DOI: 10.13140/RG.2.1.1582.5367

Reference to law and decrees:

Law 273 of 11 July “Misure urgenti per la semplificazione dei procedimenti amministrativi e per il miglioramento dell’efficienza delle pubbliche amministrazioni” (G.U. 11/07/1995)

D. Lgs. 118/2011 Disposizioni in materia di armonizzazione dei sistemi contabili e degli schemi di bilancio delle Regioni, degli enti locali e dei loro organismi, a norma degli articoli 1 e 2 della legge 5 maggio 2009, n. 42. (11G0160) (GU n.172 Del 26-7-2011) Official Gazette of the Italian Republic

Legislative Decree no. 126/2014 Disposizioni integrative e correttive del decreto legislativo 23 giugno 2011, n. 118, recante disposizioni in materia di armonizzazione dei sistemi contabili e degli schemi di bilancio delle Regioni, degli enti locali e dei loro organismi, a norma degli articoli 1 e 2 della legge 5 maggio 2009, n. 42. (14G00138) (GU Serie Generale n.199 del 28-8-2014 - Suppl. Ordinario n. 73) Official Gazette of the Italian Republic

2013/23/EU directives, Council Directive 2013/23/EU of 13 May 2013 adapting certain directives in the field of financial services, by reason of the accession of the Republic of Croatia

Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

Reference of figures:

Figure 1: Continuous cycle of Deming, Dissertation of degree “The Quality System in the Program of Continuing Medical Education” Valerio Brescia https://wall.rettorato.unito.it/sia/studenti/intesi/Ricerca_tesi_libera/ricerca_tesi_dettaglio.asp?id_upload=53498&cdl_tesi=303&cdl=102&matricola=279472 DOI: 10.13140/RG.2.1.4892.1049.

Figure 2: Process of drafting popular consolidated report, Original graphic produced by the author.

Financial statements (or financial reports) are formal records of the financial activities and position of a business, person, or other entity. Relevant financial information is presented in a structured manner and in a form which is easy to understand. They typically include four basic financial statements accompanied by a management discussion and analysis: A balance sheet or statement of financial position, reports on a company's assets, liabilities, and owners equity at a given point in time. Financial statements (or financial reports) are formal records of the financial activities and position of a business, person, or other entity. Consolidated financial statements are defined as "Financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent (company) and its subsidiaries are presented as those of a single economic entity", according to International Accounting Standard 27 "Consolidated and separate financial statements", and International Financial Reporting Standard 10 "Consolidated financial statements". [4][5]. Government. See also: Fund accounting. Move to electronic statements. Financial statements have been created on paper for hundreds of years. policies and reports. Keywords: gender accountability, popular financial reporting, political choices, priority gender. costs of a long-term policy of public spending reduction of in terms of exploitation and erosion of women's human capital. the different needs required in the transparency of the budget process in public policy. American International Journal of Contemporary Research Vol. 7, No. 3, September 2017. 93. Indeed, people ask themselves whether there is differences between the needs of men and women and if Popular. Financial Reporting is able to answer this need for differentiated transparency. 1.1 Frame of reference: Gender accountability and policy. A government's budget represents a statement of its priorities.