

Chapter 14

Local Authorities and the Disclosure of Financial Information via the Internet: The Portuguese Case

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ABSTRACT

In the context of New Public Management, Public Administration must be alert to the efficient management systems in order to rationalize the financial resources and disseminate transparent, accurate and consistent economic and financial information to further assess the performance of managers and organizations. The technological advances have influenced the way financial information is disseminated, including the use of the Internet, allowing it to be quickly accessed. This work is based on the assumptions of agency, public choice and signaling theories, and aims to assess the level of disclosure of financial information on the websites of local authorities in Portugal and to identify factors that may influence it. Given the results, not all local authorities disseminate all the financial information required by law on the websites. Among the factors tested, the size and political competition are the ones that seem to influence the level of disclosure of financial information on the websites.

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INTRODUCTION

In the context of New Public Management, Public Administration should both focus on the citizen's needs, which are increasingly demanding, and promote the transparency and efficiency of public management. In this way, it should provide the public bodies not only with effective and efficient management systems so that managers can rationalize the decision making process, aiming at improving the public services, but also with incentives for disseminating the economic and financial information, in a clear, rigorous and coherent way. This form of disclosure endows the different stakeholders with information that enables the assessment of the manager and organizations' performance. In the context of the New Public Management, the role played by the accountability of the manager and public organizations is very relevant. And, according to the Governmental Accounting Standards Board, GASB (1987), the financial report has an important role regarding the fulfillment of duty by the government, making it publicly responsible, in a democratic society where managers must be answerable to citizens in what concerns the use of resources.

The International Federation of Accountants, IFAC (1991), considers citizens as the main users of public entities' financial information. The authors understand that in the field of Public Administration, the financial report gains a greater importance, because, in addition to serving as a basis for the decision making, it also makes it possible to control legal obligations and management of public resources.

Through International Public Sector Accounting Standard (IPSAS) number 1 (IPSAS no. 1), IFAC defines that financial statements aim to provide information about an entity's financial position, financial performance and cash flows, which is useful to a great number of users in the decision making; give information about the way the resources were obtained and used, referring whether the value included in the local authority's budget, the legal or contractual provisions, the financial limits set are met and make entities responsible for the resources that were entrusted to them.

In Portugal, the Official Plan of Public Accounting (OPPA), approved by Decree Law No 232/97 of September 3, refers that the availability of accounting information proves to be essential to allow the analysis of public expenditure in compliance with the legal criteria, economy, efficiency and effectiveness and, on the other hand to reinforce the clearness and transparency in the management of public money and in the State's financial relationships. The Official Accounting Plan for the Local Authority (OAPLA), approved by Decree Law No. 54-A/99 of February 22, when referring to financial information, defines the documents to adopt by all the local authorities and settles that regarding these documents, the local authorities publicize, up to 30 days after appreciation and approval by the governing body.

In addition to the demands on useful information for the decision making *technology has changed the way public organizations relate to the public* (Rodríguez, Caba & López, 2007, p. 142). Recently there have been great advances in Information and Communication Technology that influence the way financial information is disseminated. These advances include the use of the Internet as a means of disseminating financial information, allowing it to spread more quickly. Considering this evolution, in Portugal, the Law of Local Finance enhanced the duty of publicizing financial information, compelling the local authorities to make the estimates documents and presentation of accounts of the current year and the two previous years available on their websites.

Given the context described, this paper intends to address the issue regarding the level of disclosure of financial information via the Internet and the factors that influence the local authorities in Portugal on this disclosure. The authors aim at achieving two objectives with this paper. On the one hand, they intend to assess the level of disclosure of financial information on the websites and consequently verify

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