

Popular Financial Reporting: Differences between Italy and the USA and Canada Initiative

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Abstract

This paper analyses what types of information the citizen wants and from which communication tools and forms the citizen expects to receive information, looking for the best features in the comparison between Europe, America, and Canada. The comparison between states allows highlighting the most significant elements looking for possible and better future applications. The questions reply to the research perspectives highlighted in previous research activities on widespread financial reporting. The leading American Accounting Associations have identified the Popular Financial Reporting (PFR) as a tool of transparency and accountability, confirming the centrality of the citizen in the decision-making process linked to public spending. The comparison provides exciting results on the best PFR dissemination tools to be used. In particular, the priorities for the media and dissemination provided by the American sample and the Italian analysis highlight some similar elements that differ in priority according to local needs. The analysis highlights some possible improvements.

Keywords: Popular Financial Reporting; Italy; USA; accountability; transparency

1. Introduction

1.1 Introduction

Approach to New Public Governance (Klijn; 2008; Osborne, 2010; Osborne et al., 2013) has placed emphasis on the relationship between the stakeholders of reference and the 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 and 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; Vivian & Maroun, 2018) is a particular feature of the environment of local bodies; the evolution of the concept of citizenship sees him as a user and an active co-producer (Doh & Guay, 2006; Chess & Purcell, 1999; Bovaird, 2007) with decision-making power over the business choices made by the local administration. 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 promoting 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, and 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 about 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 government's financial activities (Clay, 2008). The Government Finance Officers Association (GFOA) too offers a different approach to the financial statement in generally accepted accounting principles (GAAP). The GAAP are a common set of accounting principles, standards and procedures used by companies to compile their financial statement. The GAAP are a combination of authoritative standards (set by policy board) and simply the commonly accepted ways of recording and reporting accounting information. Both the Conceptual Framework for General Purpose Financial Report (GPFR) by Public Sector Entities (2008) and The International Public Sector Accounting Standards Board (IPSASB) identify three major groups of potential users: recipients of services or their representatives, providers of resources or their representatives, other parties, including special interest groups and their representatives. The IPSASB particularly emphasizes that the legislature, which acts in the interests of members of the community, is a major user of Popular Financial Report. Thus, since 2010, according the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, the IPSAS identified citizens as primary users of Popular Financial Report. This paper analyses what types of information the citizen wants and from which communication tools and forms the citizen expects to receive information, looking for the best features in the comparison between Europe, America and Canada. The comparison between states allows to highlight the most significant elements looking for possible and better future applications. The questions reply to the research perspectives highlighted in previous research activities on the popular financial reporting (Yusuf et al., 2013).

The paper is articulated in a first part concerning accountability and transparency behind popular reporting. The methodology is then defined. The third part consists of a comparison between Italian experience and US and Canadian experiences, highlighting differences and similarities from a methodological point of view. The fourth chapter provides a summary and features that can be highlighted and the input of advances.

1.2 Accountability and transparency behind popular financial reporting

The capacity to increase the decision-making processes of public bodies, citizens and stakeholders requires the application of instruments that can collate and summarise the various information flows, thereby ensuring a real process of accountability. Performance assessment is one of the essential requisites for transparency and accountability in public service organisations (Reichard, 1998, Pollitt & Summa, 1997). However, transparency is a weak form of accountability. The concept of accountability changes over time and provides a framework for many other aspects of the relationship between public administrations and citizens (Steccolini, 2004). The definition of accountability is given by the need of someone to provide someone else with the reasons regarding conducted choices or actions, thus empowering decisions (Robert and Scapens, 1985, page 447). How and why they become the key reasons (Mulgan, 2000, Bovens, 2005).

Often, when there is only access to information, an institution is transparent but not accountable. Accountability includes the ability to impose penalties or to compensate. The intermediate category refers to the ability to ask for explanations, which is an area of overlapping between transparency and accountability (Fox, 2007). Citizens are often the providers of services in public bodies, as they unconsciously define the required quality and quantity (Brusca & Montesinos, 2006; Brescia, 2019).

Providing transparent information to guarantee a choice is a non-negotiable element when defining public spending, including the taxes and duties that the public body will levy (Fox, 2007; Pina, Torres, & Acerete, 2007; Pina, Torres & Royo, 2010; Piotrowski & Van Ryzin, 2007). The ability to ask for information and the type of data that can be consulted are therefore areas for analysis. Furthermore, the literature has always highlighted the fact that companies are part of a dynamic environment, which requires them to evolve, anticipating environmental changes and, to a certain extent, trying to influence them (Joskow, 1974; Roome, 1992; Oliver & Holzinger, 2008). The above-mentioned elements have contributed to a new approach to decision-making and reporting, rooted in the active involvement of civil society and with a multi-stakeholder perspective (Moon, 2004; Chen & Delmas, 2011). In concrete terms, it is corroborated by the considerable spread of inclusive decision-making processes and social reporting (Adams, 2002; Deegan, 2002). Only a proper understanding of the received information can enable the receiving and the contextualisation of actual dynamics of participation through a responsible interpretation, uninfluenced by the prejudices of a culture of suspicion and mistrust in everything done in the exercise of public duty or, at least, using public resources. Several studies state that the revitalisation or the renewal of local democracy has four characteristics: improving participation in local elections; improving community leadership; reforming the internal management of local authorities, mostly following private sector guidelines and providing the public with opportunities to get involved in the decision-making processes of local authorities (Boston & Pallot, 1997; Burns et al., 1994). The relationship between choice and the response of the same players leads to new forms of market of democracy in local administrations. New mechanisms have been introduced to improve the participation of the public and the local affairs that concern them, to make local authorities more aware of the concerns of citizens and to increase the available choices (Boston e Pallot, 1997, Wallis & Dollery, 2001; Northcott et al., 2012). The involvement of the public and of public employees in choices becomes one of the key elements that can lead to a renewal of democracy where decision-makers and the main stakeholders are involved in the assessment system, in terms of its efficiency and effectiveness (Kelly & Swindell, 2002) but also in terms of social welfare (Biancone et al., 2017). In the mechanisms introduced to guarantee the new forms of democracy, it is essential to look at the issue of transparency and the use of information. Transparency is the ability to provide credible policies, free from conflicts of interest, open information and the sharing of financial reports, freedom of information and the participation of citizens in the formulation and implementation of public policies, so that state-run enterprises become accountable (Turnpenny et al., 2009). Transparency, therefore, concerns facility of access and use of government and non-profit information. The easier and more open it is for the public to obtain information, the greater the level of transparency. The situation in reality is however very complex. If citizens have difficulty in analysing the economic and financial results provided by the financial statements or the annual reports (Jones et al., 1985; Daniels and Daniels, 1991; Steccolini, 2004), then it is necessary to identify alternative means of disclosure to be provided to the stakeholders in the municipality (Olson et al., 1998; Martin and Kloot, 2001; Burby, 2003; Steccolini, 2004; Biancone et al., 2016). Moreover, it is necessary to consider the municipality as well as other public companies, not only as a common body but as a hybrid organization composed of private sectors, public sectors, third sectors with complicated intertwining of properties, agreements and components aimed at realizing the services (Secinaro et al., 2019; 2019a, Biancone, 2010). Hybrid organizations are strictly influenced by demand. According to Mulgan

(2000) the key to accountability is provided in the relationship between public offices and citizens and not in the assessment of offices by politicians and bureaucrats. The introduction of information and communication technologies (ICT) systems has further contributed to change the methods of communication between citizens and public administrations, while offering the possibility of activating new tools for democratic participation (Montanari et al., 2013; Pina et al., 2007; Bonson et al., 2012; Ebdon & Franlin, 2004; Babeiya and Masabo, 2017; Rainero & Brescia, 2018; Biancone et al; 2018; Biondi & Bracci, 2018; Manes-Rossi, 2019; Del Gesso, & Romagnoli, 2020). However, the adoption of new accountability tools does not guarantee the effective participation of the population in political life, although it represents an important step to rethink and reinvent the relationship between administration and citizens (King et al., 1998). Among the tools used by local authorities, the dialogue with the citizen, communicating the results of the management in a clear and accessible way also to those who do not have specific accounting training, can involve them directly in the decision-making processes, the Popular Report (Clay, 2008; Sharp et al., 1998; De Matteis et al., 2009; De Matteis, 2011; Biancone and Secinaro, 2015; Groff and Pitman, 2004). At the same time, the Popular Financial Report can play an important role in disseminating public information by making it available and educating the population about budgets and their ability to actually define a participatory budget (Franklin and Ebdon, 2007, 95).

2. Method

The integration of the theory developed through reality together with different currents of thought in conjugation with practical evidence is important to better define knowledge (Klein, 1989). Theory integration is an attempt to construct and reconstruct in order to explain the social and organizational world (Di Maggio, 1995; Weick, 1995). In particular the analysis highlights the characteristics of the Popular Financial Reporting studied and realized in Italy compared to the same instrument studied and produced in USA and Canada. The efficiency of the tool is linked to the type of information required by the citizen, format and means of dissemination, therefore the study deepens and analyses the aspects, trying to highlight the particularities and characteristics useful to increase the transparency of the public sector and municipalities (Yusuf et al., 2013). The studies on the City of Turin, the first and only one in Europe to date, underline that the Popular Financial Reporting is useful in defining the elements and characteristics of the instrument with respect to the US and Canada context. As reported by Moody's Public Sector Europe: "We expect this is to raise Turin's transparency standards, which should go hand in hand with a more efficient and responsible use of resources, a credit positive" (Zambon & Beltrachi, 2016). The Popular Financial Reporting of the City of Turin is particularly suitable for comparison with the U.S. context. as it is comparable to the average of American cities by number of inhabitants, complexity and size (Del Gesso & Romagnoli, 2020). Preliminary studies already conducted by Biancone et al. (2016) on the City of Turin are further analysed and expanded. The observable elements were compared with those found in the studies on popular financial reporting already widespread for several years in the Anglo-Saxon realities (Groff & Pitman, 2004; Yusuf & Jordan, 2012; Yusuf et al., 2013; Cohen & Karatzimas, 2015; et al., 2017; Biancone et al., 2019; Brescia, 2019; Sannino et al., 2019; Biondi & Bracci, 2018).

2.1 Accountability and transparency behind popular financial reporting

Groff and Pittman (2004) were the first to analyse in 2004 the spread of the popular report as a tool for the dissemination and transparency of public administrations, in accordance with the recommendations of the GFOA'a for using websites to access the government's budgets and financial reporting. The USA is the context of their analysis, in particular the 100 largest cities and the biggest states of USA by population of the census of the World Wide Web were analysed. Financial Reporting was not yet widespread but the

GFOA had already defined the guidelines for its implementation and dissemination, prompting a synthesis of the most significant aspects of the Comprehensive annual financial CAFRs. In particular, the CAFRs represents a comprehensive and detailed report of all the explanatory elements relating to revenue and public expenditure per service of each city, including quantitative and qualitative elements. Its length varies according to the analysis from 17 to 32 pages. It is also highlighted that, in order to better explain the elements contained in the CAFRs and for planning needs, the Budget disclosure is always published online with an average width of 25 pages. The study shows that only 53 % of both CAFRs and the Budget Disclosure are online, 35% only the Budget, 1% only the CAFR and 11% of the sample does not present any information. In 2004, the City of Turin presented the Budget in two pages and a summary and comparison scheme with the 12-page past. A CAFRs was not present but a Social Report made available online was produced by the City of Turin as well as others in Italy and Europe (Roberts, 1991; Rogate & Tarquini, 2004; Hinna, 2004; Marcuccio, Steccolini & Valotti, 2004; Marcuccio & Steccolini, 2005; Sancino, 2010; Bertocci, 2013; Verde, 2017) and it is composed by 95 pages. The elements presented in the CAFRs are similar to those identified in Social Reporting. Both can be configured as embryonic elements of sharing information to the citizen.

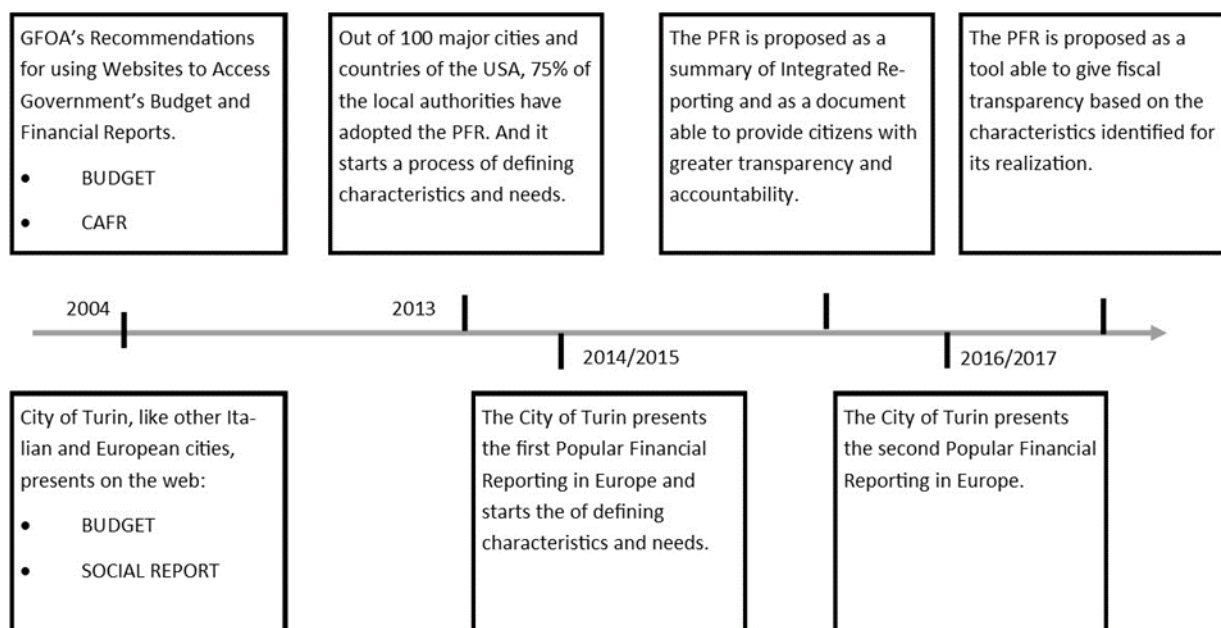


Figure 1. Timetable comparison between evolution PFRs in U.S.A. and in Italy

Both the American cities analysed and the City of Turin do not present cases of synthesis of the tools of social accountability. In both cases the budget is not part of the social statements (CAFRs and Social Report). In Italy, as in the USA and Canada there is no obligation to use social instruments even if there is a political push, due to the reform of New Public Management, to implement participatory tools. Already in 2012, without any obligation of drafting, the City of Turin is committed to the realization of the Consolidated Financial Statements to give better visibility to the value and financial information of the public group,

driven by the new requirements linked to the need of transparency in the new hybrid organization (Puddu et al., 2013). Between 2012 and 2013 Yusuf et al. analysed the essential characteristics and important elements that must be present in the Popular Financial Reporting in the U.S. and Canada context. The Popular Financial Reporting has spread throughout the territory, and even 75% of public bodies analysed in U.S.A. is using the tool. In Europe and more precisely in Italy it will be necessary to wait for the 2014/2015 financial year to have a first case of realization of the document, even with different characteristics from the U.S.A. and Canada that will be analysed. It is possible to analyse the average difference of the sample analysed in Italy (Biancone et al., 2016) and the sample in the American survey (Yusuf et al., 2013) according to average values (table 1).

Table 1. Comparison of characteristics and sample between City of Turin (Italy) and U.S.A. analysis

Variable	Mean City of Turin	U.S.A.
Population	756.014	602.704
Percent of population that is over age 65	29.98	11.6
Percent of population that is white	91.22 ¹	68.8
Nationality	96.59 (Italian) 3.14 (Foreigner)	Non-detected
Percent of population that graduated high school	60.73	82.4
Percent of population that is graduated college or more	36.30 (30.9 only high school)	30.00
Percent of population that own a home	not detected in survey 91.66% (84.01% on survey of Turin Residents) (ISTAT census 2011 ²)	60.7
Percent of population below poverty level	Not detected in survey 6.6% (3.1% on survey Turin Residents) (ISTAT Statistic Report 14th July 2016 on data 2015 ³)	13.4
Population density (per square mile)	4.311 ⁴	2.798

Source: Reworking of data Biancone et al., 2016; Yusuf et al., 2013 and ISTAT Italian statistical center elements

Both the analysed American sample and the Italian one predicts a significant percentage of the population

¹Annuario statistico tavola 7 Città di Torino anno 2015.

<http://www.comune.torino.it/statistica/osservatorio/annuario/2015/pdf/10CAP7-Servizisociali.pdf>

² http://dati-censimentopopolazione.istat.it/Index.aspx?DataSetCode=dica_alloggi

³ ISTAT. LA POVERTÀ IN ITALIA Anno 2015. 14 luglio 2016. <https://www.istat.it/it/prodotti/contenuti-interattivi/calcolatori/soglia-di-poverta> - <http://www.osservatoriocaritastorino.org/poverta-in-italia-nel-2015-dati-istat/>

⁴Rapporto Urbes 2015 ISTAT

https://www.google.it/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwiCx7ustYPdAhXB5oMKHZusDXcQFjAAegQIChAC&url=https%3A%2F%2Fwww.istat.it%2Fstorage%2Furbes2015%2Ftorino.pdf&usg=AOvVaw3wnTb48AFUIwMYTET_mbGM

over 65, most of the population is white, most of the population has a high school level. The density of the population, the percentage of people who own a house and the level below the poverty line vary. From the two carried out analyses it is possible to identify two interesting characteristics. Among the percentage of white population and the issue of Popular Financial Reporting in America there is a significant positive correlation ($p = 0.052$) (Yusuf et al., 2013). The American analysis does not reveal significant aspects between socio-economic factors and analysed results. In Turin a positive linear correlation is identified between the level of education and the reading capacity of Popular Financial Reporting ($p = 0.042$) (Biancone et al., 2017). It is interesting to note the difference in the effects of the PFR perception between the percentage of people who attended the college with the percentage of people who have attended the high school in U.S.A. compared to the Turin sample. Analysing the reports between the U.S. sample and the City of Turin is possible to observe that in Italy the Popular Financial Reporting was realized for the first time for the 2014/2015 financial year while in U.S.A. the sample highlights a high percentage of municipalities that have implemented the document for more than two years (89.47%). However, it should be noted that there are previous experiences relating to the implementation of Social Reports in Italy made in the same period in which the CAFR and then the PFRs spread in America. However, the City of Turin is progressive as well as other Italian and European cities in the definition and in the online publication of the Budget, the Budget Summary, the Annual Report and the Summarized Financial Statement due to national and inter-communal laws that led to the accounting harmonization between European countries (Herrmann & Thomas, 1995; Joos & Lang, 1994; Hoogendoorn, 1996; Haller, 2002). Both in the case of the Study of the City of Turin and according to the sample U.S.A. the most involved departments in the realization of the document are the financial and budgeting sectors. Reading the results starting from numerical data provides a greater possibility of identifying the relevance and the "big picture" of the situation. But in the City of Turin the main difference is in the involvement of the Department that deals with the Consolidated Financial Statements and the investee companies, since an overall view of the group is only possible if we also start from the Consolidated Financial Statements of the city. The other types of accounting documents are made and made available in both examined samples (Table 2). If in both samples there is an external audit body that certifies the result, in the City of Turin there is an external body (The University) that certify the information flow of data during the phases of defining the PFRs. The importance of the dissemination plan is reported in both surveys (Biancone et al., 2016; Yusuf et al., 2013), but only in the case of the City of Turin the Plan is an integral part of the PFRs as a commitment to dissemination and communication with the citizen.

Table 2 Comparison and characteristics between PFRs City of Turin and U.S.A. analysis

Features	City of Turin	U.S.A. sample
Department of Finance and Budgeting	X	X
Consolidated Financial Statements Department and subsidiaries	X	
Budget Presence	X	X
Presence of Financial Reporting	X	X
Presence of the Consolidated Financial Statements	X	
Certification of the result by an external rating company	X	X

Certification of the information flow during the period of defining the PFRs by an external body.	X
Presence of the dissemination plan within the PFRs	X

Source: own elaboration based on elements highlighted by Yusuf et al., 2013 and City of Turin case study
 Going to analyze and compare the means of diffusion between the two samples it is possible to identify interesting comparisons between the means of distribution and the percentage of responses received (Table 3).

Table 3 Comparison of means of diffusion expressed by the population between U.S.A. and Italian City

Distribution and availability	Percent of respondents (City of Turin)	Places foreseen by the dissemination plan	Percent of respondents (U.S.A. sample)
Published on city's website	70%	X	100%
Available in City Hall or other administrative building	33.28%	X	76.1%
Available in public libraries	29.19%	X	58.1%
Mailed to citizen upon request	21.13%	X	30.7 %
Mailed to selected recipients	not detected		23.1%
Printed in local newspaper	47.16%	X	23.1%
Mailed to citizens	not detected		20.1%
Printed in other city publication	not detected	X	15.3%
Distributed at selected events	not detected	X	15.3%
Distributed ad press release	not detected	X	12.2%
Official Social media (Facebook, twitter, youtube...)	62.69%	X	not detected
University press office	43.9%	X	Not detected
Postal Service Offices	15.59%	X	Not detected
Sending to professional orders and association	not detected	X	Not detected
Sending to employees of the public group	not detected	X	Not detected
Sending to employees of city hospitals and clinics	not detected	X	Not detected

Source: own elaboration based on elements highlighted by Biancone et al., 2016; Yusuf et al., 2013 and re-elaboration of data collected on the City of Turin

The questionnaire administered by the City of Turin has collected, thanks to an open question, also other possible means of communication of the PFRs. We see for example television (the PFRs of City of Turin and the main contents were transmitted during the regional newscasts), information meetings open to citizens, mobile applications, bus and metro stops, print delivered at home. From an initial analysis it is interesting to

note that the city's website and the presence in public buildings are the two most important mean defined by citizens in both contexts. Public media, local newspapers, newsletters and e-mails on request result from the common means of communication. The official channels remain the ones to be considered as the most suitable for sharing results by the citizens. The U.S.A context also notes the dissemination through e-mail to citizens and to specific recipients, which is not detected in the questionnaires in the Italian context and not provided in the dissemination plan. The official social media channels of the City (62.69%) and with the help of the University press office (43.9%), are considered as two facilitated channels for the dissemination in the context of the City of Turin according to the analysis, which is not detected neither from the dissemination plan nor in the responses detected in the US context. In addition, in the context of the City of Turin there are other important dissemination channels envisaged by the plan but not included in the statistical responses and some important suggestions that can be found in the open answers. The analysis carried out at the statistical level in U.S.A. about the reasons for adopting issuance of Popular Financial Reports (Yusuf et al., 2013) is confirmed by the intentions of the local administration of the City of Turin and the Assessor of the Balance Gianguido Passoni, promoter of the initiative pushed by the studies conducted by the Department of Management of the University of the Studies of Turin (Biancone & Secinaro, 2015; Biancone et al., 2016a). In both cases the need to guarantee access to information, increase transparency, increase information and access to citizen information, increase citizen participation and accountability are highlighted. Popular reporting provides citizens with accessibility to information that then improves government transparency. Surely the cultural political factor significantly affects the implementation of the PFRs, according to the analysis conducted by Yusuf et al. (2013), political culture is a determining factor ($P < 0.10$ level). In practice we see the non-realization of the document between an administration and another in the case study of the City of Turin that will see the realization of the Popular Financial Reporting two years later with the presentation of the Popular Financial Reporting 2016/2017. If Yusuf (2012), had identified the most significant criteria for the PFRs to be answered through a first focus group of citizens and a subsequent evaluation of effectiveness by 75 students, in the case of the City of Turin, the second result is based on the indications of a statistically significant percentage of the population (Biancone et al., 2016) on criteria related to the document useful to ensure transparency. Yusuf (2012) identifies and confirms the need for visual aids such as tables, figures and other references to the text, readable spaces and text sizes. The prototype wanted by citizens requires more information on the collection and use of taxes, expenses, economic prospects, including the perspective plan of the city, information on governance, summary of key projects in terms of commitment and use of capital, discussion and description of debt, cost of debt and interest, comparison with the previous year and future perspective, and where possible, a comparison with other cities. The students confirm the highlighted elements adding that the document should not be longer than 7 pages. A specific definition of the efficacy criteria of the PFRs is given. These criteria are largely confirmed by the structure and analysis carried out for the realization of the second European example of Popular Financial Report of the City of Turin for the year 2016/2017. The elements defined by Yusef et al. 2013 are repeated in table 4 to analyze any differences.

Table 4 Comparison between characteristics highlighted by Juta et al., 2013 and found in the City of Turin confirmed by the questionnaires

criteria	Yusuf et al. (2013)	City of Turin
<i>Provides Relevant Financial Information</i>	Provides timely information	The information is presented within six months of the approval of the financial statements. Quantitative and financial information shall provide for a progress

status of not less than six months following the year of approval of the financial statements where possible.

Provides information on revenues and major taxes

Provides information on revenues and major taxes

Provides information on expenditures and cost of government services

Provides information on expenditures and cost of government services

Provides information on cost and impact of “big ticket” capital project

Provides information on cost and impact of “big ticket” capital project

Provides information on amount, cost and affordability of debt

Provides information on amount, cost and affordability of debt

Focuses on government outcomes and performance

Focuses on government outcomes and performance

Adresses issues that are visible and tangible to citizens

Adresses issues that are visible and tangible to citizens

Contextualizes the data through trend analysis, per capita information, benchmarks and comparisons to other cities

Contextualizes the data through trend analysis, per capita information, benchmarks and comparisons to other cities, Use of different benchmanrets related to the perception and well-being of the population.

Made available in electronic format on government’s website

Made available in electronic format on government’s website

Accessibility and Comprehensible

Printed copy made available in public libraries and other government repositories

Printed copy made available in public libraries and other government repositories, Dissemination through an active participation project and dedicated platform as already adopted in Madrid and Barcelona to increase the participatory decision-making and spending process.

E-mailed or mailed to citizens upon request

E-mailed or mailed to citizens upon request

E-mailed or mailed to local business

E-mailed or mailed to local business

Includes definition and explanation of terms and cronyms

Includes definition and explanation of terms and cronyms

Avoids technical jargon

Avoids technical jargon

Written at newspaper reading level7

Written at newspaper reading level7

Visually appealing Design and Layout

Short leght

Medium leght

Includes table of contents

Includes table of contents

Uses white space

Uses white space

	Uses legible font size	Uses legible font size
	Uses tables and chart for financial information	Uses tables and chart for financial information
	Uses photographs and other graphics for non-financial information	Uses photographs and other graphics for non-financial information
<i>Community-oriented</i>	Addresses broader non-financial issues and concerns	Addresses broader non-financial issues and concerns
	Focuses on both current and long-term issues	Focuses on both current and long-term issues
	Provides city contact information and instructions for obtaining follow-up or more in-depht information	Provides city contact information and instructions for obtaining follow-up or more in-depht information
	Includes community information	Includes community information

Source: own elaboration based on what highlighted by Yusuf et al., 2013.

The definition of transparency is confirmed both in the American, Canadian and Italian context, with the exception of some significant elements. Although the theory requires immediate information without a redefinition and computerization of public bodies and municipalities, it is not possible to have information in real time and the realization of big data quality (Myeong & Choi, 2010; Criado & Carmen Ramilo, 2003; Yi & Yungui, 2013; Kitchin, 2014; Dobre & Xhafa, 2014; Biancone et al., 2018). The contextualisation of information through the benchmarks is only possible if values related to the perceived welfare of public services are also used. But these values are not intended to be used to define the amount of the expenditure (Biancone et al., 2017, 2017a). Rubin (2009) states that benchmarking and the performance evaluation in addition to providing information to the external stakeholders also provides administrators with useful tools to identify waste and corruption. But both positive and negative news provide citizens with useful elements to increase credibility and trust in public administration (Anderson & Piotrowski, 1994; Clay, 2008). The PFR in the U.S. context and Canada is used to summarize what was discussed in a discursive manner in the CAFRs with a reference to the less concise document (Groff & Pitman, 2004). This cannot be done in the Italian context where the scarcity of resources does not lead to the realization of another detailed social reporting document. In particular the length of the PFRs, often has the same dimensions as the previously realized Social Report, changing the structure and focusing the attention only on some information. It can be said, however, that the PFRs in the City of Turin was a natural evolution of the previous social reporting document, and this may refer to the need for an overview of the local public group driven by the New Public Management paradigm. Therefore, if in the Anglo-Saxon context should not exceed 7 pages, in the Italian context a more discursive form of the document is needed. Moreover, from the analyses conducted on the City of Turin, the population appreciates the type of graphs (76.73%) and tables (83.86%) and overall has a high clarity of the information provided (40.77) although it can be further improved (55.40%). No differences were found according the level of education. (Biancone et al., 2016). Cohen (2015) proposes the adoption of Integrated Reporting as a tool for representing the six-capital framework as defined by the IIRC (2013; 2014) guidelines of the public administration (de Villiers, Hsiao, & Maroun, 2017). It proposes the construction of Popular Reporting on the basis of basic information criteria and easy and understandable information for the citizen. In reality, this approach aimed at citizen satisfaction already includes the elements required for the implementation of Integrated Reporting. In particular, we can observe the presence of Integrated Reporting both in the Report of the City of Turin for the year 2014/2015 and for the 2016/2017

report as highlighted in table 5.

Table 5 Presence of Six-Capital Framework in the PFR2014 / 2015 and 2016/2017 of the City of Turin

Six-Capital Framework	PFRs City of Turin 2014/2015	PFRs City of Turin 2016/2017
Financial Capital	X	X
Manufactured Capital	X	X
Intellectual Capital	X	X
Social Capital	X	X
Human Capital	X	X
Natural Capital	X	X

Source: Own analysis on the presence analysis elements of IIRC guidelines 2013, 2014 on PFRs City of Turin et Sannino et al., 2019

Significant increases and improvements are possible on some aspects of the PRFs in the two documents examined by the City of Turin, such as the six capitals defined as an answer to each individual need identified with the provided service, but they are already present in an embryonic manner in the PFRs. If in the U.S.A. and Canadian context the brevity of the document is an essential element, in Italy the conducted analysis does not highlight this need by confirming the length of the document and the form. The realization of another report, different from the PFRs, is therefore useless, especially in a period of scarcity of available public resources. Precisely the increasing scarcity of resources as well as the perception of the population of inefficiency of municipalities and public bodies in America (Yusuf, 2013, American National Election Studies 2010a, American National Election Studies 2010b) as well as the decrease of people involved in elective activities in Italy (Cavallaro, Diamanti & Pregliasco, 2018) shift attention to the need to identify how resources are actually used. This has led to a greater attention to public management and to the use of resources according to political programs (Pérez et al., 2015), costs for providing services (Daniels and Daniels, 1991), future taxation aspects (Brusca and Montesinos, 2006), as well as financial condition (Brusca, 1997). The use of taxes therefore represents a focal point for transparency in the PFRs (Irvin and Strabury, 2014; Yusuf et al., 2013). If transparency is achieved through a discussion with timely, comprehensible and complete information (Kopits & Craig, 1998), then the PFR can be a useful tool for analysis. Jordan (2017) has identified 23 criteria useful to create transparent reports from the fiscal point of view the disclosure, starting from what established for the CAFR in U.S.A. and in Canada based on the criteria already defined by Yusuf et al. (2013) for the realization of the PFRs. These criteria, analysing the case study of the City of Turin, are present (Table 6) and useful to effectively analyse the fiscal aspect by providing a useful tool for both citizens and other stakeholders.

Table 6 Analysis of the presence of tax transparency elements in the City of Turin PFRs

Criteria of fiscal transparency	PFRs City of Turin 2016/2017
<i>ACCESS</i>	x
<i>Website availability</i>	x
<i>Annual distribution</i>	x
<i>Contact information</i>	x
<i>APPEARANCE</i>	x
<i>Charts and graphs</i>	x

<i>Font size</i>	x
<i>Non financial visuals</i>	x
<i>White space</i>	x
<i>COMPREHENSION</i>	x
<i>Report overview</i>	x
<i>Table of contents</i>	x
<i>Defined Financial terms</i>	x
<i>Explain acronyms</i>	x
<i>Active voice</i>	x
<i>10th grade reading level</i>	x
<i>FINANCIALS</i>	x
<i>Previous year comparisons</i>	x
<i>Cost of programs or services</i>	x
<i>Overview of financial condition</i>	x
<i>Revenue and expenditure analysis</i>	x
<i>Economic trends</i>	x
<i>Major taxes and revenues</i>	x
<i>Negative financial outcomes</i>	x
<i>COMMUNITY FOCUSED</i>	x
<i>Demographic information</i>	x
<i>Environmental impact on performance</i>	x
<i>Mission statement</i>	x

Source: own processing on PFRs City of Turin based on Jordan analysis 2017 on fiscal transparency and Biancone et al., 2019 and Manes-Rossi, 2019

Yusuf et al. (2013) had defined the use of taxes as an essential element according to the need of citizens. Biancone et al. (2016) analysed the main information needs of citizenship by identifying among the main themes the expenditure of municipality (62.10%), social services (49.93%), educational policies (46.99%), culture and tourism (49.79%). Suggestions about further topic, not included in the present Reports, included work policies, architectural barriers, policies in favour of victims of violence, polices for the new hires, names of sector managers and councils with financial capacity. According to the analysis, the Turin population confirms what has been previously highlighted, namely the need to know how the local administration uses the revenue. The questionnaire remains an excellent tool to address the information needs of the following year. A major analysis was made to consider the information priorities required by gender in order to better respond to needs and ensure a more comprehensive representation of reality (Biancone et al., 2017b). In the Italian PFRs, according to the programmatic and political plan and the management choices, future information is also represented not directly requested by the citizen during the collection of the requirements. A representative example is the information given on the sports sector and the financial situation linked to the candidature of Turin for the future Winter Olympics of 2026. This information guarantees transparency on the future choices made by the local administration and contributes

to the current information provided. The last important aspect is the integration of the communication system (Project Deciditorino <https://www.deciditorino.it/>) with citizens with the ability to provide real-time comments on both the PFRs and other municipal initiatives by providing real-time input with the administration that can affect the content and the need for transparency of the citizen. The same platform for Deciditorino and its effectiveness in terms of participatory and decisional increase and exchange of information has already been demonstrated in Madrid and Barcelona (Aragón et al., 2016; Alonso & Barbeito, 2016; Alonso et al., 2016; Candor et al., 2017; Gutierrez, 2017; Peña-López, 2017, 2018). The process of continuous exchange of input from the local administration to the citizen and vice versa, with the subsequent mapping of the needs is one of the essential requirements to better define the quantity and frequency of information that the parties need to cooperate (Dunleavy & Hood, 1994; Bäckstrand, 2003; Ebdon & Franklin, 2004; Falco & Kleinhans, 2018).

4. Conclusion and remarks

The main American Accounting Associations have identified the Popular Financial Reporting as a tool of transparency and accountability, confirming the centrality of the citizen in the decision-making process linked to public spending. In Europe, the IPSASBs confirms the centrality and role of the citizen. The Popular Financial Reporting realized for the first time in Italy in Turin, as defined by the American accounting principles, is well suited to national accounting principles. Popular Financial Reporting is able to respect the five elements identified by Bovens (2005) to guarantee real accountability. The budget-based social reporting tools used in 2004 in America and Canada (CAFR) and in Europe (Social Report) find a rapid transformation towards citizen centric instruments in the Anglo-Saxon countries, while they find resistance in the European ones with the realization of an only case in 2014 with the Popular Financial Reporting of the City of Turin (Italy). The European context, based on civil law criteria, finds resistance to the application of innovative reporting and participation tools awaiting specific laws and directives. However, the analysis identifies novelties in the implementation of Popular Financial Reporting in the European context. In particular, the document starts from a viewpoint of the Consolidated Financial Statements, providing a real vision of the public group and results, confirming the possibility of using the instrument as a Group decision-making tool. The information flow is certified by an external body and the dissemination plan is part of the document. The comparison of the statistical results and the correlations between PFR Americans and Canadians and PFR Italian shows evidence based on the needs and preferences of the population. Therefore, the criteria identified by Yusuf et al. (2013) are confirmed with some differences related to the socio-cultural context, which do not however influence the key characteristics of the document. The European case compared to the American and Canadian can introduce the six-capital respecting the framework provided by IIRC (2013; 2014) and proposed by Cohen (2015) for the implementation of the PFR. Information transparency is also declined in tax transparency through the PFR. The elements identified by Jordan (2017) for fiscal transparency are already fully applied in the European case, there is still no evidence with what was achieved in the Anglo-Saxon countries. The comparison provides interesting results on the best PFR dissemination tools to be used. In particular, the priorities for the media and dissemination provided by the American sample and the Italian analysis highlight some similar elements that differ in priority according to local needs. The analysis highlights some possible improvements and additions identified both in the dissemination plan and the different tools used in one or the other context. In Europe, the use of innovative means of communication and direct dialogue with the citizen can increase the content, dissemination and allocation of resources (Biancone et al., 2018). These elements are to be considered in future analyzes. Future research could analyze the actual impact on democracy and on the political choices of Popular Financial Reporting and the impact and effectiveness of new tools for direct

communication with the population.

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