

Municipal councillors' assessments of the usefulness of information generated by financial and budget statements

Użyteczność informacji generowanych przez sprawozdawczość finansową i budżetową w ocenie radnych gmin

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Abstract


Purpose: Entities from the public finance sector are required to function effectively. This translates significantly into the shape of public sector accounting. Achieving this goal requires relevant information, and the main sources of information about results are financial and budget statements, which are the basic products of accounting. This information is used by various users, including councillors, who are the decision-making and controlling body of communes. Therefore, the purpose of this study is to assess the usefulness of the information provided by financial and budget statements for management purposes from the point of view of councillors

Method/approach: The article uses the survey method. A questionnaire was emailed to 800 councillors of rural, urban and urban-rural municipalities. The survey was conducted in 2020, and 65 completed questionnaires were received.

Findings: The information provided by public sector accounting supports decision-making in municipalities. Both budget reports and financial reports are essential for management purposes. The annual report on the implementation of the budget is transparent for councillors, and the information contained therein allows for effective management of the finances of communes.

Originality/value: The article provides information about the usefulness of financial and budget statements to the management of the commune. It shows the viewpoint of one group of stakeholders – councillors.

Keywords: local government units, councillors, information, accounting, reporting.

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Streszczenie

Cel: Obecnie od podmiotów sektora finansów publicznych wymaga się funkcjonowania w sposób efektywny. Osiągnięcie tego celu wymaga dostarczenia odpowiednich informacji dla jego realizacji. Podstawowym źródłem informacji o osiągniętych wynikach są sprawozdania finansowe i budżetowe, będące podstawowymi produktami rachunkowości. Z informacji, korzystają różni użytkownicy, w tym radni, którzy są organem stanowiącym i kontrolnym gminy. Dlatego celem niniejszego opracowania jest ocena użyteczności informacji dostarczanej przez sprawozdawczość finansową i budżetową dla celów zarządzania z punktu widzenia radnych.

Metodyka/podejście badawcze: W artykule wykorzystano metodę badań sondażowych. Kwestionariusz ankietowy wysłano drogą mailową do 800 radnych gmin: wiejskich, miejskich, miejsko-wiejskich. Badanie przeprowadzono w roku 2020 i otrzymano 65 wypełnionych kwestionariuszy ankietowych.

Wyniki: Wyniki badań wskazują, że informacje dostarczane przez rachunkowość sektora publicznego pomagają w podejmowaniu decyzji w gminach. Sprawozdania zarówno budżetowe, jak i finansowe są istotne dla zarządzania. Roczne sprawozdanie z wykonania budżetu jest przejrzyste dla radnych, a informacje w nim zawarte pozwalają na efektywne zarządzanie finansami gmin.

Originalność/wartość: Artykuł zawiera informacje o przydatności sprawozdań finansowych i budżetowych do zarządzania gminą. Pokazuje punkt widzenia jednej grupy interesariuszy – radnych.

Słowa kluczowe: jednostki samorządu terytorialnego, radni, informacja, rachunkowość, sprawozdawczość.

Introduction

The primary function of accounting is to provide information. Accounting is commonly treated as an information system in which the processed financial information shows an organisation's activities and achievements (Nowak, 2015, p. 375). Masztalerz (2018, p. 14) states that accounting is a guardian of public trust, as the information it provides, thanks to its reliability and credibility, should lead to rational economic decisions. It is also essential that the accounting information system not only provide but also interpret information to verify the correctness of the actions taken in the organisation (Kowalczyk, Napieček, 2021, p. 17). It is the quality of the information provided by accounting that influences the rationality of the organisation, and this translates into its results. Also, in relation to the accounting of the public finance sector, we observe an emphasis on output controls (Hood, 1991, p. 4). It is one of the doctrines of New Public Management (NPM) that significantly influenced the evolution of accounting in the public finance sector. Accounting in the public finance sector should provide information that is useful not only for control, reporting and analysis, but also for management.

One of the users of the information provided by accounting are councillors, who are commune authorities. In accordance with the act on municipal self-government (Act of March 8, 1990, Article 18, point 1), their competencies include, among other things, adopting the commune's budget, considering the report on the implementation of the budget and considering the report on the state of the commune. This

means that councillors use the information generated by accounting, especially financial and budget statements, in their work.

The purpose of this study is to assess the usefulness of the information provided by financial and budget statements for management purposes from the point of view of councillors. Both financial and budgetary statements can be the basis for analysing the financial standing of the local government units (LGUs). According to Winiarska (2016a, p. 167), economic analysis should improve the rational spending of public resources.

Based on the viewpoints of councillors, the article provides information about the usefulness of financial and budget statements for managing a commune. It is important in implementing the doctrines of NPM.

The article uses a literature review and the survey method. The remainder of the paper is organised as follows. The first section presents a review of the literature on the role of councillors in local governments. The second section outlines New Public Management – and later, New Public Governance – as the theoretical background for the research. The third section presents issues connected with budget and financial reporting in LGUs. The fourth section presents the research question, while the fifth section outlines the research methods and the characteristics of the respondents. The sixth section presents the research results and the statistical analysis, while the following section presents the discussion. The last section includes the conclusion.

1. The role of councillors in communes

The decision-making and controlling body of the local government of communes in Poland is the commune council, which is chosen through democratic elections: free, universal, equal, direct and secret (Miszczyk et al., 2007, p. 25). The executive body, depending on the status of the commune, is the commune head, mayor or president (Podstawka, 2017, p. 196; Sztando, 2017, p. 43). Budget resolutions of municipal councils are the source of financial rights, and obligations constitute legal acts (Strzelecki, 2008, p. 247). It is the commune council that grants discharge; the basis for granting it is the year-round implementation of the budget by the executive bodies of the LGU (Pasieczny, 2008, p. 231).

The problem is that local councils are, first and foremost, political bodies. Formal decision-making is the responsibility of elected councillors, who are organised in a political party and operate in a multi-tiered polity (Housden, 2000, p. 10). Matyjek (2015, p. 15) believes that local governments are dominated by political systems, which means that clubs of councillors are established in most communes. The composition and activities of municipal councils are dominated by local instances of state parties or local parties – non-governmental organisations with strong political ambitions and even informal local structures (Kasiński, 2015, p. 162). Stewart (1990, p. 25) underscores that a councillor's position is achieved through political processes, whether or not the politics are of a geography-independent authority. This means that elected councillors are often not prepared to perform their functions.

Councillors in a commune decide on the direction of the commune's development and perform control functions for the executive body. They shape the conditions and formulate recommendations (through resolutions) for the executive, deciding on the reconstruction of the local government's economy and the provisions of local law (Wojciechowski, 2017, p. 319).

In 2013, Nogalski and Kozłowski conducted research in which they assumed that the executive structure of an LGU budget is incomprehensible to municipal councillors. They examined councillors from the communes of Warmia and Mazury – 7.8% of the population of councillors in the voivodeship. The research results show that, first of all, it is the membership of the 'right' political party or interest group that decides who will be elected to a legislative or executive body. Their research also indicated the insufficient knowledge of councillors regarding the mechanisms for shaping the income and expenditures of municipal self-government. Thus, the role of councillors is important for the proper functioning of local government. Councillors should be well prepared for their role and know the principles of financial management of the commune.

2. Theoretical background

Since the late 1970s, many central governments in the West have engaged in reforms to improve public-sector practices, often embracing NPM, with the main area of change involving radical adjustments to accounting systems. Consequently, there has been a significant and progressive move away from traditional, bureaucratic, public administration systems in favour of NPM-type accounting tools and ideas inspired by the private sector (Hyndman, Liguori 2015 p.48). NPM emphasises topics like accountability, the autonomy of managers and public organisations, efficiency, effectiveness, economy, value for money, output and market organisation, decentralisation, and performance measurement and management. Pollitt (2007, p. 110) argues that we can look at NPM from two sides. On the one hand, it is a general theory (or doctrine) that the public sector can be improved by importing business concepts, techniques and values. NPM ideas adopted in the field of accountancy include: the accruals basis of accounting, private sector-style financial statements, decentralised budgets (Hyndman, Liguori 2015 p. 25–28). On the other hand, it is a bundle of particular concepts and practices. The principal theory has been the dominant theory at the heart of public sector accountability research (Schillemans, Busuioc, 2014). Gnan et al. (2013, p. 122) and Stoker (2006) argue that, in local governments, the convergence of actions and trust among the different actors involved constitute pivotal conditions for creating public value in a networked governance context.

However, the NPM concept ignores the influence of politics on financing public organisations and the decisions they make. That is why the New Public Governance concept has emerged (Rudolf, 2011, p. 411).

'Governance' means involving a range of social actors in the process of making and implementing policy. Furthermore, this approach focuses on the public nature of public governance and attempts to pull it back from relying on efficiency as the dominant criterion for assessing the performance of the public sector (Peters, 2017, p. 611). In this governance model, a more effective method of problem-solving and development, especially at the local level, is seen. Further, it can be assumed that New Public Governance focuses on the issues of efficiency, equality, justice, participation, responsibility and security (Parysek, 2010, pp. 49–50).

The new governance role for local councillors (Hansen, 2001, p. 121) emphasises role dimensions other than those stressed by the NPM discourse and the concept of political leadership above. Concerns about political accountability, democratic governance, citizen engagement and the role and quality of the councillor are, as Copus (2008, p. 590) said, at the heart of the debate concerning the transformation of local political leadership. Thus, councillors should be well prepared to perform this function. They should know the principles and rules of how local self-government units operate.

3. Budget and financial statements in local government units

Accounting and, above all, reporting (financial statements and budget statements) are very extensive and complicated in the public sector. This is because, apart from financial statements, which must be prepared by entities in the commercial sector, public finance sector entities are obliged to prepare budget statements and reports on financial operations (Gorzałczyńska-Koczkodaj, 2018, p. 6). The reporting of LGUs concerns the processes for collecting and distributing public funds, and it should focus on external users, residents and internal users, i.e. the bodies and management of organisational units of local government and their employees (Jastrzębska, 2018, p. 68). The basic documents that provide information on financial management to the legislative bodies (commune councils) are budget statements and reports on inspections carried out by the audit committee of the commune council (Surówka, 2013, p. 54).

The budget of the LGU is prepared in compliance with the budget classification (Table 1), a uniform system of digits and names applied for providing a clear flow of budgetary resources within the budget execution system. It constitutes an essential tool that provides basic order in planning and budgetary records. It is also one of the tools for controlling financial discipline (Malinowska, Misiąg, 2002, p. 37). Budgetary classification focuses on expenditures incurred by an LGU. Analysing the reporting data presented in a traditional system using budgetary classification provides information only on expenditures incurred by a specific section, subsection or paragraph of a budgetary classification. Thus, it may be difficult to determine whether the expenditures incurred in a specific category proved beneficial and facilitated the execution of the aims (Lubińska et al., 2015, p. 181).

Table 1. Description of the budget classification

Criteria of division	Sections of classification	Description
Subjective division	parts	This approach results from dividing the state budget into budgetary parts (department classification). Classification by departments is applied only in terms of the state budget
Objective division	sections	Sections constitute the highest level of classification in local government units. The Polish Classification of Activities is the basis for creating sections
	sub-sections	The sub-sections are the previously mentioned sections but divided in much more detail. A classification of sub-sections can be created for a specific type of public finance sector unit that performs budget tasks or for a specified type of budget task. A section is labelled with a five-digit number; the first three digits constitute the number of the section
Division by type	paragraphs	Paragraphs constitute the lowest units of budget classification and its basic division. A paragraph includes all sources of income, revenue, and types of budget expenses. Paragraphs on incomes and revenues, and paragraphs on expenditures and expenses, are specified separately

Source: own elaboration based on Szczypa (2009, p. 147).

Budget statements consider only public finance units and are not subject to the act on accounting; the scope and deadlines are regulated by the Minister of Finance. The statements present the execution of the LGU's budget and the execution of the financial schedules of the organisational units of the public finance sector (Winiarska, 2016, p. 178).

The statements constitute the main (and most important) source of information on the process and execution of the LGU's budget and on their compliance with the binding law; at the same time, they are the main tools of financial management in LGUs. Moreover, they provide the basis for preparing the annual statement on the LGU's budget execution (Bakalarska, 2005, p. 10).

Another purpose of budget statements is to provide numerical data for analysis and economic planning. Information in the statements constitutes a significant source of reliable data to make comparisons in terms of levels of budget incomes and expenses within different periods and as a result of generating future budgets (Zysnarska, 2014, p. 182). The primary function of this report is to provide information and data necessary for the control and evaluation of the budget execution of the LGU. The report is based on data from the budget accounting register and appropriate parts of the budget statements (Adamek-Hyska, 2015, p. 208).

There have been many attempts over the years to introduce performance budgets in LGUs in Poland. However, despite this, they are prepared at the central level. Thus, LGUs may use them to supplement the obligatory traditional statement, prepared based on the budgetary classification.

Głębocka argues that the basis for assessing the correct operation of public sector units is the data included in the books of accounts, transformed into synthetic reports, such as budget and financial statements (2017, p. 64). In Poland, an LGU's financial statement consists of:

1. the balance sheet on the execution of the LGU's budget,
2. the aggregate balance sheet, including data from the balance sheets of local government budgetary units and budgetary establishments,
3. the aggregate profit and loss account, including data from profit and loss accounts of local government budgetary units and budgetary establishments,
4. the aggregate statement of changes to the unit's fund, including data from the statement of changes to the funds of local government budgetary units and budgetary establishments,
5. additional information to the financial statements (Winiarska, Kaczurak-Kozak, 2018, p. 360).

After the act on accounting was amended in 2001, LGUs had to prepare only balance sheets – individual, aggregate and consolidated ones. However, the amendments in 2006 expanded the financial statements by a profit and loss account and statement on changes to the fund at the unit level. However, LGUs prepared consolidated financial reports separately for budgetary units and budgetary establishments. The local government board prepared a consolidated balance sheet assuming that the LGU is the dominant unit. Another amendment to the act on public finance came in 2009, and along with the executive acts, it brought changes to LGUs' financial statements. At present, they prepare aggregate balance sheets, a profit and loss account and a statement of changes to the fund.

LGUs' financial statements were created on the example of financial statements prepared by commercial entities. As a result, in many cases, the nature of financial statements was not adapted to the nature of the public finance sector. According to the analysis of financial statements in Polish LGUs, despite significant changes to the structure of financial statements, cash flow statements are still not being prepared.

The information presented in a financial statement should be useful for its users in the public sector, including state and local government authorities and controlling bodies, financial institutions, potential investors and society (Zysnarska, 2010, p. 205). Financial statements constitute a basic source of information for research and evaluating the operations that take place in a unit, the results, and the general economic and financial standing. They are the basis for making economic decisions while managing a specific unit. They provide primary information on the unit's income, revenue flow and costs. They constitute a source of data that is necessary for making financial decisions, facilitating rational management of public finances and achieving the best outcomes (from the expenditures) (Winiarska, 2016, p. 110).

For many years, the public finance sector has been accused of being uneconomical, ineffective and too bureaucratic. Thus, the principles of NPM were eagerly accepted. In order to introduce NPM principles into LGUs, it was necessary to

introduce many changes to public finance sector accounting. One of the key changes was the introduction of memorial accounting, which contributed to greater transparency and understandability of the presented data. The consequences of this change could be observed particularly in LGUs' financial statements. At first, the financial statements were limited only to the balance sheet. However, with the introduction of memorial principles, the financial statements were extended by the profit and loss account and statement of changes in the unit's fund. In terms of budgetary statements, due to approaching some operations following the memorial principle, it is possible to present financial receivables and liabilities and non-cash operations in LGUs' budgets.

4. The research question

The information provided by accounting is aimed directly at measuring and managing the organisation's performance in terms of inherent management functions, which include planning, coordinating, organising, motivating and controlling (Czapla, Walińska, 2021, p. 21).

The usefulness of information results from its basic functions. Whether information is useful at a particular moment is influenced by many factors, so the relationship between information that is available and necessary should be determined (Śnieżek et al., 2021, p. 160; Gabrusewicz, Remlein 2005, p. 15; Kuzior, Rówińska-Král 2021).

In LGUs, the usefulness of the information provided by budget statements is important for management purposes, including the assessment of achievements. If statements are also to be a tool used in the management of LGUs, they should be prepared in accordance with the principles of conducting analysis in this area; these principles include objectivity, concentration, transparency, comprehensiveness, cooperation and quality maintenance. Moreover, reporting should enable the measurement of achievements. In the opinion of Dylewski, current budget statements show an increasingly visible discrepancy between the information needs of the local government and the state budget (2011, p. 145).

The problem, according to Berri et al. (2019, p. 248), is that local governments focus more on the presentation and collection of data than on its use. Moynihan and Kroll (2015) emphasise the challenges in performance management for government at the central and local levels. This tendency is relevant for local government systems that invest in collecting and reporting basic measures rather than using performance measures to influence service delivery.

Grossi and Steccolini (2014, p. 88) underscore that 'so far much of the effort in improving budgeting and reporting has been geared towards technical improvements, but stakeholder participation and involvement have often remained in the background. Accounting tools can play an important role in supporting collaboration and coordination among different partners and the participation of stakeholders/citizens in decision-making processes'.

Based on all of this, the research question that we pose is: *Does the financial and budget statement provide enough information for the management of local government units?*

5. Method

This is preliminary research – a pilot study – to verify that the survey is suitable to deliver the required information (Grzeszkiewicz-Radulska, 2012, p. 113). The method used was survey research, which is a very old observation technique often used in social research (Babbie, 2008, p. 277). As the commune websites rarely have councillors email addresses, purposive sampling (Babbie 2008, p. 212) was used. Almost 800 surveys were sent to councillors in local governments in Poland between April to May 2020. However, because of the low response rate, it was repeated in July 2020. Ultimately, 65 completed questionnaires were returned.

All of the questions in questionnaire were closed – ended; for three of them, a Likert scale was used (Babbie, 2008, p. 277). The V-Cramer measure was used to ascertain if there was any dependence between the councillors' answers and their term of office, age, or education. It also checked if there was any dependence between the respondents' answers and the size or type of commune from which they came. The respondents' general characteristics are included in Table 2.

Table 2. General characteristics of respondents

Term of office of the councillor (%)		Age in years/percentage share		Education (%)	
First	38.5	19–30	4.6	Primary education	0
Second	21.5	31–40	23.2	Emergence of the principle	1.5
Third	13.8	41–50	21.5	Secondary education	9.2
Fourth	26.2	51–60	27.7	Higher education	89.3
		61–70	21.5		
		71 years and more	1.5		

Source: author's own elaboration.

For 38.5% of respondents, it was their first term of office as councillors, and the second term for 21.5%. The age of the respondents was quite varied; the highest percentage – 27.7% – were 51–60 years old, and most – 89.3% – had higher education. The majority of the respondents – 81.5% – came from urban communes, 13.8% came from urban-rural communes and the rest – 4.6% – from rural communes. Most of the respondents – 83.1% – came from communes with more than 20,000 inhabitants; 9.2% came from communes with 10,001–20,000 inhabitants.

To answer the research question, the respondents were asked about budgetary accounting and its main products: budget and financial statements.

The first question asked if the information delivered by budgetary accounting was helpful for decision-making in the commune.

1. *Does the information currently provided by budgetary accounting facilitate decision-making in the commune?*

80% of respondents believed that the information delivered by budgetary accounting helps to make decisions. In the opinion of 9.2% of respondents, it is not helpful. The rest of the respondents – 10.8% – did not know. The results of Cramer's V measure (Table 3) show that there is only a weak correlation between the councillors' answers and their level of education.

Table 3. Cramer's V measure

Item	Cramer's V
<i>Term of office of the councillor</i>	0.191
<i>Age</i>	0.366
<i>Education</i>	0.276
<i>Type of commune</i>	0.186
<i>Size of the commune</i>	0.255

Source: author's own elaboration.

LGUs prepare two types of statements, financial and budgetary. The second question asked which one was more necessary for management.

2. *Which type of statement is more suitable for the management of communes?*

Table 4 shows the distribution of the answers. Most of the respondents – 57% – believed that financial statements are suitable to a large or very large extent for the management of communes. Meanwhile, 75.5% believed that budgetary statements are suitable to a large or very large extent for the management of communes.

Table 4. Distribution of answers to the question

Answer	Financial statements		Budgetary statements	
	Number of respondents	Frequency (%)	Number of respondents	Frequency (%)
Not at all	1	1.5	1	1.5
To a very small extent	2	3.0	1	1.5
To a small extent	10	15.4	3	4.6
To a moderate extent	15	23.1	11	16.9
To a large extent	30	46.2	30	46.2
To a very large extent	7	10.8	19	29.3
Total	65	100.00	65	100.00

Source: author's own elaboration.

The results of Cramer's V analysis (Table 5) show that there is only a weak correlation between the councillors' answers and their level of education.

Table 5. Cramer's V measure

Financial statements	Cramer's V
<i>Term of office of the councillor</i>	0.296
<i>Age</i>	0.237
<i>Education</i>	0.283
<i>Type of commune</i>	0.178
<i>Size of the commune</i>	0.438
Budgetary statements	
<i>Term of office of the councillor</i>	0.273
<i>Age</i>	0.313
<i>Education</i>	0.417
<i>Type of commune</i>	0.297
<i>Size of the commune</i>	0.444

Source: author's own elaboration.

The third question asked the extent to which they understood the content of the annual budget statement.

3. *To what extent is the information contained in the annual budgetary statement understandable and clear?*

The information included in annual budgetary statements (Table 6) is clear to a large or very large extent for 67.6% of respondents. Only 6.2% believed that the annual budgetary statement is not clear and understandable to them.

Table 6. Distribution of answers to the question

Answer	Number of respondents	Frequency (%)
Not at all	0	0.0
To a small extent	4	6.2
To a moderate extent	17	26.2
To a large extent	30	46.2
To a very large extent	14	21.4
Total	65	100.00

Source: author's own elaboration.

The results of Cramer's V measure (Table 7) indicate that there is no correlation between the respondents' answers and their term of office, age, or education. Also, the type and size of the commune are not correlated to the answers of respondents.

Table 7. Cramer's V measure

Item	Cramer's V
<i>Term of office of the councillor</i>	0.234
<i>Age</i>	0.277
<i>Education</i>	0.212
<i>Type of commune</i>	0.134
<i>Size of the commune</i>	0.232

Source: author's own elaboration.

The fourth question ascertains the role of the annual budgetary statement in the management of communes.

4. *To what extent is the information contained in the annual budgetary statement relevant to the management of communes?*

The results show that for 83% of respondents, the information contained in the annual budgetary statement is relevant for management to a large or very large extent. Only 4.7% of councillors believed that the information is relevant to a small extent (Table 8).

Table 8. Distribution of answers to the question

Answer	Number of respondents	Frequency (%)
Not at all	0	0.0
To a small extent	3	4.7
To a moderate extent	8	12.3
To a large extent	35	53.8
To a very large extent	19	29.2
Total	65	100.00

Source: author's own elaboration.

The results of Cramer's V measure (Table 9) show a weak correlation between the councillors' answers and their level of education.

Table 9. Cramer's V measure

Item	Cramer's V
<i>Term of office of the councillor</i>	0.258
<i>Age</i>	0.214
<i>Education</i>	0.420
<i>Type of commune</i>	0.098
<i>Size of the commune</i>	0.270

Source: author's own elaboration.

The last question was about budget classification and its role as a tool for ensuring transparency in showing income and expenditures.

5. *Does the budget classification clearly/understandably show budget income and expenditures?*

For 69.2% of the respondents (Table 10), budget classification is clear and understandable. However, for 29.3%, it is not understandable. The rest (1.5%) did not know.

Table 10. Distribution of answers to the question

Answer	Number of respondents	Frequency (%)
Yes	45	69.2
No	19	29.3
I don't know	1	1.5
Total	65	100.00

Source: author's own elaboration.

The results of Cramer's V measure (Table 11) indicate that there is no correlation between the respondents' answers and their term of office, age, or education. Also, the type and size of commune is not correlated to their answers.

Table 11. Cramer's V measure

Item	Cramer's V
<i>Term of office of the councillor</i>	0.175
<i>Age</i>	0.471
<i>Education</i>	0.200
<i>Type of commune</i>	0.050
<i>Size of the commune</i>	0.074

Source: author's own elaboration.

6. Discussion

Accounting for the public finance sector has evolved over the last decade or so. Among the reasons for these changes are the principles that New Public Management (and later, New Public Governance) introduced with varying degrees of success. Grossi and Steccolini (2014) underscored that accounting tools can play an important role in supporting collaboration and coordination among different partners, as well as the participation of stakeholders/citizens in decision-making. This research supports that thesis; 80% of survey respondents believed

that the information delivered by financial and budget statements helps them make decisions.

This is especially true when we look at public sector management as a focus on financial controls and savings with consequent efficiency savings (Miller, 2012, p. 8). One of the proposals of these 'public sector management philosophies' is the transparency that is created by measuring performance. The performance measurement may indicate where the organisation excels and where improvements are necessary (Verbeeten, 2008, p. 430). The measurement of results is possible thanks to reporting, which is extensive in public finance and consists of financial and budget reporting. This research shows that, for 57% of the respondents, financial statements are suitable to a large or very large extent for the management of communes. For 75% of respondents, budgetary statements are suitable to a large or very large extent for the management of communes. The research also indicates that the role of budget reporting is greater than financial reporting in the public sector. A similar relationship was shown in research conducted in 2018 among LGU employees (Kowalczyk, 2018). Why is that the case? It is because LGU budgets constitute the basis for their financial economy. According to the act on public finance, the public finance sector is governed by budgetary discipline. This principle states that the amount of planned expenses may not be exceeded, and doing so is subject to imprisonment. Budgetary statements are based on budget classification. It is also very important that budgetary statements in LGUs are much more developed than financial statements. It results from the nature of the public finance sector in which it is the budget that constitutes the basis for their financial economy. In most cases, LGUs ignore the importance of financial statements.

Improving public accountability is another central theme within public sector reform initiatives. Value-for-money reporting, information on how public aims are fulfilled, information about the quality of public services, performance data of regulated industries published by regulatory bodies and quality-of-life reporting are elements that provide greater transparency for the general public (Greiling, 2005, p. 554). Annual reports on the implementation of LGU budgets are the basis for discharge for the boards from the executive body. The information included in annual budgetary statements is clear and understandable to a large or very large extent for 67.6% of respondents.

There is also a need for local authorities to determine the effectiveness of performance management in local government as part of the broader modernisation agenda in terms of service efficiency and effectiveness (Adam et al., 2011, p. 320). Such information should be provided by reports on the budget implementation of LGUs. The research results show that for 83% of the respondents, the information contained in the annual budgetary statement is relevant for management to a large or very large extent.

The information contained in the annual budget implementation report should be clear and aggregated according to the budget structure and the budget classification applied to it (Zysnarska, 2010, p. 129). The budget classification plays a role in ordering LGUs' income and expenses, budget income and outlays. For 69.2%

of the respondents, the budget classification is clear and understandable, but for 29.2%, it is not. This is very important, given the role of budget classification in the public sector. On the one hand, the classification facilitates the introduction of a uniform reporting system. On the other hand, it impedes their analysis because of its complicated structure.

Conclusion

Summing up, the information provided by financial and budgeting statements in the public finance sector is useful for managing LGUs. It is also important that the majority of respondents find the information contained in both the financial and budgetary statements useful for management purposes. The quality and form of information contained in annual reports on budget implementation are also positively assessed by councillors. A positive factor for the research results is that 61.5% of the respondents were councillors who were not in their first term of office.

Comparing these results with those from a previous study carried out in 2013 (Nogalski, Kozłowski), it can be said that there is a favourable change. To a large extent, the changes introduced in public sector accounting – including reporting, which aims to put greater emphasis on presenting the results – could have contributed to this.

This paper makes an important contribution by highlighting the importance of reporting in the public sector as a management tool. The limitation of this research is that it is a small research sample, which is the nature of pilot research. However, the research itself shows that this is a very important area that requires further investigation.

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