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## Budget Transparency in Czech Local Government

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### Abstract

The paper evaluates budget transparency in Czech local government. The Disclosure requirements specified in the legislation are fragmented: not all existing budget documents must be published and noncompliance only leads to sanctions in some cases. Analysis and comparison of disclosure practice in the 22 Prague districts revealed that districts comply with the disclosure requirements stipulated in the Budgetary rules but often fail to comply with the requirements stipulated by the freedom of information legislation. The commitment to transparency in form of a policy statement has no impact on the overall evaluation of the districts but it is positively associated with compilation of narratives accompanying both the draft budget and draft year-end report. The size of the district plays only a limited role.

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### 1. Introduction

Budget transparency is perceived as a tool for effectiveness improvement, accountability enhancement (Heald, 2003) and increase of the probability that corrupt or wrong decision is detected (Bac, 2001, 88). It is usually defined as a full disclosure of all relevant fiscal information in a timely and systematic manner (OECD, 2003). The public urges for greater budget transparency, the amount of information publicly provided on the Internet grows and none of the above listed changes takes place.

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The objective of the paper is to evaluate budget transparency in Czech local government. It goes beyond the assessment of compliance with legal disclosure requirements. It defines a set of qualitative criteria for evaluation of the draft budget and draft year-end report. Based on these criteria the praxis in 22 Prague districts is analyzed and compared. There is also evaluated the impact of the politicians commitment to transparency.

The paper is structured as follows: first the relationship between information disclosure, its users and accountability is discussed, than the legally required budget publicity for Czech local governments is outlined. Next there are defined the evaluation criteria and the results of the evaluation is presented. Finally the conclusions are drawn.

## 2. Information disclosure and accountability

Government officials often think that they give clear information on the budget and budget management but are puzzled by citizens' responses (Rubin, 2000, 9). Full disclosure of all relevant fiscal information does not necessarily mean that citizens know if they are getting a good deal for their money (Rubin, 1996, 129). The pure availability of budget documents is thus accompanied by the requirement of their accessibility to the public (Ramkumar – Shapiro, 2011, 18) because “accountability does not happen by itself; budgets do not wade into crowds and draw around them circles of admiring readers” (Rubin, 2000, 9).

Transparency is a necessary but not sufficient condition for ensuring greater public accountability (Halachmi – Greiling, 2013, 566). Public accountability helps citizens to control those holding public office for their acts, decisions or expenditures and is thus extremely important from a democratic perspective (Bovens, 2007, 463). When we call for higher transparency, we call for efficiency increase, accountability enhancement or mismanagement prevention. And when we evaluate transparency, we scrutinize which documents or information is available, either freely on the Internet or on request (e.g. Open Budget Survey). The key question in this context is, if higher transparency, e.g. publication of budget documents, leads to better accountability of government officials by itself, or if there is needed a user of this information who takes an action.

Bovens (2007, 453) declares that transparency is only a prerequisite of accountability because it does not necessarily involve scrutiny by a specific forum, thus without users it cannot be fully exercised. This is in line with Rubin (1996, 114), who perceives the citizens interest in local government budgets as a key factor of accountability and a means of restoring the capacity to govern. Heald (2003, 754) sees the role of government in ensuring that all relevant information is available to all actors, but adds that transparency requires an audience with the capacity to understand and act (Heald, 2012, 39).

In contrary Jones and Pendlebury (2004, 321) claim, in case of audited local government accounts, that their publication is not addressed to external users, because accountability is achieved through the knowledge that financial accounts are produced through a transparent and clearly established procedure and independently audited and if there is need they can be scrutinized (Jones – Pendlebury, 2004, 318). Similarly Greiling – Spraul (2010) cite Pollitt, who observed that there are cases in which production of information is more important than its actual use by a user. In any case there is a strong consensus that regarding transparency it is important that *someone can* use the published information (Jones – Pendlebury, 2004, 317).

But what are the reasons for reluctance to provide information? Greiling – Spraul (2010) offer four theoretical explanations for this reluctance. While three of the theories, i.e., principal-agent theory, stewardship theory and the social exchange theory, support the opinion that the low provision of information is intentional and that the government or its officials try to hide some information, the critical accounting theory stress the inability to provide the information.

The inability to provide the information surely grows if we require that the information is not only available, e.g., on the Internet, but that it is presented in such a way that general public understands it or even that general public is interested in it (Rubin, 1996, 127-130). Unfortunately, the requirement of transparency being a two-way relationship (Heald, 2012, 45) when the amount, content and form of the published information results from constructive challenge imposed by the user on the government is only a wish. In reality it is too often hindered by the stewardship type of behavior of the governments, when officials believe that they provide precisely the right amount and quality of information and any further request treat as personal offence and put stop to a constructive and open dialogue (Greiling – Spraul, 2010).

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