

Is There a Demand for Extensive Financial Reporting on Local Government from the Most Important Stakeholders: Residents?

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Abstract The study aims to identify residents' perception of such aspects of public finances as transparency and credibility, in particular, their level of interest and needs regarding increasing the scope of financial reporting at the local level. The study was conducted in 2023 among residents of the 12 largest Polish cities, using the computer-assisted telephone interviews (CATI) technique on a sample of N = 400 residents of each city. A total of 4,800 respondents took part in the survey. The qualitative study was conducted using the focus group interview technique (FGI online). The research results indicate a noticeable lack of demand for information regarding local finances and a lack of trust in the transparency and honesty of public funds management. Bearing in mind that residents rely on economic experts and financial analysts as sources of information with the highest credibility, a large field opens up for experts such as independent auditors.

Keywords: • local government units • transparency • credibility • financial reporting • local budget

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1 Introduction

Transparency has become a universal and common norm of public management in the 21st century, which determines the need for decision-makers in the public sector to act with transparency towards citizens. In public management, transparency means enabling citizens to obtain information about the government's decisions and actions (Etzioni, 2010). It is not only a means to an end, but an end in itself (Birkinshaw, 2006; Krah & Mertens, 2023). In a sense, transparency promotes democratic participation, builds trust, prevents corruption, and enables informed decision-making (Cuillier & Piotrowski, 2009; Kim & Lee, 2019). Transparency is an end in itself because citizens have the right to know how and what the government is working on and what the results are. The transparency policy of governments and local governments is shaped by the cultural and historical environment, which includes social attitudes towards the nature of information, the level of stakeholder participation in the government and regulations regarding freedom of information (Brown & Cloke, 2004). Researchers also highlight the impact of transparency on improving operational efficiency and organizational performance. Hood (2006) and Cucciniello, Belle, Nasi, and Valott (2015) show that government transparency leads to improved financial efficiency and accountability, which is made possible by improved monitoring and evaluation of organizational activities by stakeholders. de Boer and Eshuis (2018) examine the relationship between government transparency and regulatory performance and conclude that transparency has a positive impact on government regulatory activities. For this reason, open government initiatives are increasingly being incorporated into government programs as a tool for administrative reform, promoting more transparent government, and increasing citizen engagement (Gil-Garcia, Pardo, & Gasco-Hernandez, 2020). It is emphasized that financial disclosure in the public sector contributes to achieving these goals by increasing citizens' confidence and shaping their approach to governments' financial decisions, such as reducing debt, increasing revenues and changing spending patterns. Moreover, citizens should be aware of the financial situation of their governments, as a government's budget difficulties can potentially lead to higher taxes, reduced benefits or a deterioration in the quality of public services. Bearing in mind the undoubted importance of transparency for the management process in the public sector, the article presents the results of research in this field conducted in Poland on a selected group of residents of the largest cities in order to achieve the set goal.

The aim of the article is to present the results of research on the question of how residents perceive aspects of public finances such as transparency and credibility in the context of sources of knowledge and financial information channels. In particular, the aim of the article is to determine the level of interest in the topic of local government finances among its residents, the preferred channels of

information about finances and to determine the needs of residents regarding increasing the scope of reporting on local finances.

A mixed methodology is used to empirically verify the stated goal derived from the presented research problem — both qualitative research and the results of quantitative research. Qualitative research was based on descriptive analysis, and quantitative research included surveys conducted in 2023 among residents of the 12 largest Polish cities. using the computer-assisted telephone interviews (CATI) technique on a sample of $N = 400$ residents of each city. A total of 4,800 respondents took part in the study, and in the next step, it was supported by in-depth interviews among a very specific study group.

2 The essence of transparency of public finances and their understandability and credibility

Among the factors influencing the socio-economic development of each country, the key element is the effective and efficient management of public resources. Recognizing the importance of this issue, the public sector has undergone numerous reforms in recent decades aimed at increasing the transparency and efficiency of providing a public accounting and financial reporting system, which is part of the ongoing economic and globalization processes (Nistor & Ștefănescu, 2012; André & García, 2014). Over the last twenty years, most OECD countries have adopted public accounting reforms and reporting systems consistent with the perspectives and principles of New Public Management. As part of the ongoing reforms, the primary goals were to improve the management of public services and increase the transparency and accountability of decision-makers at the government and local government levels for the actions taken (Caperchione, 2006; Chan & Chen, 2002). This approach to public management reforms was motivated, among other things, by a series of corporate failures and financial scandals occurring within companies, and these phenomena subsequently triggered demands for transparency and accountability of public and private financial systems all over the world, including the public sector (Opányi, 2016). Also during the public debt crises in the European Union in 2008–2010, the main problems observed in 2012 included the lack of transparency and accountability of governments for decisions resulting from poor public finance management and financial reporting, as well as the lack of external institutions responsible for the audit of financial statements published by the public sector in many countries (IFAC, 2012). The conducted research allows us to draw conclusions confirming that financial reporting improves credibility and increases the accuracy of spending public funds, thus contributing to the effective management of public resources (Caba-Perez, López-Hernández, & Ortiz-Rodríguez, 2009). An essential element is maintaining the transparency of public finances so that citizens, as den Boer (1998) very aptly defined it as “the ability to look clearly through the

windows of an institution”, through, for example, comprehensiveness, clarity, credibility, timeliness and adequacy of reporting public on the past, present and future state of public finances. Such action is crucial for effective fiscal management and fiscal responsibility and is a necessary condition for providing governments, as well as parliaments, with an accurate financial picture when making economic decisions. Fiscal transparency in each of its three dimensions is a necessary condition for a healthy economy. The timely publication of a clearly presented budget document makes it easier for the market to assess the government’s intentions and allows the market itself to impose constructive discipline on the government. Transparency increases the political risk of unsustainable policies, while its absence means that fiscal profligacy may go undetected for longer than would otherwise be the case. Similarly, it enables a transparent public financial accounting system to establish what the government has actually done and compare budgeted and actual financial operations. Fiscal transparency—including, among others: for example, open public procurement practices—not only facilitates the achievement of basic macroeconomic policy goals, but also increases the productivity of public spending. More generally, transparency, by increasing public trust in government, has a beneficial effect on society and the economy. It is worth emphasizing that Cucciniello, Porumbescu, and Grimmelikhuijsen (2017) divided the definitions of transparency into two categories focusing on the availability and form of providing information on the state of public finances, respectively. The former refers to the scope of information available, while the latter refers to the access of interested parties to information. Over the years, more and more articles have been published on the role of understandable and accessible information in the practice of public administration (e.g. Meijer, Curtin, & Hillebrandt, 2012; Pina, Torres, & Royo, 2007; Welch & Wong, 2001; Wirtz, Weyerer, & Rösch, 2019; Langella, Anessi-Pessina, Botica Redmayne, & Sicilia, 2021). Most studies have focused on the external dimension of transparency and on “external stakeholders (e.g., citizens) as the primary audience of government information” (Cucciniello et al., 2017). It is worth emphasizing, however, that the availability of information does not necessarily translate into the understandability of the disclosed information and its quality. Understandability refers to the simplicity and clarity of information (Drew & Nyerges, 2004; Grimmelikhuijsen & Meijer, 2014; Larsson, 1998) and is particularly important as a prerequisite for the ability to use the information presented (van Helden & Reichard, 2019), to the extent that it can be considered as the quality of transparency itself. In this last aspect, scientists have introduced a distinction between nominal and actual transparency (Heald, 2006). Nominal transparency refers to information that is available and accessible, while actual transparency requires that this information be understandable and reliable, and therefore able to be processed and used to draw correct conclusions by recipients. The studies whose results were quite widely presented in the literature focused mainly on the availability of government and local government financial information, in particular paying attention to the timeliness of information

publication, the use of e-government tools and the like (e.g. Ebdon & Franklin, 2004).

The issue of understandability and credibility is becoming increasingly important in relation to financial information regarding government and local government budgets, as most citizens lack specialized accounting knowledge and encounter difficulties in understanding and verifying the reliability of financial information presented by the public sector (Beattie, McInnes, & Fearnley, 2004; Ferry & Eckersley, 2015; Grossi & Soverchia, 2011; Hepworth, 2017; D. B. Jones, Scott, Kimbro, & Ingram, 1985; R. Jones & Pendlebury, 2004; Lapsley, 1992; Stanley, Jennings, & Mack, 2008; M. Yusuf, Teklehaimanot, & Rayment, 2013). The understandability of financial data is a multidimensional phenomenon that can be viewed as a component of the complexity of the content and presentation format (Kelton & Pennington, 2012; Marcus, Cooper, & Sweller, 1996; Porumbescu, Bellé, Cucciniello, & Nasi, 2017; Sweller, 1994). Data understandability concerns, on the one hand, the internal complexity of the transmitted information and, on the other hand, the language of the message. The latter has been defined as a sufficient condition for comprehensibility and refers to the way information is presented (Porumbescu et al., 2017). The literature on financial reporting addresses both of these aspects. The purpose of financial reporting, including that in the public sector, is to provide information necessary to “meet citizens’ needs in terms of transparency, accountability and public participation” (Yusuf & Jordan, 2015). Reports published by the public sector should be understandable to stakeholders of this sector who lack accounting and financial knowledge (Cohen & Karatzimas, 2015). For this purpose, conciseness (two to seven pages) is usually recommended (Stanley et al., 2008). Moreover, to be understandable, current financial reports should minimize content complexity by avoiding sophisticated industry jargon and providing definitions and explanations of technical terms (Manes-Rossi, 2019). Regarding the presentation format, it is recommended that financial reports refer not only to pure numerical data, but, where possible, the presented information should be visualized using drawings and graphics (Yusuf & Jordan, 2012). However, existing literature does not directly examine whether and how actual understanding is improved by using such solutions.

In terms of presentation format, the literature lists several advantages of providing graphical and visual representations. Levin (1981) provided evidence that illustrations facilitate learning and listed several functions (e.g., increased attractiveness of information, increased reader interest, repetition of information, concrete representation of information, integration of information, enhanced information processing, and information retention). Marcus et al. (1996) noted that graphic material “that highlights important information should reduce unnecessary cognitive effort and aid comprehension”. Graphical and visual representations typically require a limited number of cognitive transformations. In other words,

they present information in such a way that “the user does not have to store any data in working memory because the necessary data is always available on the display and can be easily retrieved” (Vekiri, 2002; Tait, Voepel-Lewis, Zikmund-Fisher, & Fagerlin, 2010). As a result, cognitive resources are available for additional processing and reasoning (Zhang & Norman, 1994). Moreover, graphical and visual representations contribute to the formation of mental images that support dynamic reasoning and problem solving (Larkin & Simon, 1987; Vekiri, 2002). They also increase the ability to retain information and facilitate the interaction of new knowledge with prior knowledge (Cook, 2006; Narayanan, Suwa, & Motoda, 1995). Additionally, they help the reader identify key message points and relationships between elements (Robinson & Kiewra, 1995; Winn, 1987; Yung & Paas, 2015). It is worth noting that graphical representations are particularly effective in various computational tasks because they simplify the search and extraction of information, including financial information, through “perceptual reasoning” (Larkin & Simon, 1987; Hollands & Spence, 1998). It is often assumed that there is a relationship between comprehensibility (both in terms of content complexity and presentation format conditions) and actual understanding, but it is not directly studied or explained, at least no direct references to this type of measurable research results have been found in the scientific literature. Referring to the very fact that the complexity of accounting research content is important for transparency (Ebdon, 2002; D. B. Jones et al., 1985; Kuang, Lee, & Qin, 2020; Nguyen & Kimura, 2020; Smith & Taffler, 1992; Stevens, Stevens, & Price, 1983) emphasized that complexity and the specificity of the language used in accounting makes accounting information incomprehensible to most users and therefore discourages the study of source financial statements. This literature has often explored how to improve non-expert understanding of financial documents. Technical financial vocabulary is certainly one of the factors that complicate understanding (Hartley, 2000; Torres & Roig, 2005). In this regard, Waldron (1994) found that the use of common words (that fit the reader’s vocabulary) and explanations of technical terms are helpful in making concepts more accessible to readers. At the same time, the educational literature emphasizes that good vocabulary knowledge helps with reading comprehension (Schmitt, Jiang, & Grab, 2011), and a glossary can overcome readers’ comprehension difficulties (Hsueh-Chao & Nation, 2000). These studies suggest that lower content complexity (hereafter referred to as “content clarification” to simplify sign interpretation) requires less mental effort to process the content.

Therefore, the research attempted to demonstrate what sources citizens use in terms of financial information presented by the public sector and what the willingness of citizens to listen to commentators and analysts instead of studying financial reports presented by the public sector themselves.

Fiscal transparency may also involve costs that must be incurred to strengthen it or implement it into your processes in the absence of it. To be able to present financial data in the right form, it is of course necessary to incur up-front expenditure to create the technical and institutional capabilities to create a centralized information system, develop reliable forecasting tools, implement appropriate accounting techniques and simplify regulatory practices or make their costs visible. Moreover, the costs of maintaining these practices and disseminating the resulting information are constant, although often decreasing. The costs of transforming a culture of secrecy into a culture of transparency may be at least as great. While institutional arrangements and accounting practices in the public sector must always be transparent to reap the known benefits, public disclosure of how government decisions are formulated may require some judgment. In some cases, overall policy objectives, including budgetary targets and the means to achieve them, are announced as soon as decisions are taken; the announcement may be followed by a debate and the initial objectives and measures may be revised in the light of that debate. However, alternative approaches may work just as well. For example, some political leaders may choose to informally announce policy goals and objectives in an attempt to test public opinion and generate the necessary consensus in order to carry them out or modify policy intentions.

Transparency carries risks where the resulting behavior of some groups may be detrimental to the general good or may undermine the effectiveness of a particular policy instrument. For example, in conducting monetary policy, authorities refrain from disclosing their intentions regarding future exchange rate or interest rate actions in order to maximize their effectiveness and minimize windfall gains for certain economic groups. In the fiscal area, the premature announcement of the introduction of a subsidy or tax incentive may also weaken the intended effect and cause unexpected profits for some agents and unnecessary budget costs. The announcement of, for example, a tax relief before its entry into force may encourage enterprises to postpone investment expenditures they would undertake without the tax relief. Symmetrically, announcing the repeal of an existing tax before the date of entry into force may result in an acceleration of capital accumulation that would have occurred in any event. Similarly, the announcement of future tariff cuts (increases) may result in postponement (acceleration) of imports before the date of entry into force of the regulation. The above considerations are to some extent comparable to the basic principles of transparency, namely the simultaneous disclosure and simultaneous access to information, including statistical information, in order to avoid unfair pursuit of windfall profits. These rules, of course, do not preclude administrative practices that limit access to confidential information to key decision-makers at the government and local government levels. Overall, in the pursuit of full transparency, it is important to take into account unforeseen events that may impact the public sector's decision-making and actions.

3 Reliability of data on the state of financial management of local governments as an element of strengthening social capital: solutions used in Poland

The openness of public finances is inextricably linked with democracy, giving residents access to information about the processes of managing public funds, and in fact to all data relating to the public sector. In Poland, along with the political changes of 1989–1990, the scope of financial transparency, including local finances, was introduced and expanded. Over the years, care has also been taken to ensure that the procedures for sharing information held by public authorities are relatively simple and citizen-friendly. More and more care was taken to ensure that financial information was provided in an understandable and complete manner. The achievements of international organizations regarding the standards of transparency of public finances provided assistance and guidance in this regard. Here we can point to the achievements of the Organization for Economic Co-operation and Development (OECD) in the field of best practices on budget transparency and the principle of good fiscal management, the achievements of the International Monetary Fund (IMF) including the Code of Budget Transparency and the achievements of the United Nations on the principles of fiscal transparency, participation and accountability.

The Polish Constitution guarantees citizens the right to obtain information about the activities of public authorities and persons performing public functions. This right includes access to documents, access to meetings of collegiate bodies of public authority elected by universal suffrage, and the possibility of sound or image recording. In turn, the Act on municipal self-government in the field of financial management of the municipality indicates the attribute of transparency along with the obligation of the executive body of the municipality (mayor) to announce the budget resolution and reports on its implementation in the manner provided for acts of local law and to inform the residents of the municipality about the assumptions of the draft budget, directions of social and economic policy and the use of budget funds. The above provisions are detailed in the Public Finance Act in Chapter 4, devoted to the openness and transparency of public finances, presenting a closed catalogue of forms of implementing the principle of financial transparency. The statutory principle of transparency is implemented, among others, by transparency of budget debates and debates on the report on budget implementation, making annual budgets and reports available, and making them public (e.g. making available a list of entities from outside the public finance sector to which a subsidy was granted from public funds, information on budget execution on a monthly basis), providing councilors with access to accounting records and inventory documents, reports on the implementation of the audit plan for the previous year, adopting, in an open and roll-call vote, resolutions of the

executive body of the local government unit regarding the management of public funds.

The method of providing residents with the so-called public information is regulated by the Act on Access to Public Information. In Polish local governments, information is made available:

- 1) by publishing public information, including official documents, in the Public Information Bulletin,
- 2) by displaying or hanging them in publicly accessible places, making them available on the data portal,
- 3) by way of access to the meetings of bodies, including audiovisual and ICT, documenting these meetings,
- 4) in other cases, at the request of the interested party.

In order to standardize financial data in the field of planning and reporting, the Minister of Finance determined, by way of a regulation:

- 1) detailed classification of income, expenses, revenues and expenditures as well as EU funds, taking into account the Polish Classification of Activities,
- 2) specific accounting rules,
- 3) charts of accounts for the budgets of local government units, budgetary units, local government budgetary establishments, state earmarked funds and state budgetary units based outside the borders of the Republic of Poland,
- 4) templates of report forms and the level of data detail.

The form of implementing the transparency of local government finances in Poland is the formula of presenting the budget in a task-based manner, i.e. recognizing public finance sector expenses according to categories, tasks to be implemented regardless of the number of entities that have part of the total amount, broken down into objectives and measures that are faced by specific institutions.

4 Research objectives

The research process resulted from the intention to verify the idea of the need for openness and transparency of public finance management in local governments, especially in local governments that are cities. Its direct aim was to verify the knowledge of local finances and local budget management among the inhabitants of the 12 largest Polish cities forming the Union of Polish Metropolises. So far, little research has been done on the perception of local finances in the context of the most important stakeholder: the residents of the local community.

In this context, the research questions were asked:

- 1) what sources of data on the financial management of local governments do residents use?

- 2) is there a problem with the reliability of data on the financial management of local governments?
- 3) what role do professional experts play in creating opinions about the state of financial management of municipal governments?
- 4) what additional information, studies and activities in the area of transparency of local finances are needed to strengthen social capital and increase local democracy?

The starting point for the research was the thesis regarding the need to increase the availability, transparency and reliability of data on the state and prospects of the financial management of municipal governments as an important element of strengthening social capital and increasing participatory democracy in a smart, sustainable city.

The aim of the study was to obtain knowledge about residents' perception of such aspects of local finances as transparency, credibility, scope and quality of the form of communicating about the city's finances. The first step to achieving the goal of the study was the conceptualization of issues and concepts to explain the topic. It involved determining the issues and definitions of key research issues. The specific objectives of the study were thus defined:

- 1) determining the level of interest in the topic of local government finances among its residents,
- 2) establishing information channels about local government finances,
- 3) determining residents' preferences in terms of reliable communication about the financial situation of local government,
- 4) determining the needs of residents regarding local finances.

The study was conducted on the basis of literature studies and a survey questionnaire. The method of a diagnostic survey conducted in 2023 was used. In terms of research methodology, a two-pronged approach was used, i.e. a combination of quantitative and qualitative methods. The quantitative method was used to provide data on the scale of occurrence of certain opinions and attitudes in society, while the qualitative method was intended to try to explain them. The use of both methods was intended to obtain comprehensive information about the state of knowledge and opinions of residents, as well as their motivations and information needs.

The quantitative study included a standardized questionnaire interview. The study, conducted at the turn of May and June 2023, was carried out by the Research Collective research agency using the computer-assisted telephone interview technique (CATI) on a sample of $N = 400$ residents of each city aged 18 and over. The sample was random and quota-based and representative in terms of gender and age. This approach allows the study results to be generalized to the entire population of a given city. A total of 4,800 respondents took part in the survey.

In the qualitative research module used to understand the mechanisms of residents’ behavior and obtain guidelines regarding communication needs, it was decided to profile the research sample. The authors of the study were guided by the belief that more aware and civically active people should be invited to a detailed conversation about local government finances. This made it possible to discuss more complex and less known topics in society. Following this assumption, the selection of respondents for the qualitative study took into account a medium or high level of civic activity determined by: participation in the last local government elections, voting in the local participatory budget, handling a matter at the local government office in the last year or active participation in consultations. social. The qualitative research was also conducted by the research agency Research Collective, carried out in June and July 2023 using the technique of focused group interviews: FGI online. A total of 24 group interviews were conducted. In each city, two interviews were carried out: one with a group of younger residents (25–34 years old) and one with older residents (50–59 years old). Each time, the number of FGI participants was 6 people, including 50% women and 50% men.

5 **Research results and discussion**

The research reveals a picture of residents who, although most of them are interested in this financial aspect of the functioning of their local governments, do it only occasionally. As can be seen from the data presented in Table 1 occasional interest was declared by 69% of city residents.

Table 1: Level of interest in local government finances in Poland

Question	Percent of answers
I am following information on this topic/I am looking for information on this topic myself	11
I am interested sporadically, randomly during various situations	69
I am not interested in this topic	20

Source: Authors’ own study based on the results of Research Collective research conducted in 2023 for the Union of Polish Metropolises, unpublished

It should be noted that only a narrow group of the local community is strongly interested in the state of the financial economy, as only 11% of residents actively follow or seek information regarding the city’s finances. On the other hand, 20% of respondents show no interest in the city's finances. Therefore, it can be assumed that this topic is not so important from the point of view of other current challenges.

Data presented in Table 2 indicate that for residents interested in local government finances, key sources of knowledge are both traditional media and portals and websites. Traditional media are at the forefront of indications, as the highest level of indications, 55%, is concerned with obtaining information from traditional media. Importantly and interestingly, digital media, i.e. internet portals, discussion forums, financial and information portals and official websites of local governments or their Public Information Bulletins, are almost equally popular, enjoying the interest of 45% and 43% of respondents, respectively (Table 2).

Table 2: Sources of knowledge about the finances of local government in Poland

Detailing	Percent of answers
Traditional media TV, radio, press	55
Internet portals discussion forums, financial portals, information portals	45
Official local government websites/official online Public Information Bulletins	43
Social media not related to local government: FB, Instagram, TikTok, etc.	18
Social media related to local government: FB, Instagram, TikTok, etc.	19
Family and friends	13

Source: Authors' own study based on the results of Research Collective research conducted in 2023 for the Union of Polish Metropolises, unpublished

It is worth noting that the use of traditional media is often passive—information reaches recipients without actively searching for it, while the use of online media requires involvement in searching for the necessary data. It is worth taking a closer look at the aspect of using social media to obtain information about local government finances. Research indicates that 19% of respondents obtain knowledge from those conducted by cities, and 18% use non-urban sources. Social media, as one of the communication channels, is gaining importance even as a source of data on local government finances, even though financial topics rarely appear directly in them. It is worth comparing these data with those which indicate that only 13% of respondents obtain information on this subject from family or friends. An important issue in this regard is the trust and credibility of the message.

Table 3: Credibility of people in transmitting information about the finances of local government in Poland

The credibility of the person participating in the transmission of financial information	Percent of answers
Journalist or economic commentator	22
Economic analyst	21
City Mayor	17
City Treasurer	14
Local government councilors	10

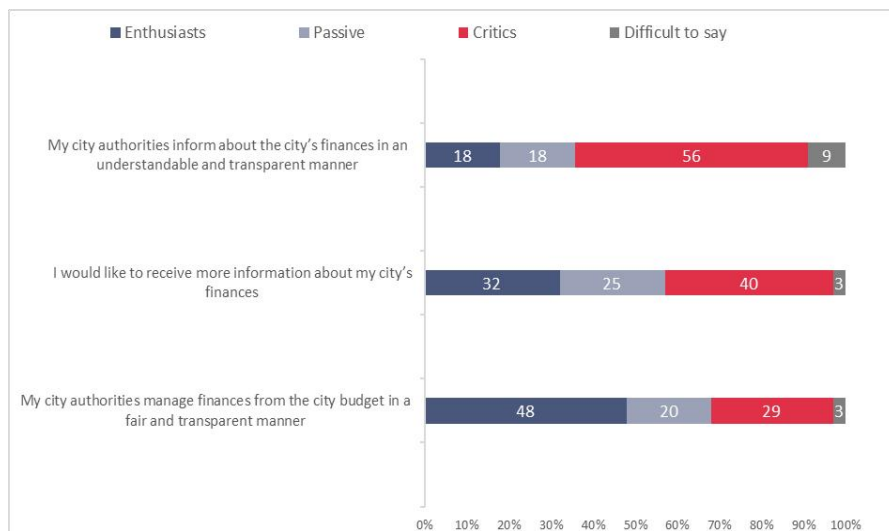
The credibility of the person participating in the transmission of financial information	Percent of answers
Voivode	4
I don't know/it's difficult to say	10

Source: Authors’ own study based on the results of Research Collective research conducted in 2023 for the Union of Polish Metropolises, unpublished

In the analysis of research results regarding the perception of the credibility of people involved in creating or commenting on information about the finances of local governments, presented in Table 3. we observe a distribution of preferences without a clearly dominant figure.

Residents count economic commentators, journalists and economic experts among the most reliable informants about local government finances: analysts, each of whom receives a rating of slightly above 20%. This result is several percentage points higher than, for example, the mayor of the city, who scores at 17%. Qualitative research indicates that the slightly lower level of credibility of, for example, a city mayor than an economic analyst or economic commentator results from concerns about the credibility of city presidents in the context of their political involvement.

The perception of transparency in the activities of local government authorities in financial management and budget policy is presented in Figure 1. The level of responses denying the transparency of local government activities is surprisingly high. 56% of people do not agree that the authorities’ actions are honest and transparent, and only 18% share this optimistic view and the same number of people (18%) do not agree with any of these opinions. This contrasts with the result of the study on the transparency and understandability of information provided by local government authorities about the city’s finances. The majority of respondents, i.e. 48%, approve of the quality of this communication, while 29% have a different opinion (Figure 1).

Figure 1: Information needs in the context of transparency and credibility of local finances in Poland

Source: Authors' own study based on the results of Research Collective research conducted in 2023 for the Union of Polish Metropolises, unpublished

A key study on residents' need to receive more information about local finances, e.g. by increasing the scope of local government financial reporting, shows that the majority of residents (68%) do not feel such a need. This means that at most 32% of residents would like to have more information about local government finances. In this case, the qualitative study shows that the key factor is the ease of access to this type of information, although relatively few residents have a need for active communication about the state of finances by local government authorities.

6 Conclusions and discussions

The issue of public finances, including local government finances, is a difficult, hermetic and definitely not popular topic in society. Appearing with great publicity in the public space, most often in a “sensational” aspect, rarely in substantive discourse showing the responsibility and everyday difficult choices accompanying local authorities — councilors, presidents, commune heads or mayors. At the same time, it is extremely important from the point of view of local government authorities, who are obliged to explain these decisions to citizens in an understandable way on a daily basis.

The research results indicate a noticeable lack of demand from stakeholders: residents for an increased scope of information regarding local finances, with a simultaneous lack of trust in the transparency and honesty of public funds management. Therefore, the research thesis regarding the need to increase the availability of data on the state and prospects of the financial management of local governments has not been fully confirmed. This confirms the duality of perception of the transparency of public finances indicated by Cucciniello et al. (2017). Residents do not notice the problem of lack of transparency in terms of the scope of available materials and information about finances. The problem lies in the understanding of the disclosed information by residents in the context of its simplicity.

The division of transparency into nominal and real transparency described by Heald (2006) is confirmed in practice. Residents appreciated the level of transparency of local finances, but in the first approach: nominal transparency, i.e. in terms of data availability. It is therefore not surprising that residents have an increasing need to obtain processed, simple information, i.e. listening to the opinion of a commentator or financial analyst, rather than studying financial reports presented by local governments themselves. This is due to the fact that stakeholders: residents are more in need of a person, an expert who, having professional credibility on their behalf, will evaluate the increasingly complex source materials and financial documents of the local government and communicate the state of the local government's finances in a simple, clear and responsible way.

Omitting the aspect of communication, translation and even education about complex public finances in management processes, especially in the era of rapidly spreading false information, will not bring social benefits. Understanding the level of knowledge of residents and their needs in this area will allow for good preparation of communication activities, the aim of which is nothing other than increasing the level of awareness and acceptance, which in turn have a direct impact on the level of social involvement and, consequently, also on the level of quality of life.

Previous research in this area has omitted an important aspect of the role of professional experts and analysts in supporting the main stakeholder: the resident in learning the content of documents regarding the state of local finances. The research results lead to the conclusion that broadly understood analysts have a key role to play here. Among them, in particular, external auditors (chartered auditors) and their opinions on the finances of the audited local governments should be mentioned. The literature on the subject indicates that the scope of independent audits in the public sector is too narrow. For example, research on Poland shows that the authorities of 100% of municipalities, 91% of poviats and 65% of cities

with powiat rights do not have their financial statements assessed by an independent auditor (Czekaj, 2023). A certain barrier to increasing the role of auditors is, on the one hand, the relatively high costs of the audit service and, on the other hand, the mode and specialized language of auditors. The text of reports on the audit of financial statements by an auditor is highly formal and hermetic, and the auditors themselves are not very communicative and not very visible to the public. In this respect, there is a large, non-obvious field of activity for auditors: both in communication with the media and in direct communication with residents via social media in order to increase the credibility of the message about local finances. Other actions are also advisable, such as the use of representatives of rating agencies to communicate simplified, synthetic expert assessments regarding the condition and financial prospects of a given local government in order to increase transparency and honesty in the field of local government finances. In the long run, the directions outlined above should serve to strengthen social capital and local democracy in the conditions of lack of demand from residents for additional financial data and the emerging problem of the credibility of the message.

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