

# ACCOUNTING INFORMATION AND ELECTRONIC PUBLIC SECTOR REPORTING

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**Abstract:**

*The paper studies the accounting information disclosed on the internet sites of public sector entities.*

*The research use an empirical approach to test impact of the quality of accounting information on e-financial reporting in public sector. The research use a quantitative methodology, based on surveys and author's observations. The methods chosen in this paper are reliable for this empirical study that tries to identify at a national level the problems that could improve the financial information disclosed by the public sector.*

**Key words:** *financial reporting, public sector information technology process*

**JEL Classification:** *M41*

## 1. Introduction

In recent years, important changes have occurred in governance, which has evolved in this time from hierarchical bureaucracy to participatory governance, where the role of citizens in public decision-making process is more direct. Romania, a young democracy reborn over the iron curtain of socialism, passed during the last decade through a reform of the public sector. Starting with the reform of the public management, both at central and at local level, the Romanian public sector has further passed through the public financial reform, especially through the law regarding the local public finances. Moreover, as regards the Romanian public accounting, accrual accounting (in accordance with International Public Sector Accounting Standards) was put into practice both at the local government and the central government levels starting in January 2006 (Tiron, Popa, Blidisel, 2009).

## LITERATURE REVIEW

One step toward a more evolved model of governance is linked to the new public management (NPM) model. The NPM postulates that the governmental entity is driven by a mission and operates strategically like a business unit, being conscious of cost efficiency. In this model, governance bureaucracies turn into strategic business units, competing with each other, and citizens become customers. The focus shifts from laws and regulatory conformity to the “rules of the marketplace”, that is, economy and efficiency; the accounting and the budget base are moved from cash to accrual basis. In this way, the financial function is reformed into one based on cost savings and incremental revenues. NPM also argues that privatization is the mechanism to establish efficiency, efficacy and quality in the delivery of public services, as Emanuel Savas asserts, “privatization is the New Public Management” (Savas, 2000, p 319). According to Cooper (2004) in NPM administrations are not ethically neutral from the electorate;

they have ethical obligations to the citizens and citizens should participate in management control and decisions.

Several studies show that there is a convergence in approach taken by different governments: the measures include budgetary reductions, deregulation, new technologies, new management methods, new tools and criteria for evaluation, decentralisation, devolution, flexibility in personal matters, service quality, customer orientation and privatisation (Pollit, 1993, Wollmann, 2003).

Thus performance evaluation has become a key element in the public sector reform of many countries.

Many other studies measured the internet disclosure index LPA using an item-based approach, following the models of Buzby (1975) and Cooke (1989) that were the first to have developed the concept of “disclosure index.” Many other authors that have used this kind of index in their research (e.g., Chavent et al., 2006; Popa, Blidisel, Farcane, 2008).

As in the studies by Hartung (1992) and Fisher et al. (2005), multivariable linear regression was used to test the association between dependent and independent variables. In this research paper will be testing the information related to public sector accounting disclosed by local public administration: the budget level of the local public administrations as an element of financial performance and other information, contact information, website, e-mail, information about LPA managers and departments; planned and approved budget, budgetary execution account, financial statements, internal audit report; public relation with citizens, public interest regulations and documents, e-tax, online participations at council meetings. There was assigned the value of “one” to every item disclosed on the LPA’s website and value “zero” otherwise.

## 2. Analysis & data processing

Starting from the factors that influence the financial reporting of public sector accounting in local public administration, we want to test the factors that affect the changes of these elements.

The research methods used are quantitative, based on content analysis. We used factors like economic conditions, social conditions, environment, administrative conditions, political condition as well as profesional influence in order to demonstrate the impact changes in public sector accounting. For this purpose we used the cluster analysis that illustrates the cummulative changes in public sector accounting financial reporting taking into account 41 public sector entities and ranking each of the variables from a scale of 0 to 1.

Moreover, the table 1 and 2 show the cluster analysys of the selected variables and the agglomeration schedule.

**Table 1. Case Processing Summary**

Case Processing Summary(a,b)

Cases					
Valid		Missing		Total	
N	Percent	N	Percent	N	Percent
41	100.0	0	.0	41	100.0

a Squared Euclidean Distance used

b Average Linkage (Between Groups)

**Table 2. Agglomeration Schedule**

Stage	Cluster Combined		Coefficients	Stage Cluster First Appears		Next Stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	38	41	.000	0	0	4
2	39	40	.000	0	0	3
3	4	39	.000	0	2	14
4	3	38	.000	0	1	12
5	36	37	.000	0	0	6
6	8	36	.000	0	5	15
7	27	35	.000	0	0	15
8	30	34	.000	0	0	12
9	32	33	.000	0	0	10
10	18	32	.000	0	9	34
11	28	31	.000	0	0	14
12	3	30	.000	4	8	16
13	26	29	.000	0	0	16
14	4	28	.000	3	11	21
15	8	27	.000	6	7	19
16	3	26	.000	12	13	27
17	14	25	.000	0	0	27
18	23	24	.000	0	0	19
19	8	23	.000	15	18	24
20	21	22	.000	0	0	21
21	4	21	.000	14	20	28
22	13	20	.000	0	0	28
23	17	19	.000	0	0	24
24	8	17	.000	19	23	26
25	15	16	.000	0	0	26
26	8	15	.000	24	25	30
27	3	14	.000	16	17	33
28	4	13	.000	21	22	31
29	11	12	.000	0	0	30
30	8	11	.000	26	29	32
31	4	10	.000	28	0	35
32	8	9	.000	30	0	35
33	3	6	.000	27	0	37
34	1	18	1.000	0	10	37
35	4	8	1.000	31	32	38
36	2	5	1.000	0	0	39
37	1	3	1.250	34	33	39
38	4	7	1.417	35	0	40
39	1	2	1.714	37	36	40
40	1	4	2.425	39	38	0

Dendrogram using Average Linkage (Between Groups)

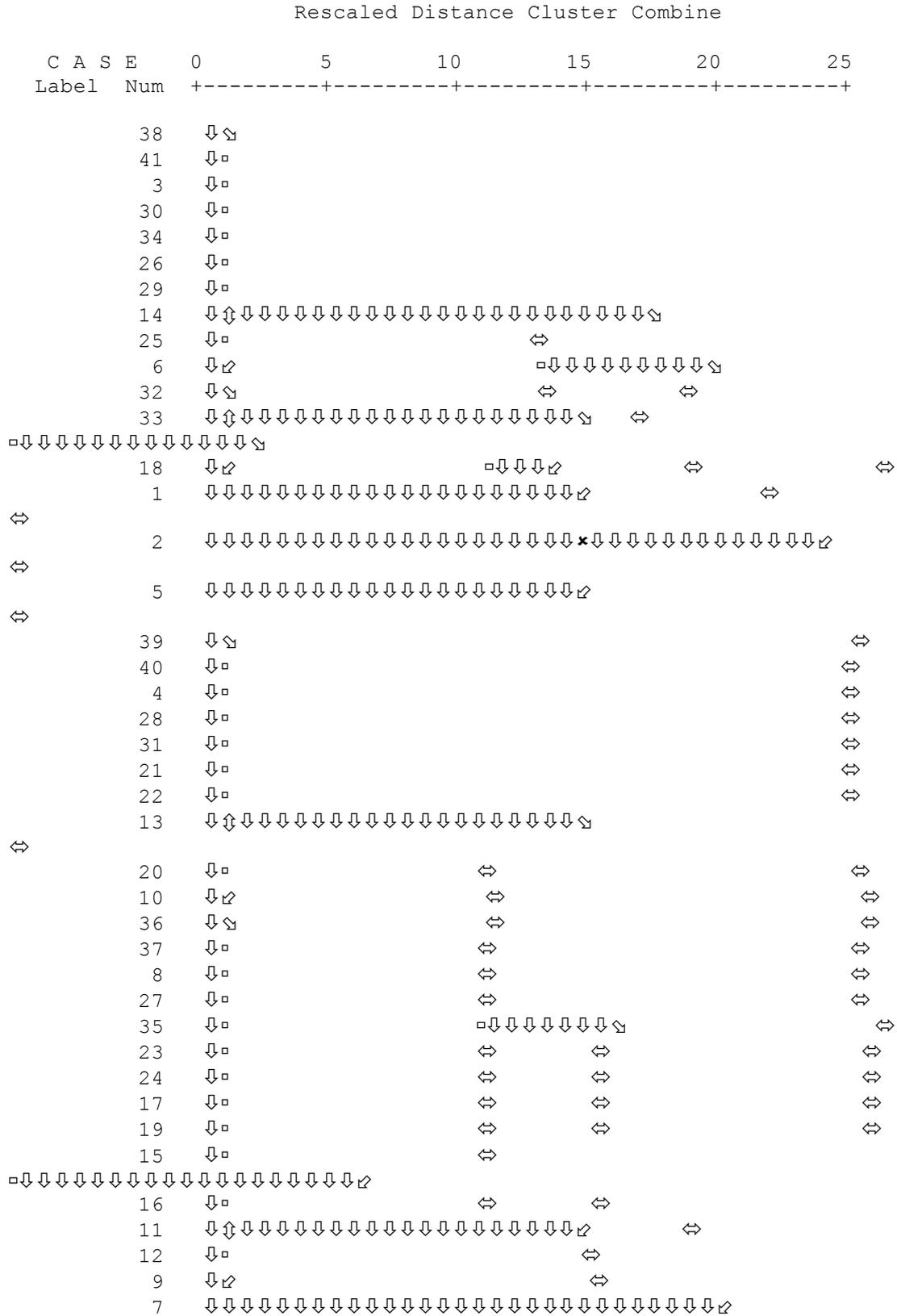


Figure 1. Dendrogram using Average Linkage (Between Groups)

### 3. Conclusions

The Romanian public sector is at the beginning of the implementation process of the “new public management” reform. The results of the movement from the cash-based accounting to the accrual-based accounting system should be reflected especially in the improvement of the decision-making process, serving the financial needs for performance appraisal. This information could be published on line in order to fulfill the utility of other external shareholders, especially the civil society.

The data processed in this research paper shows that the financial-accounting information disclosed by all the studied local public administrations could be classified in two clusters as regards the information related to electronically accounting information published.

The set of observations are subsets in clusters so that observations in the same cluster are similar in terms of dependent variables chosen. The paper concludes that there are formed two clusters between information related to the budget level of the local public administrations as an element of financial performance and other information, contact information, website, e-mail, information about LPA managers and departments; planned and approved budget, budgetary execution account, financial statements, internal audit report; public relation with citizens, public interest regulations and documents, e-tax, online participations at council meetings. The limits of the paper regards the small number of local public administrations taking into account.

*Acknowledgements:* This paper received financial support through the project, Post-Doctoral Studies in Economics: training program for elite researchers - SPODE" No. finance contract. POSDRU/89/1.5/S/61755, European Social Fund project funded by Human Resources Development Operational Programme 2007-2013

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