

Accounting for trust in governmental reporting

Research Report

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List of abbreviations

ARAs Central Government Departements' Annual Reports and Accounts

EY Ernst & Young

FRC Financial Reporting Council

GFF Government Finance Function

IfG Institute for Government

IFS Institute for Fiscal Studies

IMF International Monetary Fund

NAO National Audit Office

OBR Office for Budget Responsibility

OECD Organisation for Economic Co-operation and Development

ONS Office for National Statistics

PACAC Public Administration and Constitutional Affairs Committee

PwC PricewaterhouseCoopers

SDP Single Departmental Plans

WGA Whole of Government Accounts

Executive summary

- The landscape of those who use governmental reporting has changed in the last decade: next to *non-expert, indirect stakeholders* (such as parliamentarians and citizens), a network of *expert intermediaries* has evolved. Those intermediaries directly scrutinize, interpret and communicate accounting information. Thus, their requirements regarding governmental reporting have become increasingly important and should be taken into account.
- All users consider governmental reporting to be a *source of data* and demand that *data accessibility* is improved. We recommend prioritising the work involved in meeting this demand in order to make headway in enhancing users' trust and engagement.
- We suggest *digitalization strategies* to organize the archiving of documents, improve the navigation of single documents and introduce new formats of reporting.
- Work on the *understandability* of data is important to engage primarily non-expert indirect users.
- Improvements can be achieved in cooperation with stakeholders; for example, digital tools that enhance the accessibility and understandability of data need to be *co-designed* with users.
- Risk disclosure in central governments' reporting is still an emerging and under-researched practice. To enhance this practice, we recommend: *clearly categorising and prioritising risks; enhancing standardisation, comparability and consistency of risk presentation across departments; providing links between departmental plans, KPIs and risks; linking risk to government-wide priorities; commenting on time horizons with respect to risk changes* and, finally, *conducting a thematic review on risk reporting*.
- Risk reporting has the potential to enhance user trust. However, a shift of departmental cultures towards a less instrumental and more dialogical understanding of risk communication is necessary to fully realise this potential.

Project purpose and background: Why investigate user trust?

This research project aims to explore how to enhance users' trust in UK Government reporting. HM Treasury has recognised trustworthy reporting as a pre-condition for successful decision-making by users, for maintaining the government's reputation and efficiently connecting with stakeholders (HM Treasury, 2019, p. 33). Thus, it has re-emphasized that it is a priority for the near future to achieve a better understanding of how to improve trust in reporting.

The accounting literature on trust has focused so far on various proxy indicators for *mistrust*, e.g., citizens' disengagement with governmental financial decision-making and consultations (e.g., Hansard Society, 2016) as well as the public's and parliamentarians' failure to interrogate accounting information (Haustein et al., 2019; Heald, 2003, 2012; Jorge et al., 2019; Likierman and Vass, 1984; Likierman and Creasey, 1985; Mayston, 1992; Rutherford, 1992; van Helden and Reichard, 2019).

The reasons for the disengagement on the side of users are considered to be limited time and a lack of expertise in working with numbers and understanding accounts. On the side of governments, the failure to prepare accounts in a relevant and easily understandable manner as well as the constant tilting of accounting narratives towards positive news have been discussed as impediments to user trust (e.g., PACAC, 2017). Thus, the issue of trust is clearly related to engagement with governmental financial statements (or the lack of it) and the user-friendliness of accounts.

At the same time, trust in public accounting has been discussed with relation to accountability and transparency (Greiling, 2014). Based on the principal-agent view of public organisations, it has been assumed that holding organisations to account is the central function of accounting. So-called *instrumental accountability* emphasises the publication of financial information with the aim of directly controlling, rewarding or punishing governmental officials; it is "accountability as transparency" (Roberts, 2009). Obviously, preparers of the accounts and accounting officers in departments and the Whole of Government work towards this important goal of producing and making public various documents that allow officials to be held accountable and thus – ideally – increase trust in them.

However, the most recent debates on trust, and particularly on trust in the public sector, suggest that there is another important dimension, namely *communication* of accounting information. As O'Neill (2017) highlighted, transparency which "is only a matter of putting content in the public domain" is not enough to generate and support trust because "all too often the content is not accessible, intelligible, or assessable to those with less time or

knowledge. *What we need is actual communication rather than transparency*". Thus, trust is related to how accounting information is made accessible, presented and explained to users. This understanding of trust and accountability was at the core of our research.

The interviews and consultations we conducted clearly confirmed that users consider departmental annual reports and accounts (ARAs), for example, to be not just an accountability medium but also a communication tool. On the one hand, the interest of various stakeholders in the way the country is governed and run has increased. Users *want* to understand where the money is targeted and why, and whether the target has been achieved, and if not, why. Thus, the information provided in accounting reports should enable users to verify these aspects; it should be relevant for this purpose. On the other hand, the reports in their current form do not seem to serve this goal well. They formally provide the necessary information ("put it in the public domain") but fail to communicate it. This discrepancy between the users' increasing demand for accounting information and how this information is actually reported (often in an inaccessible or non-understandable way) guided our research¹. To address this discrepancy, we took the users' perspective in order to clearly identify their needs.

Generally, the recent literature suggests that a practice of multiple accountabilities has evolved in the public sector (Rana and Hoque, 2020). There seems to be a controversy between *instrumental accountability*, or accounting for control and blame avoidance, and *relational response-ability* which is based on *dialogue* (Vosselman, 2016). This dialogical aspect of accounting has attracted attention in the literature (Brown, 2009; Godowski et al., 2020) and, as mentioned above, in governmental reviews of financial reporting, however, not to the extent that allows realisation of its potential as a trust-building instrument. On this note, our research is about "intelligent accountability" (Roberts, 2009) which is inclusive, contextualizing and reflexive. If we wish to create a democratic society in which the public trusts the government, then the government needs to trust the public and provide adequate and useful information (O'Neill, 2002) that allows stakeholders to ask questions and find answers to them.

¹ This discrepancy between the way in which accounting information is delivered and user needs has also been observed in the private sector. As described in the book "The End of Accounting" (Lev and Gu, 2016), it seems that accounting today does not provide the information required by its users.

Importantly, the Treasury has chosen risk reporting as a priority field in order to address users' concerns and enhance user trust (HM Treasury, 2019b, pp. 33 and 41). In particular, risk reporting is considered to be *"a part of the conversation"* with stakeholders, not just a one-way disclosure (PACAC, 2019). Furthermore, risk reporting has the potential to address one of the key impediments to trust, namely the skew of ARAs towards positive news and the tendency to avoid critical issues about departments. Here, again, O'Neill's idea that trust is twofold and that the government has to trust the public comes into play. The government trusts its stakeholders if it shows openness and even vulnerability. Otherwise, both parties end up with *"thin trust"* (Vosselman and Meer-Kooistra, 2009) based on the provision of formal – and not fairly

balanced – information, control structures and blame avoidance. *"Thin trust"* aims to compensate for negative behavioural expectations and denies the ability of users to value open information and discussion. Trust as *"social response-ability"*, on the other hand, requires genuine openness and honesty. Interestingly, the discussion in the PACAC Select Committee on the government's financial reporting review went exactly in this direction. The Chair of the Select Committee stated that good reporting means *"exposing vulnerabilities and shortcomings rather than just advertising"* (PACAC, 2019). Risk reporting that targets the discussion of potential vulnerabilities and threats towards departmental plans might thus indeed become a useful instrument for establishing trust between the government and its stakeholders.

What we set out to learn more about (the aims of the research)

Against this conceptual backdrop, we set out to investigate, first, who the users of governmental reporting are. Although the major focus so far has been on non-expert users (e.g. citizens and politicians), we tried to identify a broader range of user groups, including intermediaries whose importance has been constantly increasing.

Second, we investigated user needs in great detail: Which questions do users ask with respect to governmental reporting? Which kind of accounting information do they find useful? What are the major difficulties they experience while examining this information? What are their wishes with respect to governmental reporting?

Third, based on our empirical findings, we formulated recommendations and presented best-practice examples that might help to improve the communicative aspect of governmental accounting as well as its usefulness and trustworthiness. In particular, we focussed on the accessibility and understandability of data.

Finally, we used risk reporting to illustrate some general aspects discussed in the first part of this study. We noticed that risk disclosure as an emerging practice in central governments' reporting is an under-researched topic, whereas the rise of risk management practices in the public sector has led to a surge of academic interest. To the best of our knowledge, our study is the first one that ventures into this uncharted research territory and investigates the features of risk reporting in the departments of the UK Central Government.

Research approach

Our research design included the following steps:

STEP 1. identification of the relevant user groups; **STEP 2.** setting-up of the field work with users: securing field access, developing interview guidelines and discussing materials for interviews based on insights from the literature, conversations with the UK Finance Function senior officials, first consultations with experts (e.g., the FRC Finance Reporting Lab) and our own work; preparation of specific examples of narratives and visualization based on best-practice samples presented by the Treasury (2019); **STEP 3.** semi-structured explorative interviews with users; **STEP 4.** data analysis; writing-up of the interim report (delivered in May 2020); presentation of the preliminary findings in the User Preparer Advisory Meeting and at the Government Finance Function Festival in September 2020 and the writing-up of the final report.

ABOUT STEP 1: We first identified our potential interviewees by consulting the Financial Reporting Manual (FReM) 2020-21 which clarifies the purpose of the departmental annual reports and their primary users. The purposes of the reports are stated as: “1. to maintain and ensure Parliamentary control of government spending, enabling, in particular, Parliament to hold the Government accountable for its spending; 2. to enable the public and researchers (both in civil society and Parliament) to understand and consider the value for money offered by public spending, so that they can make decisions about the effectiveness, efficiency and economy of particular policies or programmes. 3. to provide a credible and accurate record which can be relied upon; 4. to provide managers inside departments (including both ministers and civil servants) with the information they require to run the departments and their agencies efficiently and effectively.” (HM Treasury, 2019a, p. 6). Following this guidance, we first identified parliamentarians, researchers and the civil public (journalists and NGOs) as our target groups of users (we did not consider internal users in this study).

At the same time, research on the use of accounting information by politicians reports that politicians are usually supported by “information brokers” (Jorge et al., 2016) and “information intermediaries” (Heald, 2003; Rutherford, 1992) with their scrutiny and accountability role. Therefore, we identified and interviewed “intermediaries” such as members of staff of Select Committees and of the Financial Scrutiny Unit who support parliamentarians in scrutinising the information contained in governmental annual reports. The staff of Select Committees can be both financial experts and policy experts. Experts on policy are as important as financial specialists because they can bring additional insights about the context and “publicness” features of government (Bozeman, 1987)

Furthermore, using the snowball principle to find and access interview partners, we identified think tanks (e.g., Institute for Fiscal Studies and Institute of Government), auditing firms (e.g., PWC, EY, etc.), OBR and analysts and economists working in the City as important intermediary users. Thus, the audiences of governmental reporting are dispersed and interwoven. While planning field access, we took this network into consideration.

ABOUT STEPS 2 AND 3: We conducted **fourteen semi-structured interviews** and **ten consultations with experts** (Appendix 1). We classify an interview as a formal semi-structured conversation with users, preparers and standard setters of governmental accounts, and a consultation as an informal meeting with experts in the field of public sector accounting (e.g., academics) and private sector standard setters.

The interview guideline is presented in Appendix 2. We asked questions about trust in governmental reporting as well as about the accessibility and understandability of the provided information. We concluded with the discussion of risk reporting; in this part of the interview, we used an interview guideline on user needs which was applied by the Financial Reporting Council’s (FRC) Lab study on viability and risk reporting (FRC, 2017b) and was kindly provided to us during the consultations. Furthermore, while discussing risk reporting with users, we asked them to comment on extracts from the key risks sections of annual reports and accounts of some departments. Please note that, given the time frame of our research, the discussed annual reports were published before the implementation of the new FReM 20-21 which has substantially changed the structure and requirements for departmental risk reporting.

The interviews were conducted face to face and (due to the Covid-19 crisis) on Zoom and lasted approximately one hour.

Furthermore, during the field work, we collected and analysed documents provided by users, for example, the checklist/scorecard applied by the Parliament Scrutiny Unit for the appraisal of departmental reports, in order to better understand users’ needs.

ABOUT STEP 4: The interviews were digitally recorded and transcribed in full. All materials were coded and categorised using the Nvivo software.

PART I. Who are the users of governmental reporting?

A still under-researched question

Despite its importance, the question of who are the users of governmental financial reporting is still unresolved. There have been two waves of research on the topic, from the 1980s to the beginning of the 1990s (Likierman and Vass, 1984; Office of the Auditor General of Canada and United States General Accounting Office, 1986; Rutherford, 1992) and then later after 2005 (Chow et al., 2019; Ewer, 2007; Haustein et al., 2019; van Helden et al., 2016; Hyndman, 2016; Jorge et al., 2016). Although all of the above-mentioned authors did not reach the same conclusion, they delivered important observations which have guided our research.

First, the range of relevant users has broadened. While earlier studies focused on citizens, politicians and internal managers, recent research acknowledges the importance of diverging types of users of external accounting information (van Helden and Reichard, 2019). For example, oversight bodies, auditing institutions, creditors/investors and media representatives are recognized as crucial – but under-researched – user groups in their own right.

Second, based on their accounting expertise, the users can be grouped into layman users (e.g., citizens and “most of the politicians”), professional users (e.g., oversight bodies and auditing firms) and a hybrid group *in-between* the first two groups (e.g., media representatives) (van Helden and Reichard, 2019, p. 485). The research indicates a low use of accounting information by non-expert users, although they are considered to be the main addressees of governmental reporting (for example, FReM 20-21 states that Parliament is a primary user). In fact, the research suggests that politicians consider accounting information to be useful but rarely use it themselves: there is a discrepancy between *appreciation* and *actual use* (van Helden, 2016).

Third, nearly no research has been performed on interrelations and links between user groups.

Finally, the increasing diversity of the user community inevitably implies diverse requirements regarding governmental reporting, as different user groups use different accounting documents and raise different questions. Hence, the unresolved issue remains: How to meet the increasingly diverse user needs when individually tailored financial reports are not feasible?

Taking these observations as a point of departure, we focused on the under-researched *in-between* groups, the so-called intermediaries (Heald, 2003; Jorge et al., 2016; Rutherford, 1992) in order to understand how their diverse demands could be more efficiently addressed.

Network of intermediaries

The most important issues that emerged from our research are: 1) the role of intermediaries is increasing; 2) intermediaries are interlinked and form a network.

For example, parliamentarians are the primary but *indirect* users of accounts and reports. Their work frequently requires the scrutiny of accounting information. However, as they (or the majority of them) lack accounting expertise and time, they seldom (or never) open ARAs and have to rely on the work of intermediaries. Such important intermediaries are the Scrutiny Unit and Select Committees staff. Importantly, the very procedure of scrutiny is organized in such a way that (1) parliamentarians receive necessary support and resources to compensate for their lack of expertise in accounting; (2) a dialogue (in the form of questioning and hearing) takes place. Parliamentarians rely on briefings by the Scrutiny Unit and specialist advisors. While analysing departmental annual reports, the Scrutiny Unit members “customise” ARAs by cutting and pasting relevant pieces of the report and formulating questions. They provide this customised information to parliamentarians in special briefs which form the basis for questioning in Parliament. In the briefs, accounting information is simplified, visualized and condensed; importantly, it tells a story. Thus, intermediaries such as the Scrutiny Unit play a vital role in enhancing the understandability and relevance of information. They put numbers in context: Is this “big number” good or bad? How much was spent on particular policies? Was spending increased or decreased? Why? What was money spent on? MPs are apparently also interested in soft factors such as staff motivation, churn and gender as well as in the BAME pay gap more than in money. ARAs do not deliver direct answers to such essential user questions.

The “translation” of accounts into briefs for MPs makes ARAs more relevant and is essential for the success of the exchange of opinions in Parliament. This function makes the Scrutiny Unit and Select Committees staff important users of governmental accounts. MPs rely on their external skills and do not consider “understanding accounting” as their own immediate task.

The work of the Scrutiny Unit and Select Committees is frequently informed by documents produced by independent oversight bodies; for example, they use NAO departmental overviews which contain a digest of the most relevant information about each department. Members of Select Committees use this condensed information – and particularly graphs – to prepare the briefs for MPs. Sometimes, members of the NAO staff are consulted directly:

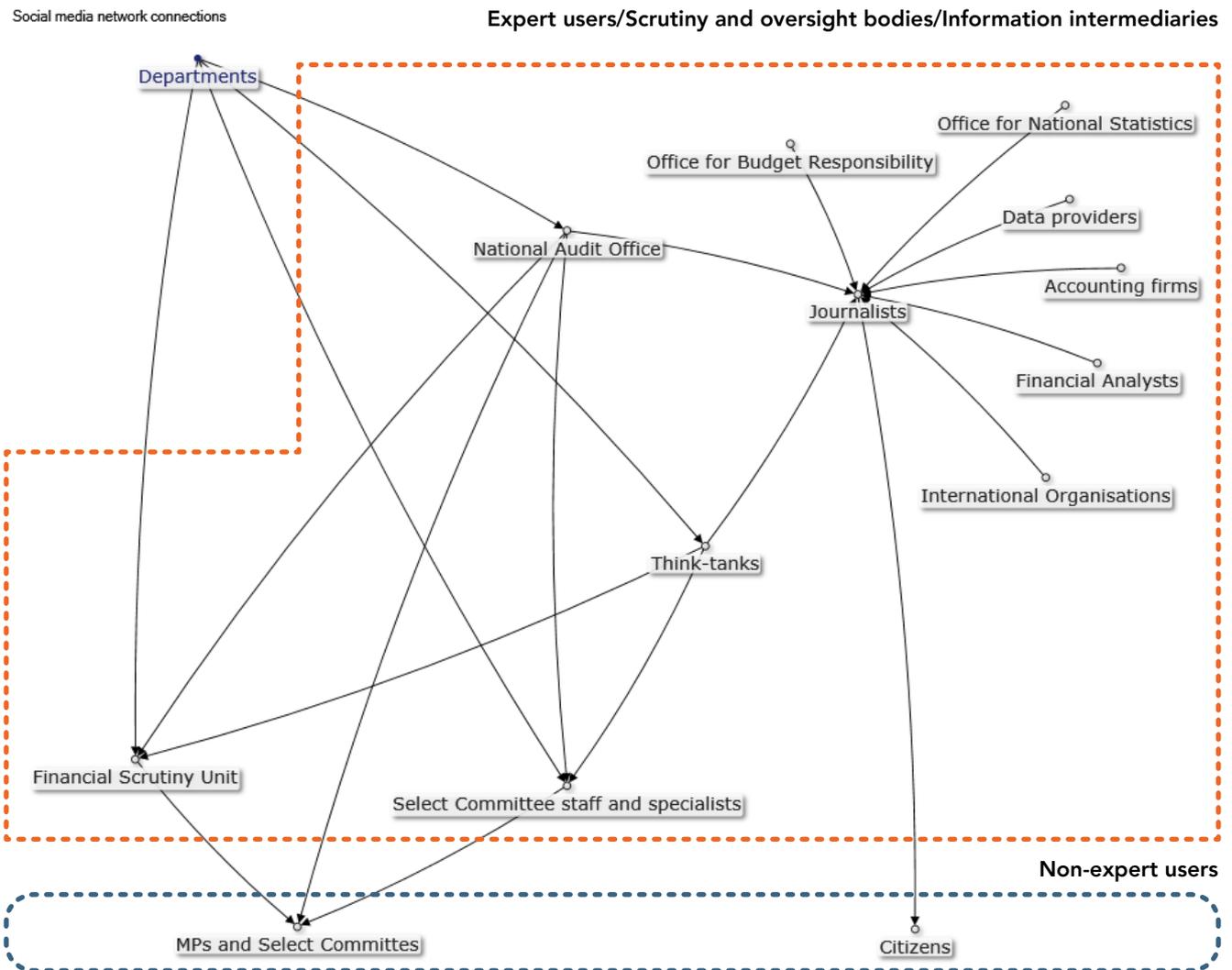
We also engage directly with Select Committees in relation to their scrutiny of annual reports and accounts. So, it's quite common for us to provide a briefing directly to Select Committees or to the clerks based on the findings of our work.
(Interview 14 – Financial auditor, NAO)

Journalists provide other example of the interwovenness of users and documentation; they rely on comments from think tanks (e.g., Institute for Fiscal Studies, Institute for Government or Institute for Public Policy Research), auditing firms (e.g., PwC, EY, etc.), OBR and analysts and economists working in the City. For their part, citizens retrieve information from the media.

What we have observed in the last years is the development of a network of intermediaries (Figure 1) which deliver interpretations of governmental reporting to each other and non-expert users. Thus, users' needs cannot be understood in isolation. Furthermore, we face a broader landscape of accounting-related documents produced and circulating in the intermediate user community. ARAs and Whole of Government Accounts (WGAs) are just elements in this landscape.

Please note that, from this perspective, journalists, think tanks, oversight bodies, etc. are themselves important intermediate users of governmental accounting information. As already mentioned, the scrutiny work and analyses provided by NAO, OBR, ONS, independent think-tanks such as the Institute for Fiscal Studies (IFS) and the Institute for Government (IfG) and some NGOs are highly appreciated and trusted by users such as the staff of Select Committees and journalists. The independence of these institutions from the government ensures users' trust in their work. Therefore, understanding what various stakeholders want from accounting information and addressing those needs is essential to allow appropriate analysis and scrutiny of governmental activities. This, in turn, could lead to higher public trust (Heald, 2018).

FIGURE 1: Expert and non-expert users in public sector accounting



Created with NodeXL Basic (<http://nodexl.codeplex.com>) from the Social Media Research Foundation (<http://www.smrfoundation.org>)

Think-tanks (e.g. IFS, IfG, ect.), International Organisations (e.g. IMF, OECD, etc.), Accounting firms (e.g. PwC, EY, etc.)

PART I. What are users' needs?

One important conclusion that we draw from the observations presented above is that, in accordance with existing research, diverse users have divergent needs which cannot be met by preparers by providing individually tailored information.

However, users, particularly intermediaries as expert users, might not demand this. What is absolutely crucial for them is to receive support with **accessibility of information**. They require easy and timely access to data that allows them to answer their specific questions, produce reports and pictures and communicate with their own stakeholders and clients. The issue of accessibility was highlighted by nearly all users we interviewed. Thus, there is potential – by addressing this issue – to accommodate the demands of diverse user groups at once.

Some of these concerns have been dealt with in the Government Financial Reporting Review (2019) and the Financial Reporting Manual (FReM) 2020-21. Furthermore, users appreciate initiatives to reduce information overload and overlap between documents (“simplifying and streamlining”). However, importantly, most users consider accounting information to be **a source of data**. Thus, annual reports are not produced to be read from the first page to the last like a novel; they are rather “cookbooks” (Consultation 1 - FRC) where each user searches for specific data. Thus, the length of reports is not the major problem; the main issue is that users cannot find pieces of information they need.

Next to accessibility, our interviewees described the problem of understandability, although it does not seem to be a uniform demand. Users with low or no expertise in accounting have different needs in this respect than professional users (see below).

Let us now turn to a more detailed discussion of accessibility and understandability in the context of governmental reporting.

Problem 1: Accessibility and usability of information

Difficulties in navigating documents and finding relevant information seem to be the biggest issue that undermines users' trust and should be tackled with high priority. Availability of data is a pre-condition for efficient scrutiny and accountability. Users reported the following issues with the *accessibility* of governmental reporting:

- unawareness about relevant documents and connections between them,
- difficulties in finding relevant information by navigating documents and websites,
- unstructured archiving,
- limited openness and re-usability of data.

Unawareness about relevant documents and connections between them – The landscape of contemporary government accounting information has been shaped by the adoption of different ways of accounting for government activities (i.e. “modes of accounting”) and by increased digitalisation (for a discussion on the current developments in public sector accounting, see Jones et al., 2019)

Traditionally, governmental accounting was characterised by cash-based accounting and the centrality of the budget. The wave of reforms pursued since the 1980s has introduced new ways of accounting for activities by the government itself (i.e. HM Treasury and governmental departments), by its auditing and oversight bodies (i.e. National Audit Office (NAO) and Office for Budget Responsibility (OBR)) and by national statistics offices (e.g., Office for National Statistics (ONS)). Currently, four different modes of accounting coexist in the UK: (1) financial reporting based on accounting standards, (2) statistical accounting leading to the publication of national accounts, (3) budgetary accounting and (4) long-term fiscal sustainability projections (Heald and Hodges, 2018). Each mode of accounting has a different purpose and specific assumptions underlying the measurement and identification of assets, liabilities, income and expenses. We believe that it is essential that users are made aware of the scope and objective of each mode of accounting and their differences.

Indeed, have users of accounting kept up with these changes? From our interviews we have noticed that users who have no or a limited background knowledge in accounting (e.g., self-made expert users such as Interviewee 9) associate government accounting information primarily with budget information (i.e. mode (3) of accounting). Important information produced through other modes of accounting (e.g., financial reporting, annual reports and accounts) might be under-appreciated and under-utilised by users so they do not refer to them and, thus, do not find the information they need. Expert users and intermediaries have a much stronger awareness of the different accounting modes and their objectives. However, even this latter group of experts observed that reconciling the data from various sources (e.g., ONS and Treasury) is sometimes difficult due to the different accounting and statistical conventions applied.

Difficulties in finding relevant information by navigating documents and websites – Beside the changes described above, government accounting information has been digitalized and made available on the Internet. Users

unanimously report difficulties in finding information and navigating public sector bodies' websites (such as the Treasury and governmental departments). These websites are considered "a big dumping ground for documents" (Interview 4 – Journalist 2).

"You have to know where to look in order to find information" (Interview 3 – Journalist 1) or to know people who possess this kind of know-how, users claim. Navigation of governmental information seems to be a *skill* which is acquired over years. Non-specialist users (parliamentarians, students, researchers, taxpayers, etc.) have little chance of finding the information they need using the current websites' menus. Relevant documents might be spread across departments and scattered over different websites or be located in several sections of annual reports.

Here is an example:

If you want to know things like how much the government spends on education as a whole, including all parts of the government. So, if you went to the Department for Education website or their annual report, you would get nonsense numbers there because they spend some money on education, but also local authorities do [...]. But, again, if you know [where to look] and you go to the annual public expenditure statistical analysis, which the Treasury publishes, [and] you get OECD-compliant government spending by function. Over time that will give you everything you want to know. But lots of people don't know that this document exists though.

(Interview 3 – Journalist 1)

Unstructured archiving – There is no logical structure in archiving the documents: "A lot of the trouble with government websites is archiving, lots of things disappear or aren't where they said they were and it's very hard" (Interview 3 – Journalist 1). Difficulties in finding the previous (older) versions of the same document (e.g., the departments' plans) undermine *comparability of data* although comparability seems to be very important for users in order to carry out adequate scrutiny.

Openness and re-usability of data – Once users have found the information, they often realise that most of the publications and data are not in an open and reusable format. Users have difficulties in navigating pdf documents and retrieving data from them.

Problem 2: Understandability of information

The understandability concept requires that financial information is presented in such a way that a reader can comprehend it. Ideally, even a user with no advanced knowledge in accounting is able to understand the message.

The interviews with GFF highlighted once again that "what the public sector and particularly central government does, is difficult" because government aims to achieve "complicated societal outcomes with limited resources" (Interview 7 - GFF). The introduction of accrual accounting has made "invisible [information] visible" (Interview 6 – Former Standard Setter). At the same time, information became more sophisticated and thus more difficult to understand. Although accounting reforms were accompanied by a vast effort in training non-expert users (e.g. parliamentarians), non-expert users often do not have the technical knowledge to understand and process the numbers in financial statements and would appreciate clarifications regarding the terminology and figures presented.

Importantly, professionals at times also struggle to comprehend the information provided in accounts. However, in this case it is not due to the lack of expertise but rather to frequent and obscure changes in terminology and a lack of comparability of data across time. Thus, they would like all changes made in the year to be clearly communicated or – if possible – the applied techniques to remain consistent.

PART I.

Potential solutions and examples of best practices

Both issues – limited accessibility and understandability of governmental reporting – can undermine users’ trust and lead to low engagement with information and data provided. Thus, it is important to address both problems; however, we consider the accessibility issue to be a high priority.

The solutions we suggest below primarily refer to the *digitalisation* of the landscape of accounting-related documents. So far, as our interviews indicate, the digital strategy, as perceived by the users, has involved the publication of often unrelated pdf documents on the GOV. UK webpage and is deemed by users as unsatisfactory. At the same time, the development and availability of new technologies and intelligent forms of Internet use provide various possibilities for enhancing the accessibility and understandability of accounting information (Eltrudis et al., 2020; NAO, 2017)

The proposed solutions could be embedded in the “HM Treasury digital strategy” (HM Treasury, 2012) and “Governmental Transformation Strategy” (Cabinet Office, 2017) and include the intelligent archiving of documents, provision of navigation aids, search algorithms and notes on terminology and its changes. In our eyes, such solutions can be achieved in *small incremental steps* and in collaboration with various stakeholders (e.g., the Treasury, other governmental departments, the Users-Preparers Advisory Group and the Government Digital Service).

To illustrate some of our suggestions, we will draw on examples from Canadian central government reporting and the Canada InfoBase portal (hereafter InfoBase). InfoBase is considered a “standard-bearer” of governmental financial transparency by the Institute for Government (Wheatley, 2019). Furthermore, the portal was mentioned as a best-practice example in an interview with one of the expert users, namely a member of the Scrutiny Unit. We consider the case of Canada to be an appropriate and useful basis for discussion in this study because: (1) the financial accountability of the Canadian Federal Government has its origins in British tradition and has followed a similar trajectory towards accrual accounting (Baker, 2019; Pollanen and Loiselle-Lapointe, 2012); (2) Canada has been interested in the question of accounts’ users and their needs for a while (Office of the Auditor General of Canada and United States General Accounting Office, 1986) and most recently focused on data, their accessibility and usefulness (McKenna, 2014); (3) the Canadian Federal government implements improvements in small but effective steps, albeit by no means perfectly on all fronts. The idea is: “Forget big data. Canada needs good data” (McKenna, 2014).

Furthermore, we will provide examples of the *Australian Government’s Financial Transparency Portal* and *USA Facts* to illustrate existing best practices.

Suggestions for addressing Problem 1: Accessibility and usability of information

Annual reports and accounts cannot address all issues users have. However, to help users find answers to their broad and multifaceted questions, preparers can support them with accessing sources of information and data.

Based on the interviews with users, we suggest:

- **Work on re-archiving of documents:** The goal is to create a useful and simple structure of accounting documents based on a clear depiction of the reporting landscape. The point of departure could be the governmental financial reporting landscape provided in the Government Financial Reporting Review published in 2019 (Figure 2). However, this document provides a rather static picture of the landscape. We would recommend digitalising the landscape and clearly communicating this effort to current and potential users².

The digitalisation of the landscape could result in an **online platform** that organises the archiving of documents³. A first critical step in the creation of such a platform is to **co-design** its structure with preparers and users of accounts. Some users – such as the Institute for Government, Full Fact and Open Data Institute – have been extraordinarily active in this area and launched interesting initiatives to map the ecosystem of data⁴. We think their expertise could be useful.

In addition, cooperation with social researchers might be helpful. Researchers could conduct additional empirical work (e.g., surveys, interviews or focus groups with users or analysis of transcripts of hearings in the Select Committees). Their findings could serve as a basis for elaborating the hierarchy and structure of archived documents and types of data demanded in collaboration with data scientists and IT specialists, for example, the Social Media and Digital Communication Unit at the Treasury. As a result, accounting officers in the departments would not be overburdened with additional work in the first stages of implementation.

2 As pointed out by an expert, the clear communication of government initiatives to users is key for accessibility: “mapping the landscape would be a fabulous job for someone to do but then, again, people have to know that that map exists” (Interview 4 – Journalist 2).

3 Users would appreciate having past and current versions of data, especially when there have been new classifications or changes in the accounting standards that make it difficult to compare the figures. Users brought to our attention that the OBR, for example, keeps its current and past versions of forecasts as separate spreadsheets so that users can download and analyse both (Interview 4 – Journalist 2).

4 The Institute for the Government’s Data Ecosystem: <https://docs.google.com/document/d/1URoTu0S8MtyPEQlxue5ArMpi2lJOn67DdmiXwz__QQo/edit>; The Open Data Institute – *Data Ecosystem Mapping: a practical tool to plan and visualise a data ecosystem*.

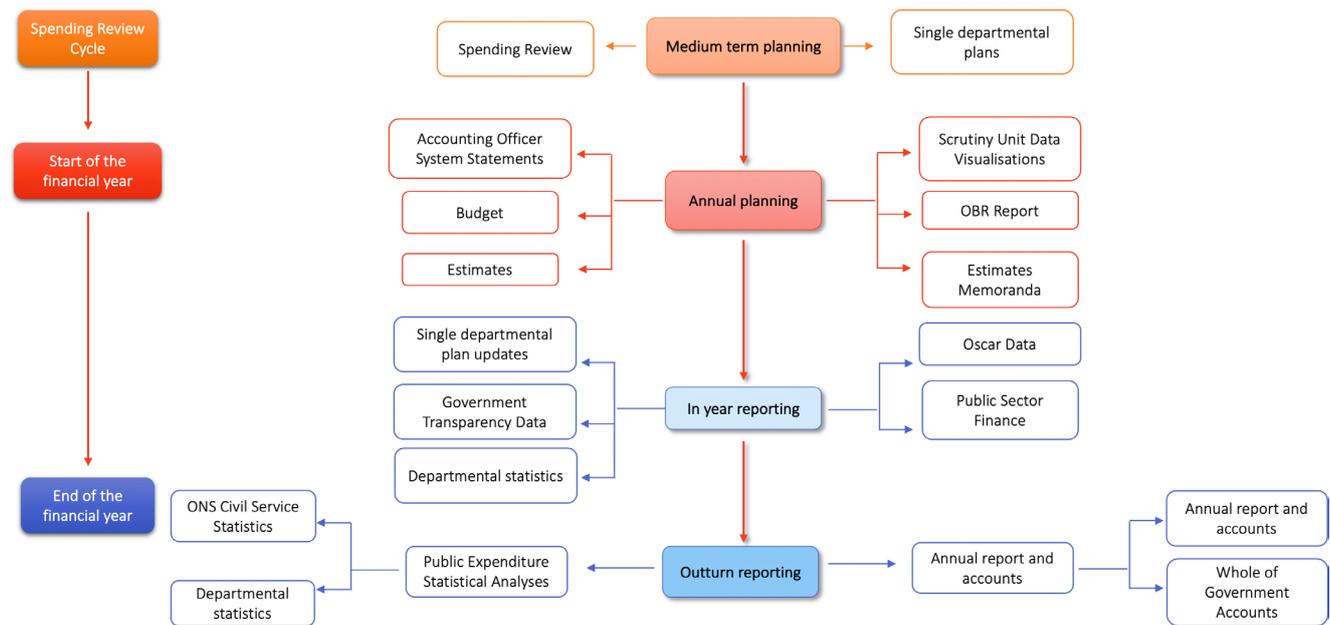
Furthermore, we would advise drawing on the existing best practices within data.gov.uk and the departments (Freeguard, 2020). As soon as the platform is in place, it should be consistently used by all departments and related bodies to upload documents to designated locations. Over years, a coherent structure of documents would appear.

Such an online platform would have the potential to radically improve the accessibility of the government’s accounting information. It would also be the place where summaries of documents could be found and cross-referenced by topic, not by their date of publication (in the current practice, the most recent publications are announced on the website; the problem is, again, that users search for information by topics and do not follow what is uploaded on a website chronologically): think of the “recipe book”.

An example of an online platform is the *Australian Government’s Transparency Portal*⁵ which was launched in 2019 under requirement of the Public Governance, Performance and Accountability Act 2013. It is an online repository of publicly available information (budget, corporate plan and annual report) for all Commonwealth entities and Commonwealth companies. Users can easily access publications, compare and visualise data, inspect the financial sustainability of government bodies and compare performance ratios (Figure 3). For the 2018-19 reporting cycle, the annual reports of all Commonwealth entities and Commonwealth companies were made available on this website after they had been tabled in parliament.

Importantly, the annual reports are digitalised and presented as a webpage⁶. Figure 4 shows the table of content of the digitalise version of the Department of Industry, Innovation and Science Annual report 2018-19.

FIGURE 2: The government financial reporting landscape



Source: Adapted from HM Treasury, 2019b, p.18

FIGURE 3: Extract from the Australian Government’s Transparency Portal



Source: <<https://www.transparency.gov.au/>>.

FIGURE 4: Australian Government, Department of Industry, Innovation and Science, Annual Report



Source: <<https://www.transparency.gov.au/>>.

5 <<https://www.transparency.gov.au/>>.

6 For example, the digitalised version of the Department of Industry, Innovation and Science Annual Report 2018-19 is available on the Australian Government’s Transparency Portal at: <<https://www.transparency.gov.au/annual-reports/department-industry-innovation-and-science/reporting-year/2018-2019>>, whereas the pdf version of the annual report is archived on the department’s institutional website at: <<https://www.industry.gov.au/data-and-publications/annual-report-2019-20>>.

Dashboard – Once the online platform that organises the archiving of documents is completed and agreed with users and preparers, the next step would be to create a user-friendly dashboard from which users could extract data. To illustrate what the final product could look like, we will now turn to the Canadian Government’s Infobase.

InfoBase is a searchable database and interactive data-visualisation tool for the Canadian Government’s expenditure information. The platform was created in 2013 under the name Expenditure Database and grew in order to incorporate new data (such as data on people management and results). The name was changed to reflect the fact that it covered a broader content area. It was developed in response to a parliamentary request to improve access to information on government finances and respond to a public need for simpler government reporting. InfoBase relies on several governmental

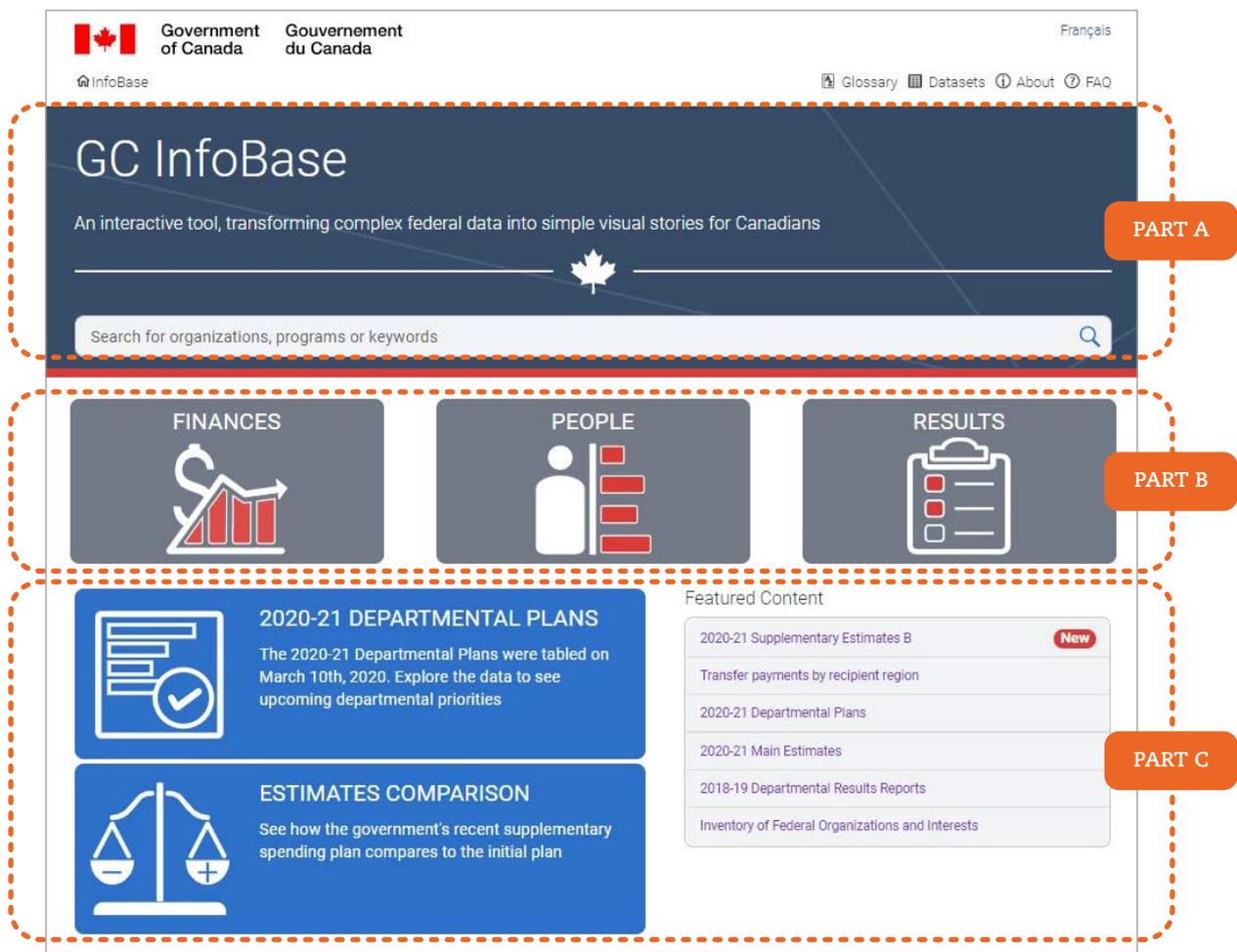
publications (i.e. public accounts, estimates, departmental plans and quarterly financial reports)⁷.

InfoBase allows users to easily search for organisations, programmes and keywords (Figure 5 – Part A). It also provides easy access to information about public finances, people and performance information (results) of the Federal Government (Figure 5 – Part B) as well as allowing comparison of departmental plans and estimates (Figure 5 – Part C).

We consider the structured re-archiving of documents to be feasible and the most crucial step in addressing the needs of most users.

- **Improvement of navigation of single electronic documents**, for example, by providing tagging or machine readability. For this purpose, documents should be made available in multiple formats; in particular,

FIGURE 5: Government of Canada InfoBase, Home page



Source: <https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#start>

⁷ For a full list of the databases included in InfoBase, please refer to: GC InfoBase > Datasets at: <https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#metadata>.

formats where the structure is tagged in some way would be useful, e.g. Word, html or a tagged pdf document.

Some progress has been achieved on this front since the publication of the Accounting for Democracy Report. The Government Financial Reporting Review recommended that departments publish annual reports' core tables in Excel or CSV format (Treasury, 2019 p. 81).

We would like to note that a lot is going on in this field in the private sector. Since January 1, 2020 EU listed companies have to report in the European Single Electronic Format (ESEF) using the structured data format Inline XBRL (iXBRL)⁸. to make the consolidated data in the primary financial statements machine-readable⁹. The idea is to use the IFRS-based taxonomy and tagging, so that users can find the information easily, re-use data and work based on the themes¹⁰. We believe this is the direction in which governmental reporting also will be heading.

To illustrate how the use of tagging and machine-readable techniques could be applied by the government, we will describe the work of an American NGO¹¹ USAFacts. Its aim is to improve the accessibility and understandability of governmental data. USAFacts was founded by Steve Ballemer, former Microsoft CEO; its web platform was launched in 2017 in collaboration with experts and academic institutions such as the Penn Wharton Budget Model (PWBM) and the Stanford Institute for Economic Policy Research (SIEPR).

USAFacts' first step in the direction of improving the accessibility of government financial reporting was to publish a 10-K for government financials – a standardised annual report similar to the one submitted by publicly listed companies to the Security and Exchange Commission (SEC). A further step was to provide structured data applying iXBRL. In collaboration with data companies such as DFIN and XBRL US, USAFacts completed a project to make governmental data widely available by presenting *Government 10-K* in a machine-readable format¹² in 2019 for the first time. Importantly, data within the 10-K were tagged in iXBRL based on elements of the US GAAP taxonomy and the Comprehensive Annual Financial Report (CAFR) taxonomy.

European Single Electronic Format (ESEF) for annual reports of EU listed companies.

A helpful hint that can be derived from USAFacts is to use an incremental approach. For example, governmental departments could start applying iXBRL tagging by creating a machine-readable version of just a few sample tables or a section of a financial report.

- **To continue work started by the HM Treasury within the Clear Line of Sight Initiative** (HM Treasury, 2009). To achieve greater accessibility and effectiveness of the reporting, the government needs to enhance its efforts to clarify the differences between the four modes of accounting and explain the purpose of the documents associated with them.

The question is, of course, to what extent HM Treasury has the flexibility to redesign its website – which has been a part of the GOV.UK website since 2013 – in order to meet its special needs. However, this step seems to be unavoidable if the needs of users are taken seriously.

Suggestions for addressing Problem 2: Understandability of information

Solutions for the understandability problem are not as straightforward as for accessibility. The accessibility solutions equally address the needs of all user groups. Understandability, however, refers not only to the quality of information but also varies according to the users' level of knowledge about governmental accounting and finance (Ewer, 2007).

It would be rather *illusory* to expect non-expert users such as citizens, tax payers, politicians, some NGOs and journalists – or the majority of them – to acquire the competence to understand enough of IFRS, accrual accounting and other accounting conventions in the public sector in order to make decisions or form competent judgments.

Importantly, accounting literacy is not what users really want. Rather, they expect the government to provide information in a form that does not require them to understand accounting directly. They want the Treasury and independent oversight bodies (e.g., NAO and OBR) to produce the numbers and *do the interpreting, or translating, job* at the same time (the job currently done by various intermediaries, as presented in Figure 1). In other words, as mentioned in the introduction to this report, modern users consider ARAs and related documents not only to be accountability tools but to

8 iXBRL, or Inline XBRL, is an open standard that enables a single document to provide both human-readable and structured, machine-readable data. iXBRL is used by millions of companies around the world to prepare financial statements in a format that provides the structured data that regulators and analysts require, while allowing preparers to retain full control over the layout and presentation of their report.

9 European Single Electronic Format (ESEF) for annual reports of EU listed companies (PwC), <https://www.pwc.com/hu/en/szolgalatasok/konyvizsgalat/accounting_advisory/european-single-electronic-format-esef.html>, also ACCA (2018) Companies listed on regulated EU markets will soon be required to file their annual reports digitally. XHTML is on its way, warns Alison Thomas: <<https://www.accaglobal.com/sg/en/member/discover/cpd-articles/corporate-reporting/xhtml-cpd.html>>.

10 See also FRC (2017a).

11 In Italy, a similar initiative was developed by OpenPolis, an NGO which created a web platform – Open Bilanci <<https://openbilanci.it>> – that presents the standardized budgets, reports and performance indicators of all Italian local authorities. With the support of various visualisation tools, the web application allows users to perform benchmarking and longitudinal analyses.

12 The Government 10-K created by USAFacts are available at: <<https://usafacts.org/annual-publications/>>.

be part of the overall communication efforts of the departments and related intermediaries.

Possible steps to enhance clear and timely communication with users are:

- **Adaptation of two formats of ARAs delivery:** As demonstrated above, the Australian governmental entities publish their annual reports both in pdf and in digital format on the Australian Government’s Transparency Portal. Another country that has made a similar move towards digitalisation of governmental annual reports is Canada. The annual reports (referred as Departmental Results Report) of Canadian central government departments are available as pdf and interactive webpage (Figure 6). This approach allows the provision of usually less timely (audited) accounting information in pdf format and interactive and more timely data on the webpage.

Providing ARAs in two formats – pdf and on the webpage – allows reports to include explanations, interpretations and narratives that might help users understand the accounting information provided (see Figure 7: Department of Justice in Canada). Such a pro-active delivery of explanations and visualisations is not possible in pdf format.

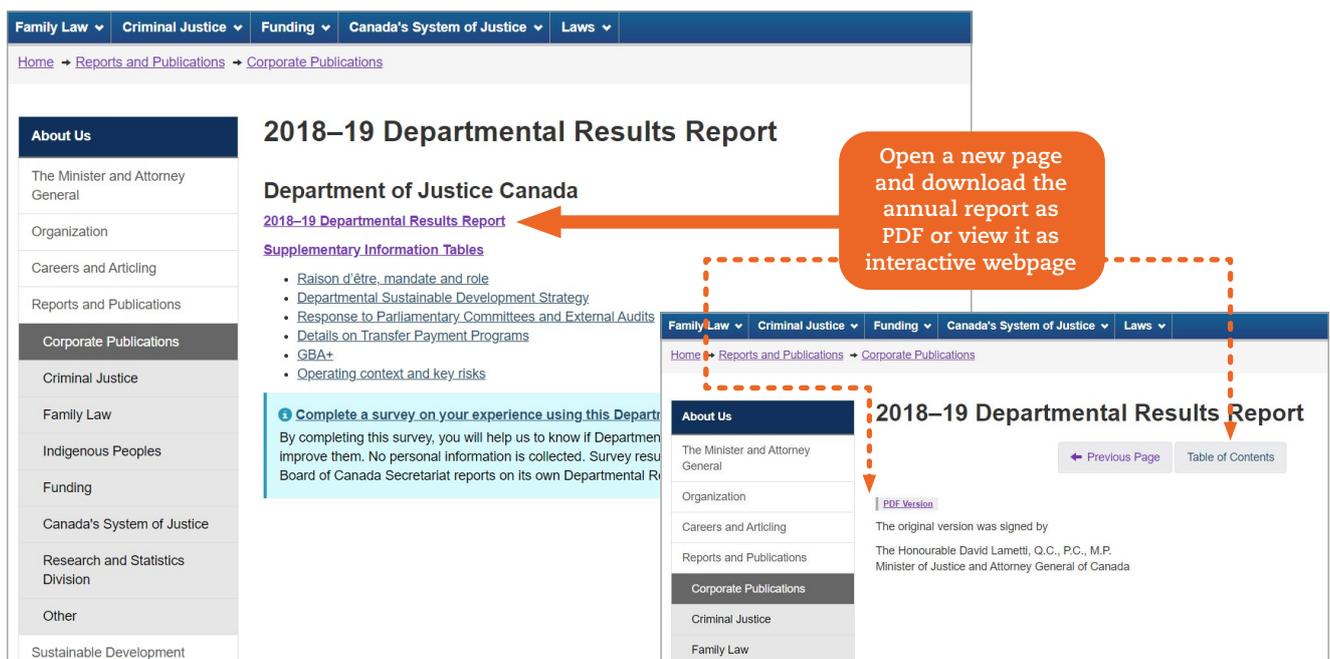
Importantly, Canadian ARAs provide a link to InfoBase; this allows users to dig deeper into data and customise

their analysis. For example, users of InfoBase can explore revenues by source and expenditures by categories and monitor trends over time. These features are exactly what the UK users would like to have. We believe that the UK Government departments could leverage the potential of the already existing data.gov.uk. Providing a link to the data portal enables the users to be “in charge” and potentially improve their engagement.

Figure 8 presents another example from Canada – a section of the web-based Departmental Results Report of the Canada Revenue Agency. Interestingly, this agency clearly highlights the parts of the report that are audited and unaudited. We believe that clarification about different levels of assurance for each part of the annual report could be useful for users and mitigate existing expectation gaps (PACAC, 2017).

We believe that a web-based version of the annual report could provide departments with more flexibility regarding the way they deliver information tailored to their users’ needs. A dashboard could standardise the information to facilitate comparisons across time and entities.

FIGURE 6: Government of Canada, Department of Justice, Departmental Result Report



Source: <https://www.justice.gc.ca/eng/rp-pr/cp-pm/dpr-rr/2018_2019/index.html>

FIGURE 7: Canadian government, Department of Justice, Departmental Result Report, Analysis of Trends in Spending and Human Resources



Source: <https://www.justice.gc.ca/eng/rp-pr/cp-pm/dpr-rr/2018_2019/dpr-rmr/p4.html>

FIGURE 8: Government of Canada, Canada Revenue Agency, Departmental Result Report, Financial Statements (audited and unaudited sections)



Source: <<https://www.canada.ca/en/revenue-agency.html>>

- Visualisation** – An important strategy for improving the understanding of accounts is the graphical presentation of accounting information. However, also this is not straightforward. As users highlighted, good visualisation requires considerable finesse; users want “simple graphs that tell a story” (Interview 3 – Journalist 1), the platform to “explain what numbers are really showing” and “which numbers are used and why” (Interview 4 – Journalist 2). Sometimes, the same number can be calculated differently (due to a change in regulation, for example); thus, the graph should make explicit what is behind the numbers to allow comparison. The users’ problem is a “lack of detail in some published figures” (think tank, email communication).

To illustrate how visualisations could be complemented by explanations, we will present two examples from Canada. First, the web-based annual report shows graphs and provides users with the possibility to read a textual description of the chart (Figure 7). This interactive way of presenting visualisations would give governmental departments the flexibility to deliver complex and detailed information to users (e.g., with respect to changes in regulation) without making the annual report too lengthy. The users would “be in charge”; they could decide whether to retrieve more information expanding the explanation box if desired.

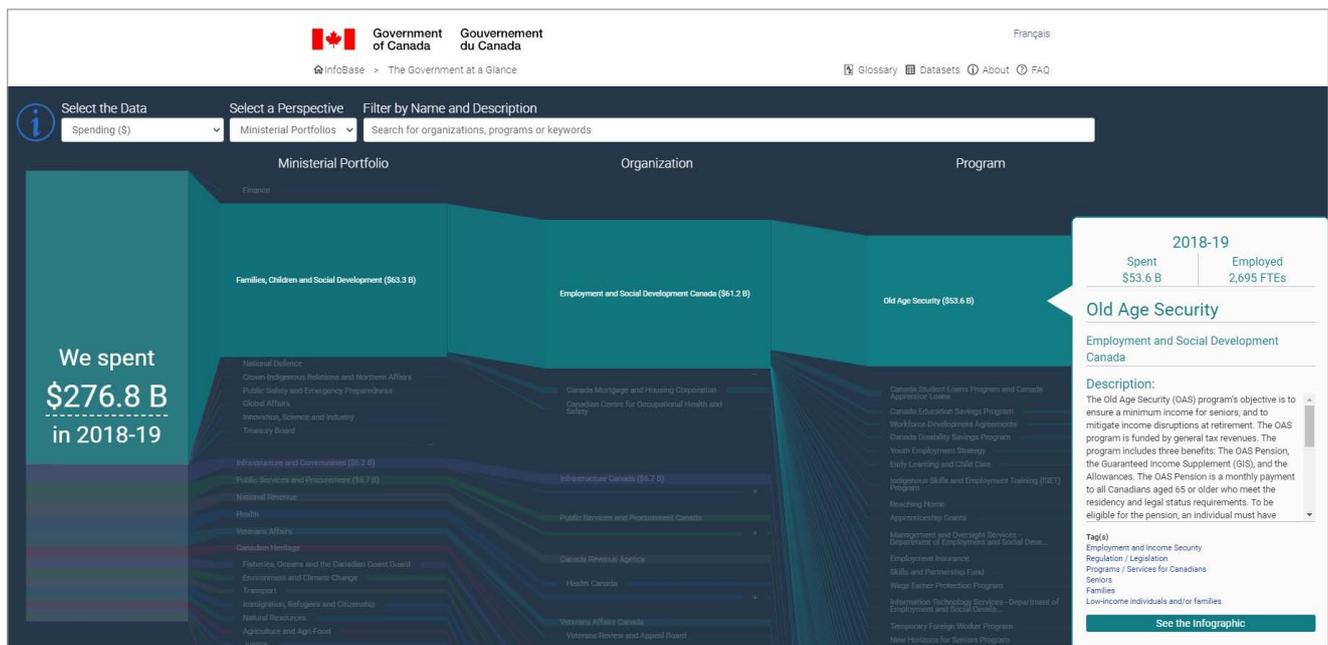
Second, InfoBase Canada provides an interactive visual tool to investigate the budget and outturn at the departmental level and programme level. This tool is called: “The Government at Glance” (Figure 9). Notably, the numerical information provided in the figure is supported by contextual explanations so that users can find more information by clicking on “See the Infographic”.

Both examples show ways of presenting information in an intelligible manner.

- Other formats of reporting** (next to providing documents) could be considered. Users stated that “to further increase trust, the government should engage more with researchers and users on the figures. [...] It may be useful if government departments hosted meetings on the main financial statistics they produce – the assumptions, the trends, etc.” (think tank, email exchange). Also, providing *short video summaries* of accounts might be useful.

In our research, we primarily paid attention to intermediaries and expert users. However, we still believe democratic governments should strive to enhance understandability for non-expert users as well¹³.

FIGURE 9: InfoBase, The Government at Glance, Details of Spending for the Ministerial Portfolio for Families, Children and Social Development



Source: <<https://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html#start>> (Authors’ adaptation of the font and size)

13 Note that the recent Redmond Review (2020) sets out to do exactly this at the level of local authorities. The review suggested introducing a supplementary simplified statement of service information and costs which will accompany the statutory reporting under IFRS. We believe this recommendation could also be discussed and considered, with appropriate adaptation, at central government level.

PART II: Risk reporting as an emerging practice in governmental reporting

In this section, we will discuss how some solutions proposed above could improve one particular segment of governmental reporting, namely departmental risk disclosure.

Since the late 1990s, formal risk management processes and techniques have diffused into the public sector with the ideal of promoting good governance and improving public service delivery (Palermo, 2014; Power, 2004, 2009; Rana et al., 2019; Woods, 2009). More recently, risk has also become a **matter of disclosure** and gained more visibility and space in the annual reports of governmental departments. Governmental risk reporting is becoming an **emerging accounting practice** which can be mainly observed in countries such as the UK and Canada.

In the UK, the adoption of risk management practices has been promoted by a number of guidelines issued by government institutions (the National Audit Office (NAO) and the HM Treasury) and professional bodies. The adopted framework was strongly influenced by the 1999 Turnbull ICAEW report on internal control (NAO, 2000; Hood and Rothstein, 2000) and resulted in the publication of the Orange Book "Management of Risk: Principles and Concepts" (HM Treasury, 2004). This version of the Orange book mainly focused on risk management as an internal process that remains at the backstage of the organisation. Much less attention was paid to the external disclosure of risks in annual reports. At the beginning of 2020, a new version of the Orange Book was published by the HM Treasury Government Finance Function (HM Treasury, 2020b). The revised version includes a more explicit connection between risk management and risk disclosure. Importantly, it invites the departments to reflect on how "risk management and internal control contribute to the annual report being fair, balanced and understandable" (HM Treasury, 2020, p. 35). Also, the Government Financial Reporting Manual (FRoM) for 2020-21 (HM Treasury, 2019a) includes much more detailed guidance on disclosing risks and risk management processes in departmental annual reports.

The emergence of risk reporting practices is based on an implicit assumption that better risk reporting will help to correct the skewness of annual reports towards positive news and make information more trustworthy. For this reason, the Treasury reinforces its commitment to improving users' trust through enhancing risk disclosure (HM Treasury, 2019b, pp. 33 and 41).

Risk reporting as an underutilized but important part of departmental ARAs

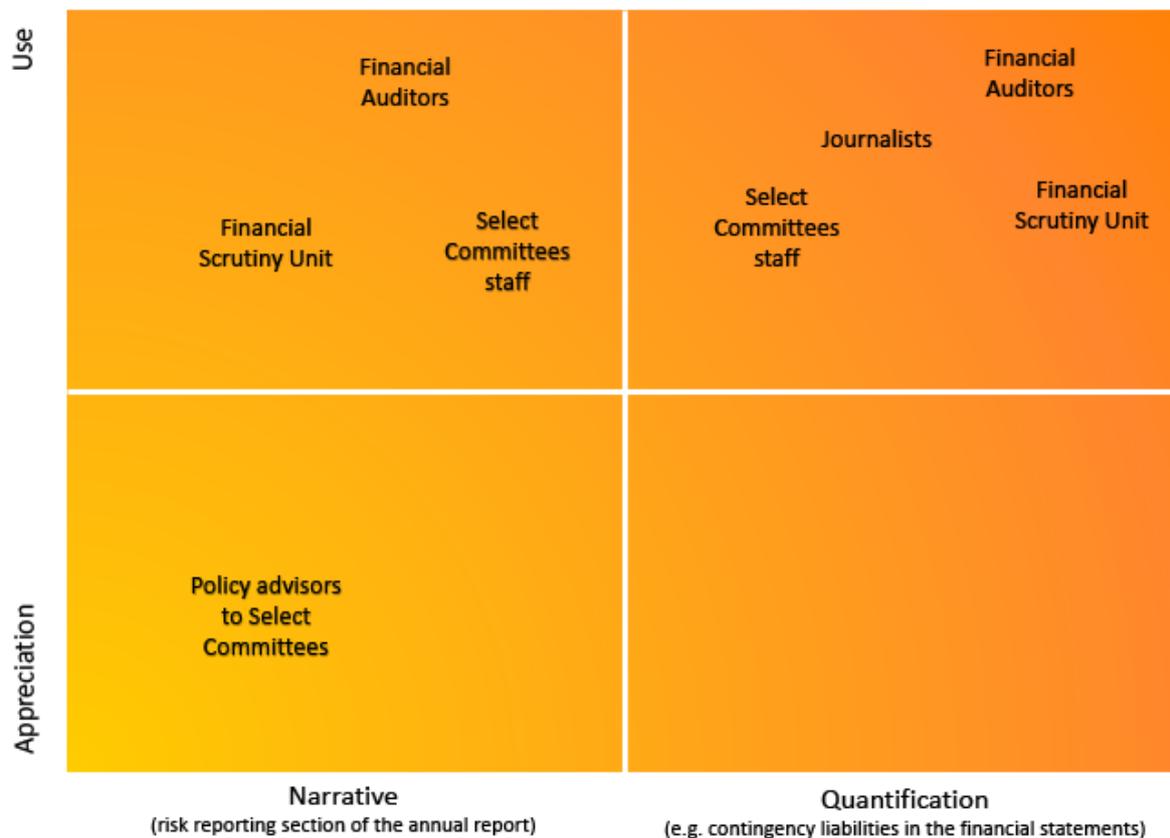
Despite its potential to improve user trust and deliver important information for scrutiny, risk reporting in its current form is not in the focus of stakeholders' attention. With respect to this part of the report, we observe a particularly strong discrepancy between *appreciation* and *use* (Figure 10).

Most users recognize the potential importance of risk reporting; at the same time, they do not report an extensive use of this part of ARAs. Expert users who are highly involved in departments such as the Financial Scrutiny Unit and some Select Committee specialists express a quite strong interest in risk reporting and contingency liabilities disclosed in the financial statement. For them, risk reporting is "a source of information from which [they] derive scrutiny"; they value "a clear statement of what the departments think are the risks and what they're doing about them" (Interview 8). Importantly, such users "check risk registers for consistency with internal discussions within the department throughout the reporting year"; for them, risk reporting is "the summarised position [of internal discussions about risk] that you get externally" (Interview 14 – Financial auditor, NAO). It seems that risk reporting in its current form is – to some extent – informative for users with a high level of expertise and involvement in the departments; nevertheless, they claim that its usefulness could be severely improved.

At the same time, although the Treasury has identified the risk disclosure provided by some departments as best practice, some policy specialists responsible for one of these departments said that they had never seen the risk reporting part of the annual report and that maybe the department in question does not report risks at all.

Journalists tend to be more interested in contingency liabilities and the overall fiscal risk instead of departmental operating risk described in the narrative section of the ARAs. They would prefer an independent scrutiny body like the OBR to "bring together all the risk reporting form each department, so you've got a wider national picture" (Interview 3 – Journalist 1).

FIGURE 10: Use and appreciation of risk information in departmental annual reports



What do users want from risk reporting?

Despite different levels of utilisation of risk reporting, most users express similar requirements regarding this part of ARAs. As we show below, these requirements correspond to user needs with respect to governmental accounting in general (as discussed in Part I of this study): clear categorisation and prioritisation of risks, comparability and consistency of risk registers, clear links to plans and KPIs, link to government-wide priorities, changes during the year, as well as timeliness of reporting.

It is important to note that these requirements are also quite similar to the demands expressed by users of corporate risk reporting (ACCA, 2014; FRC, 2017b, 2018; ICAEW, 2011). Figure 11 summarises users' needs in the private sector and partly reflects the requirements of users in the public sector. Another very helpful source is the recent report of the FRC Lab on how financial reporting in

general and risk reporting in particular might react to risk shifts related to the Covid-19 crisis (FRC, 2020).

First of all, users of governmental risk reporting wish **clear categorisation and prioritisation of risks** that departments consider to be central to their operations (the left part of Figure 11 Information that helps users to understand the risk). Risk registers should be understandable for someone who is not involved in internal departmental conversations.

For example, we discussed the following extract from the "Significant challenges and issues" part of the Ministry of Justice's ARAs 2018-19 with a user:

Key Mitigations: Further contract variations in summer 2018 to update how we measure reoffending, deliver additional investment of £22m per annum in Through the Gate Services and introduce minimum offender contact standards."
(MoJ – ARA 2018-19, p. 59)

FIGURE 12.a: Department of Work and Pension Annual Report and Accounts 2016-17 (Extracts from p. 96-97)

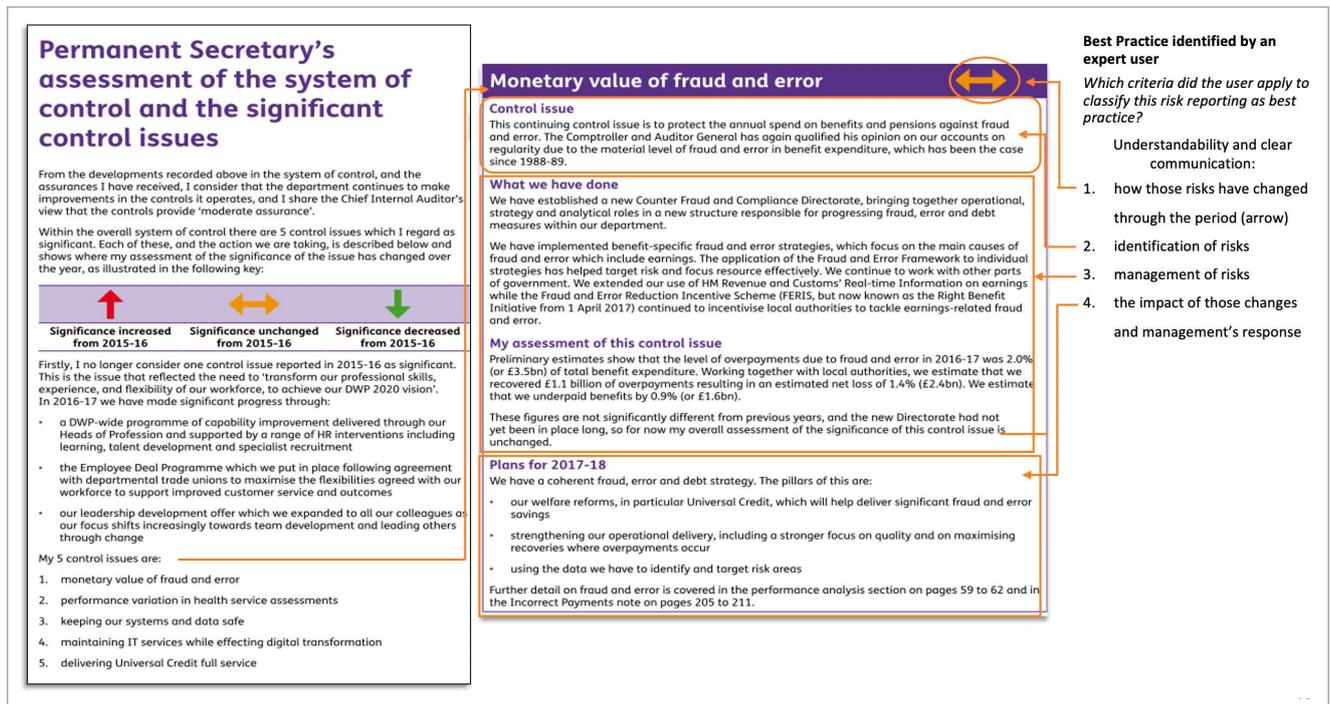
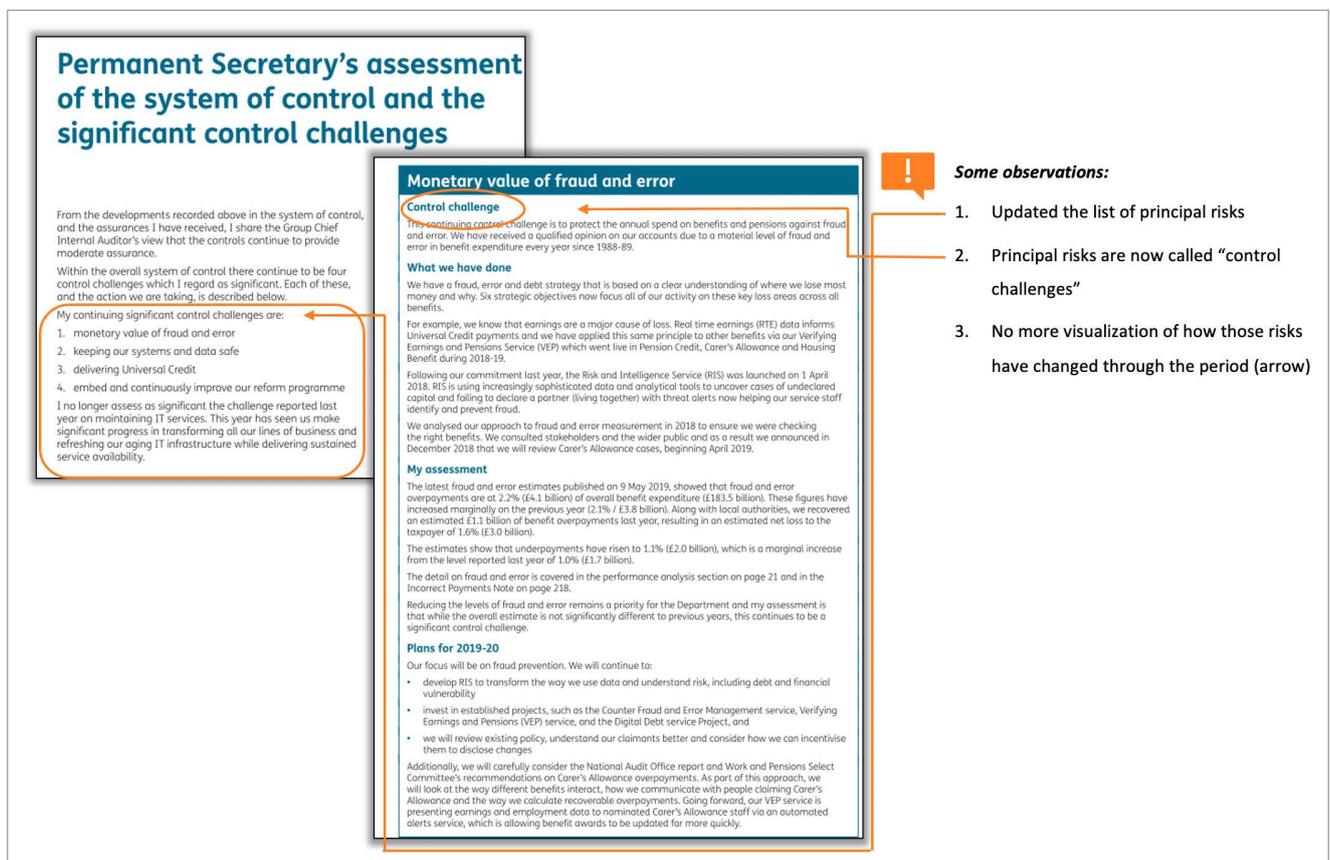


FIGURE 12.b: Department of Work and Pension Annual Report and Accounts 2018-19 (Extracts from p. 121-122)



At the same time, our interviews and the consultations conducted by the GFF itself show that users want to avoid overemphasising risk registers and templates. They want to “talk more about things like governance and culture, as opposed to just process” (Interview 7 – GFF) as well as know more about what departments do about risks (mitigation) and how risks fit into the overall narrative (see the right part of Figure 11: Information on how departments are managing risks). Moreover, for external users, maintaining risk reporting as a dialogue is important:

What [users] are interested in in a risk report, what they have historically been given is a risk register and invited to pick the bones out of it and make their own views on what it means and what's important. But would have chief risk officers been doing that in the private sector, they wouldn't last any time if what they did was 'I'm the chief risk officer, here's a risk register, what can I do to help you?' You wouldn't survive, because unless you've gone to the next level of saying 'let me tell you what it says, let me tell you what I think you should be worried about, let me tell you what I think you need to make decisions about, and if you don't we're going to have a problem three months/three years/20 years in the future', that's what a chief risk officer should be doing, and promoting those conversations.
(Interview 7 – GFF)

Thus, users insist on a **clear link between the performance part of ARAs, departmental plans and risk**. This link is often broken due to the current misalignment between internal (and not publicised) single departmental plans (SDPs) and external single departmental plans which are published and reported to users (e.g., to Select Committees and the Public Accounts Committee). This misalignment appears because some departments might have two versions of the plan: one internal and one external. This is an issue which the GFF is aware of and which the government has been called to act upon (Wheatley, 2018; Freeguard et al., 2020). As the GFF pointed out, the external version of SDPs is “a wish-list that says ‘if we had infinite resources and infinite capability this is what we would do’” (Interview 7 – GFF). The internal version is more realistic.

If external SDPs are seen more as a “wish-list”, it is difficult to compare the plan with the outputs and outcomes in the annual report and to discuss risks. Although the department works based on the assumptions of the real SDP, the Parliament scrutinises the government based on the external SDP. There seems to be a kind of a filter between the departmental backstage and frontstage. This results in the annual report and risk reporting being perceived as selective, leading to a loss of user trust.

The preparers are aware of and actively working on this issue. They want departments drawing up departmental plans to become:

more explicit about the principle risks, which is what you would expect in the private sector in terms of saying, ‘this is what we’re trying to achieve, however there are some principle risks to the achievement of these things’, so can we be more explicit about the risks that we know.”

(Interview 7 – GFF)

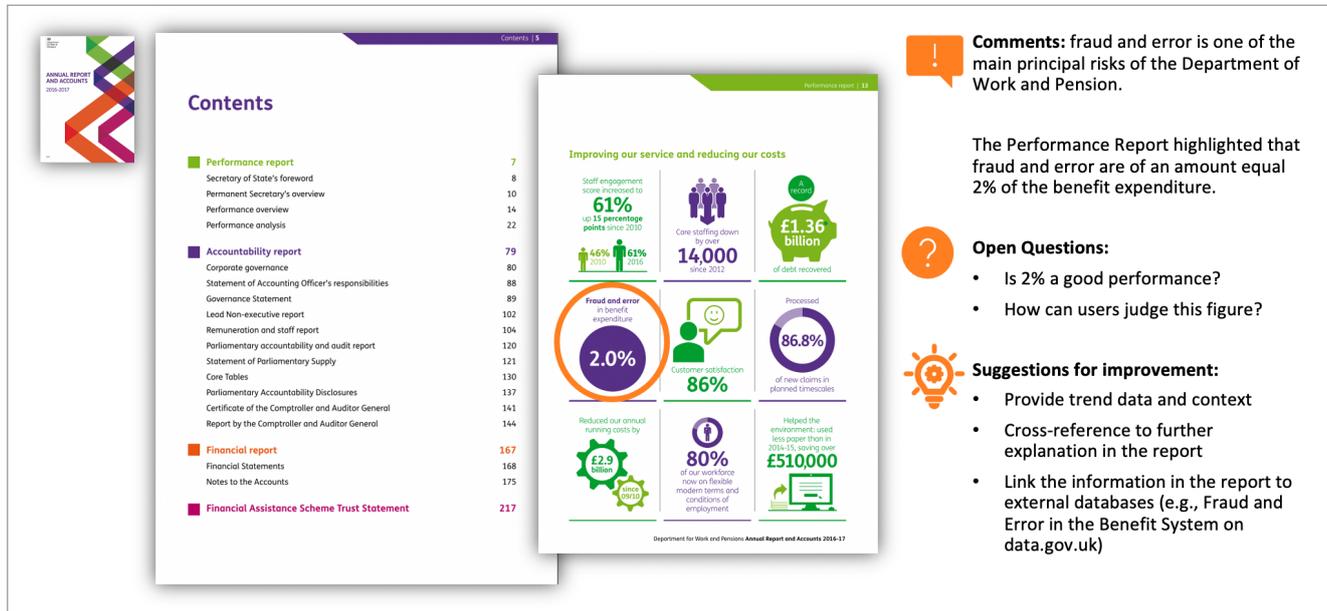
All in all, **the focus on the big picture** is envisaged and would be appreciated by stakeholders. This is particularly important for non-expert users, e.g., parliamentarians, who – as discussed in Part I of the report – care more about the narrative than the financials.

To illustrate how important the context is, let us discuss the following example. In the DWP ARAs 2016-17, the performance report presented a colourful infographic on how the department had improved its services and cut costs (Figure 13). However, a sceptical user may find more questions than answers in the infographic. For example, one of the most important principal risks for DWP is fraud and error. Looking at the indicator on fraud and error, one might ask: Is 2% a good performance? Why? What is the benchmark? What is the trend over time? Which target – if at all – was set in the SDP? Has the target been achieved? We acknowledge that a simple infographic might not be able to provide an answer to all these questions; however, an open discussion of these issues and cross-referencing with other documents and sources of information (e.g. data.gov.uk) might be welcomed.

Furthermore, one of the expert users highlighted that significant background knowledge about the department and the history of its reporting is necessary to understand the 2% fraud-and-error rate. This goal was set because the materiality for the audit is 2% (Consultation 8). Thus, it is nearly impossible for non-expert users to judge this number. Hence, more background, context and narrative might be beneficial.

Comments on **the timing of risk issues** would also be appreciated by users. FRC (2020) states that “time horizons have shortened, therefore clarifying timing of any matter ... is very useful”. Users expect timely information about shifts in objectives, targets, outcomes and related risks. In particular, it would be helpful to have a clear narrative about which risks were envisaged and crystallised in the

FIGURE 13: Department of Work and Pension Annual Report and Accounts 2016-17: Performance Report (Extracts from p. 13)



accounting year and how they influenced objectives, targets and outcomes, on the one hand, and information about potential risks that have not materialised yet, but might appear in the future, on the other hand.

So there should be a narrative that says, 'actually, this risk, we had to put more resources in to do it to achieve this level of performance', or 'it hits us in terms of not achieving that level of performance', so we get a better link between the objectives, the targets, the risks, the performance report and the numbers and the government statement.

(Interview 7 - GFF)

Importantly, such information cannot be provided solely in ARAs which – by definition – appear once a year. Thus, it would be useful to think about additional tools and formats for providing **timely updates** about risks. Furthermore, the relevance of time horizons might vary depending on the group of users, e.g., the general public has more long-term interests whereas parliamentarians' concerns are rather short term (Consultation 1).

Finally, a **clear discussion of risk appetite and mitigation efforts** is crucial. In particular, what do departments do to reduce excessive risks?

Because [...] you may find yourself in a position where – as an organisation – you've got a really severe risk which is currently out of your risk appetite, you know. So somebody picking up those accounts would either want to know if they are doing an awful lot to bring that back in and that I can go and look back at that in the future to see how successful or not they were in bringing that back in. But sort of stating it as a sort of static position – where our current risk is and

these are the things we are doing about it – doesn't actually necessarily tell you whether the organisation has confidence that it can reduce those risks over time. And I think what you do see in some circumstances, some instances and with some organisations is reporting of quite severe risks which just seem to kind of stay there as, you know, we are living with these risks, we are doing things but they never seem to move that much. So that sense of, you know, is that actually what we're planning to do, is this a risk which we are always going to be living with at a certain elevated level or is this something which, from an accountability perspective, we need to be demonstrating that actually we are taking that risk down.

(Interview 14 – Financial auditor, NAO)

Ideally, in the eyes of users, risk reporting would initiate an open discussion about what could go wrong, and which mitigation plans are in place if potential threats materialize. Users are ready to accept that things seldom develop exactly as planned but would appreciate an ex-ante discussion about them. This discussion might – and maybe should – go beyond the framework of ARAs and, as we argue below, can severely contribute to the maintenance of user trust.

Possible ways of improving risk reporting

Most user needs discussed above have been recognised in the new version of the Orange Book and, particularly, in the FReM 2020-21. According to the latter, departments will have to disclose risks in three central parts of ARAs: the "Overview" and "Performance Analysis" sections of the Performance Report and the Governance Statement of the Accountability Report (Table 1). This new format of risk reporting should improve the accessibility of information and facilitate the comparison of performance and risks.

The description and explanation of risks should, first, be included in the Performance Report in the “Overview” section of departmental ARAs:

The purpose of the “Overview” is to give the user a short (no more than 10 to 15 pages) summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

(FReM 2020-21 p. 15)

Second, the Performance Analysis part of the Performance Report should include a more detailed explanation of risks:

Information on how the entity measures performance, i.e. what the entity sees as its key performance measures, how it checks performance against those measures and narrative to explain the link between KPIs, risk and uncertainty.

(FReM 2019-20 p. 16)

Third, the Governance Statement, within the Accountability Report, has to include a detailed explanation of risk management and internal control system.

The new FReM 20-21 is a good starting point for encouraging departments to **report risk in a more systematic way** and with relevant cross-referencing. Our empirical materials also suggest that users might appreciate more work on a taxonomy of risks in order to unify the terminology across departments and across time. Suggestions on the digitalization of documents and creation of a dashboard discussed above would also apply to risk reporting. The creation of a risk reporting taxonomy and tags shared by all departments would be ideal in order to enhance comparability across organisations and over time. The already mentioned expertise of FRC on XBRL reporting and the structured data format could also be useful in the risk reporting field.

A web-based version of annual reports, as published by Canadian and Australian departments, facilitates the explanation of jargon via links or metadata. However, at the moment, neither the Canadian nor Australian departments have reached such a level of maturity in their web-based version of annual reports. However, to illustrate what we suggest, we refer to an example from the Canadian Revenue

TABLE 1: New format of risk reporting (adapted from FReM 20-21) Report section Subsection Report on risk/risk management

REPORT SECTION	SUBSECTION	REPORT ON RISK/RISK MANAGEMENT
Performance Report	Performance overview	“A summary of the principal risks faced and how these have affected the delivery of objectives, how they have changed, how they have been mitigated and any emerging risks that may affect future performance.” (p. 22)
Performance Report	Performance analysis	<p>“Further detail on the risk profile of the organisation, i.e. the risks it faces, how risks have affected the organisation in achieving its objectives, how they have been mitigated and how this may affect future plans and performance. This should also cover how risks have changed over time and through the period – including significant changes in risks, such as a change in the likelihood or possible impact, and new and emerging risks. How existing and new risks could affect the entity in delivering its plans and performance in future years should also be discussed.” (p. 24)</p> <p>The discussion of risk in the analysis section covers risk in relation to performance, what risks are faced and how these are mitigated against. (p. 24)</p> <p>“Clear and effective cross-referencing between the three sections is encouraged where relevant and appropriate” (p. 24)</p>
Accountability report	Governance statement	<p>“All reporting entities covered by the requirements of this Manual shall report on the review of the risk management and internal control system and the main features of the entity’s risk management and internal control system in preparing a governance statement.” (p. 30)</p> <p>“The discussion of risk in the accountability report instead focuses on the risk management and internal control system” (p. 24).</p> <p>“clear and effective cross-referencing between the three sections is encouraged where relevant and appropriate” (p. 24).</p>

Agency's risk reporting section. The figure below shows that some acronyms are underlined (e.g., SSC); if a user passes over them with the mouse, the full explanation of abbreviations appears. In a similar way, departments could explain even more complex jargon. We saw a similar solution in the context of the Canadian InfoBase described above.

Furthermore, an essential aspect for building trust is to show users what went wrong in the delivery of a programme and the potential (forward-looking) risk. In other words, the narrative and choice of wording should reflect *risks that have crystallised and potential risks*.

However, although modern users would appreciate the improvement of risk registers, they clearly want to see more focus on the right part of Figure 11 which is related to the overall story of the organisation, risk appetite and risk mitigation.

For example, government programmes and services might be partly delivered by external entities which are situated outside the remit of the organisational boundary of central government departments. However, users have expressed

their interest in risks associated to these entities, and they use different documents to understand the risks of these departments. A dashboard within annual reports and accounts or an electronic web-based attachment to annual reports might help users to identify which documents and other pieces of information they might need in order to acquire a complete picture of the risk.

In this spirit, the Canadian Department of Justice presents its risks with a clear connection to government-wide responsibility. We believe that this is an important aspect for public sector risk management and risk reporting given that responsibility for service delivery might transgress organisational boundaries (see Williams (2020) on the Windrush Lessons Learned Review).

Importantly, Canadian departments also make an effort to explain how the risks they report fit into the overall governmental and departmental narrative by providing the rubric "Link to mandate letter commitments or to government-wide and departmental priorities" (Figure 14). However, we think that the comments in this column still remain rather general and do not sufficiently enhance scrutiny.

FIGURE 14: Extract from Government of Canada, Department of Justice, Departmental Result Report, Key Risks

Risks	Risk response strategy	Link to the department's Core Responsibilities	Link to mandate letter commitments or to government-wide and departmental priorities
<p>Responsiveness to new and emerging policy priorities – There is a risk that the broad scope and complexity of the justice system may pose ongoing challenges for timely policy and program responses.</p>	<ul style="list-style-type: none"> Maintained a close dialogue with partners and stakeholders (e.g. through targeted or public consultations). Continued to monitor, research and analyze emerging trends to inform forward planning. Conducted regular departmental planning sessions to promote information sharing and coordinated consideration of key policy issues. Conducted succession planning through knowledge management and skill/leadership development. Developed additional policy capacity by encouraging employees to take relevant training on consultation and engagement. 	<p>Justice System Support</p>	<ul style="list-style-type: none"> Commitment to advancing reconciliation with Indigenous peoples. Interdepartmental collaboration and speed of delivery of mandate letter commitments. Review of the criminal justice system. Ensuring that Canadians' rights and privacy are respected. Legalization and regulation of cannabis. Amendments to the legal framework governing anti-terrorism efforts.

Source: https://www.justice.gc.ca/eng/rp-pr/cp-pm/dpr-rr/2018_2019/supp/ockr-corp.html

Furthermore, the publication of ARAs in two formats – as a pdf and in web format (discussed in Part I of the report) – might improve **the timeliness** of risk reporting. A web-based version of an annual report provides the opportunity for departments to regularly update changes in risk appetite and risk mitigation.

Furthermore, we found **two visual tools** that might help preparers to provide a holistic picture of risk changes over time as a part of the overall strategy. First, in its report on the Covid-19 crisis, FRC (2020) published a figure that illustrates the interrelation of strategy, risks, possible futures and disclosure (Figure 15). This figure reflects the fact that the user needs to be informed about risks with respect to different time horizons and with clear links to strategy and KPIs.

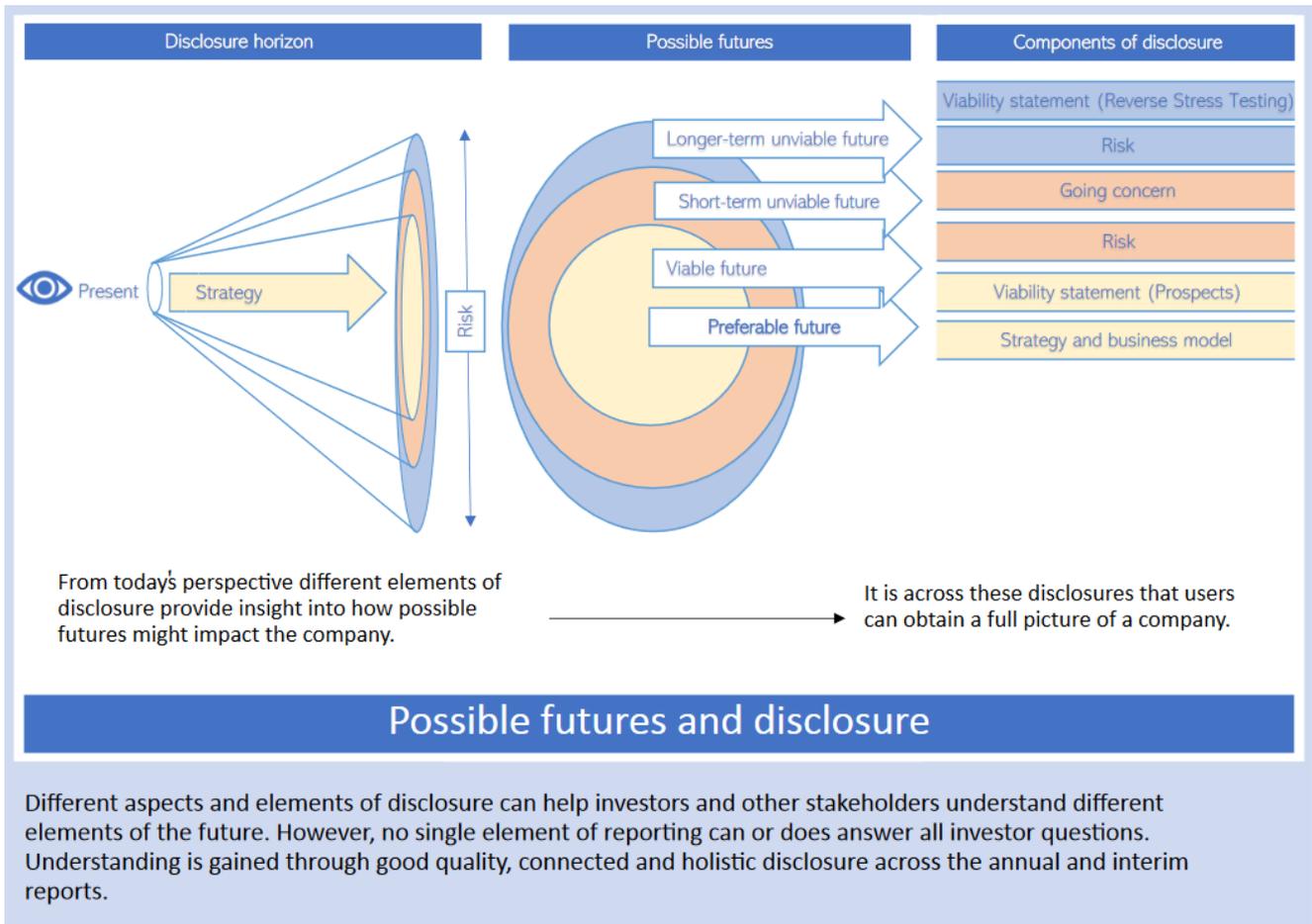
Second, one of interviewees suggested the report by the Nuclear Decommissioning Authority (2019) as a useful example of mission progress reporting:

So this is not specifically financial information, but they responded to a challenge that we set them which was to say actually how can you demonstrate some progress on this very long term, over a hundred years, kind of programme of work, where you are currently reporting that there is an intolerable level of risk in terms of our nuclear estate. How can you start to give people confidence that you are doing something about this and that you are reducing that risk? And so they've actually done some I think quite good work in trying to kind of categorise down the different components of what they're doing into kind of classifiable sections so that they can then start to kind of almost report on kind of a percentage completion basis. You know, this is how much nuclear material that we have to reprocess, it's going to take us 50 years but we are currently 18% of the way through and in X number of years we expect to be 30% of the way through.

(Interview 14 – Financial auditor, NAO)

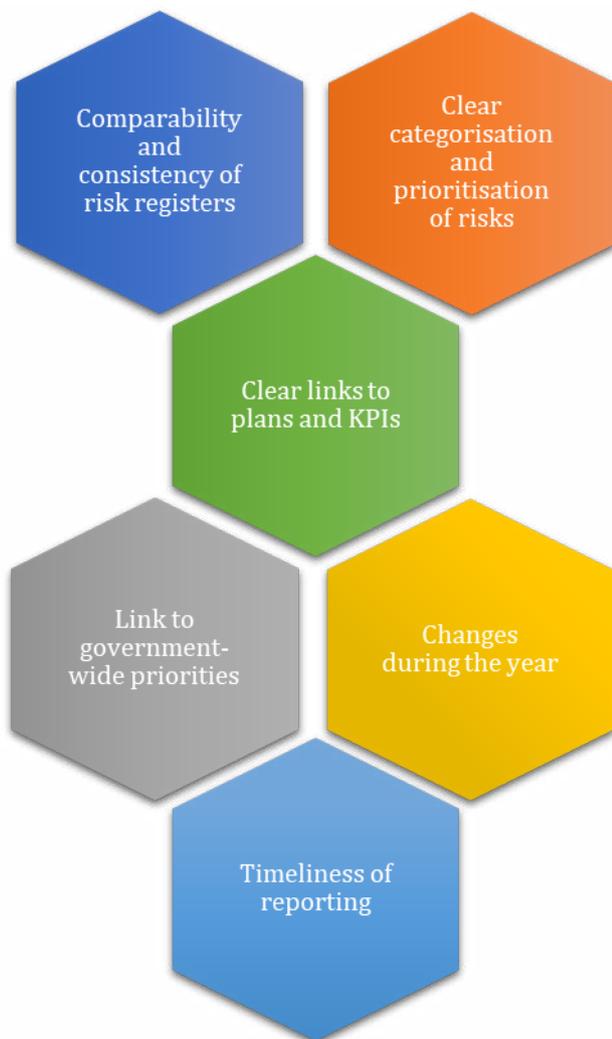
We found the way in which the achievements and risks are presented on a timeline in this report quite useful and informative.

FIGURE 15: Possible future of disclosure (FRC, 2020)



User needs uncovered in our research (Figure 16) can provide the basis for identifying best-practice examples in risk reporting. The criteria outlined above could complement previous work by the NAO “Good Practice in Annual Report” (NAO, 2020), FRC Lab studies (FRC, 2017b, 2018), Institute for Government’s ranking of departmental annual report transparency (Freeguard et al., 2020), guidance provided by professional bodies and accountancy firms (ACCA, 2014; ICAEW, 2011; PwC, 2016, 2019), the Government Financial Review Best Practice 2018-19 (HM Treasury, 2020a) and materials from the Winton Research Center at the University of Cambridge and the Risk and Regulation Advisory Council.

FIGURE 16: Criteria to identify best practice in risk reporting: a users’ perspective



Finally, we hope the results of our research might prompt the HM Treasury to conduct a *thematic review on risk reporting*.

Trust, limitations for improvement of risk reporting and the issue of vulnerability

Risk reporting seems to be a suitable instrument to support “the shift from the instrumental to more narrative-based account giving, which entails more social or relational form of accountability” (Rana and Hoque, 2020). “Intelligent” risk management (Power, 2004) and risk reporting might provide an opportunity to strengthen the communicative aspect of accounting, to engage in and maintain an honest dialogue with stakeholders about the assumptions, biases, uncertainty and complexity of the government’s activities and thus serve as a trust-building instrument for social accountability and scrutiny. Because risk reporting is partly forward-looking (ex-ante), it might relativise the control logic which is primarily ex-post. Risk reporting can become an instrument that “signals the absence of [trust] abuse” and – to some degree – signal vulnerability. “Willingness to accept vulnerability” is the necessary pre-condition of trust (Möllering, 2001; Beckett, 2005). By opening an honest discussion about where governmental departments’ plans can go wrong (risks), the risk reporting section of ARAs could become an instrument that allows users to pay attention to “vulnerable” issues, raise the “right” questions and enter into an open dialogue. By doing so, risk reporting could contribute to annual reports being fair, balanced and understandable. Our empirical materials suggest that this is exactly what various groups of users of central government reporting want.

At the same time, this is the most difficult step to make in the context of central government, where “the negativity bias” (Charbonneau and Bellavance, 2012) and blame avoidance (Hood, 2011) dominate. It is crucial to consider that risk reporting by the central government – as a part of accounting – is inevitably political:

The real questions here are constitutional. They are not actually questions about accounting, they are questions about what do you want the scrutiny of government to look like and that ultimately is a political question.

(Interview 10 – Financial expert and Select Committee staff member)

The ideal of open reporting and dialogue with users is difficult to achieve because:

here is the political imperative in government. It comes down to the nature of what is being reported and how it is being reported, and the difficulty I think between what is politically acceptable for a department to acknowledge and what is actually interesting to MPs.

(Interview 10 – Financial expert and Select Committee staff member)

Thus, as interviews suggest, trust is jeopardized by this political “involvement” of accounting: “You are asking the government to publish information that they may actually not want to publish” (Interview 10 – Financial expert and Select Committee staff member). The main issue at the nexus of trust and risk reporting in central government is that “the information which is separated from the political process” is trusted (Interview 3 – Journalist 1) whereas risk reporting in governmental annual reports will never be fully independent from politics.

Furthermore, the obligation and wish to be as transparent as possible about all eventualities coincides with the performative aspect of communication, that is, the danger of making things real by sheer talking. Political organisations have to consider the effects of their communication about risks and uncertainties on expert stakeholders and the general public. Departments are very economical with the publication of their internal scenarios and projections (e.g., internal SDPs) because some audiences might “read” some risks and worst-case scenarios as a possibility, see it as what a department thinks *will happen*.

I think it's much more likely that [departments] will be transparent in internal [plans] than they will in external ... The problem with risks I think is, and I've seen this in many organisations, is the moment you say it's a risk then people can make hay with that, they use it for saying, 'oh you are in some way suggesting that the plan isn't right or something, 'you haven't put enough money into it', you're saying 'there are areas of uncertainty that we know we've got to manage', but the language of risk is not always helpful in terms of saying, it allows people to just pick it up and say, 'okay well you knew this wasn't going to work' or 'you're actually already saying this is flawed'. [But] we're not saying that, we're saying there's a degree of uncertainty, so I think it's kind of a challenge to be as public as we would want.

(Interview 7 – GFF)

The reason why risks are generally under-communicated is that there is *performative uncertainty*; that is, uncertainty about how something that is said and presented is perceived by various audiences. This is about *risk perception*, a subject that has never been properly researched in the context of risk reporting, especially in the public sector.

Still, it is interesting that users acknowledged the trust-building potential of transparent risk reporting in the interviews. For example, a policy expert for the Select Committee of one of the departments put forward the opinion that risk reporting could be beneficial for the government:

*[Risk reporting] would be really useful because at least ... I may be naive, but I think if they [government departments] are open about the risk and how they're mitigating, I think, parliamentarians when they are scrutinising... **they may be a bit more generous when they are questioning them** because they've identified risks and said how they might mitigate it.*

(Interview 11 – Policy expert and Select Committee staff member)

Here, the expert user points out open communication as a trust-building element of risk reporting. While addressing own vulnerabilities, the provider of risk reports makes itself – maybe paradoxically – *less vulnerable and more trustworthy* in the process of scrutiny because some important questions can be mentioned and discussed in advance. The last thing that users want is the presentation that “everything is fine”. Nothing jeopardizes trust more than this style of presentation.

If something happens, e.g., plans are changed or objectives not reached, the Select Committee might justifiably ask:

Why haven't you thought about this before? Although they might have, but they haven't told us. So maybe risk reporting actually will play into their advantage.

(Interview 11 – Policy expert and Select Committee staff member)

According to this interviewee, risk reporting could “play into favour of government” in the sense that it can anticipate the issues that the Scrutiny Unit and parliamentarians may ask and allow action in advance. Thus, based on the interviews, we would suggest that risk reporting has indeed the potential to develop into an instrument for building trust and fostering dialogue.

To achieve this, a rather long-term change of culture seems to be necessary. The risk management framework envisaged in the new version of the Orange Book (2020) should be linked to the governance and culture of the organisation. In this context, a Chief Risk Officer (CRO) could be established as a new role in the departments in order to facilitate embedding of risk management and risk reporting in the organisational culture. Existing research on effective risk management shows that successful CROs promote dialogue, experimentation and learning in organisations (Mikes, 2016). Furthermore, Hall, Mike and Millo (2015) demonstrate that successful risk managers establish and maintain interpersonal connections with decision-makers, explain and adopt their formal tools and manage to embed them in decision-making processes. In the same way, the new risk management framework produced by the Treasury claims that risk considerations need to be embedded in every step of decision-making: from planning (in single departmental plans) to implementation and reporting to external stakeholders. But, again, embracing a more open and honest risk culture in this way would take time, although it would clearly benefit accountability and user trust.

PART II: Ideas for future research

- More research on diverse user groups and their needs is necessary. This research would help identify the documents they use and the ways they work with different types of data provided by the Treasury and other governmental bodies. For example, there are datasets that are regularly demanded and commented on/scrutinised by particular groups of users. Some groups create and utilize their own databases; knowledge about data used in those databases could enhance the work on data digitalisation.
 - **A fully fledged study of user needs** similar to the FGRS in the Canadian public sector (Office of the Auditor General of Canada and United States General Accounting Office, 1986) or the FRC Lab “Risk and viability reporting” project in the private sector (2017) might help us to better understand the interrelations between user needs, purposes of financial information use (van Helden and Reichard, 2019) and the circulated documents. As suggested in the report at hand, this research could be the first step in identifying the proper structure for archiving documents.
 - To do this, one might want to **broaden the range of research methods** by using surveys, interviews or focus groups with users or analysing transcripts of hearings in the Select Committees. Furthermore, we think that the User Preparer Advisory Group is an excellent forum and a “gate opener” for such research.
 - Analysis of a **number of website hits (gov.uk) and document hits** could provide useful information about users’ priorities and interests. We were also advised to investigate whether the strategies for improving accessibility and understandability employed by the Canadian government boosted the level of engagement, for example, whether the number of hits at the website increased.
 - We also received the suggestion to analyse the **longevity (or trends) of document downloads**. For example, in the case of private companies, we see that users download companies’ reports as soon as they are released, and then interest in the reports decreases. Maybe, in the case of governmental reporting, users download reports only when something happens that triggers their interest. In other words, the timeliness is different in the public sector than in the private sector (Consultation 1).
 - We hope that the results of our study will prompt the HM Treasury to conduct **a thematic review on risk reporting**.
 - Finally, more research is necessary on **the risk culture of governmental departments**. How is information filtered between backstage and frontstage? How are decisions made on which risks are communicated to external users and in which form? What is told and what is silenced? Such research has been partly conducted in the private sector but is completely missing in the governmental sector. We are convinced that such research could help to enhance the implementation of the new “Orange Book” and FReM 2020-21.
- Indeed, our interviews suggest that the organisational culture in departments might play an important role in the realisation of plans and initiatives to improve data accessibility and usability as well as risk reporting. As the discussion on accessibility and understandability of accounting information in the public sector has been evolving for quite a while, reflection on **why many recommended steps have NOT been implemented** might be helpful. All goals discussed in this report “sound easy to achieve – but they are not as there are significant blockers and constraints which will require sustained effort to overcome” (Freeguard, 2020). Such blockers might relate to incentives and organisational culture (funding pressure, attitude towards data as not a strategic priority, historical ways of working with data, poor user engagement that fails to recognise user needs or over-prioritisation of the needs of specific users at the expense of others, etc.). However, they might also be related to data quality itself (e.g., a lack of data standards throughout the government, legacy systems; built-in data inconsistency, etc.) (Freeguard, 2020). It is crucial to understand which hurdles prevail and how they can be overcome (Consultation 9).

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APPENDICES: Appendix 1 – Interviews list

INTERVIEWS/CONSULTATIONS	TYPE OF ACTOR
DEC 2019	
Consultation 1 - Financial Reporting Lab - FRC	Standard Setters for private sector accounts
Consultation 2 - Expert 1 - Academic expert in public finance	Expert in the field, expert user of governmental accounting and statistical information
Consultation 3 - Expert 2 - Researcher and expert in public finance	Expert in the field, expert user of central and local governmental accounting and statistical information
Interview 1 - Campaigner-Journalist-Accountant involved in several NGOs	NGOs' representative, expert user of governmental accounting and statistical information
JAN 2020	
Interview 2 - HM Treasury, Government Finance Function (GFF)	Standard setter for central government accounts
Interview 3 - Journalist 1	Expert user, journalist
Interview 4 - Journalist 2	Expert user, journalist
Interview 5 - HM Treasury, Government Finance Function (GFF), Whole of Government team	Whole of Government Accounts (WGA) preparer
FEB 2020	
Interview 6 - Former member of the UK Government Accountancy Service	Former standard setter
Interview 7 - HM Treasury, Government Finance Function (GFF) and a Government Department Risk and Assurance Director	Standard setter, Risk and Assurance Director
Interview 8 - Financial Scrutiny Unit, Parliament	Expert user, advisor to Parliament and select committee
MAY 2020	
Interview 9 - Researcher and Think-tank member	Expert user, expert user of central governmental accounting and statistical information on equality
JUNE 2020	
Consultation 4 - Expert 3-Researcher and expert in public sector accounting	Expert in the field, expert user of governmental accounting and statistical information
Consultation 5 - Expert 4-Researcher and expert in organisational behaviour	Expert in the field of corporate communication
Consultation 6 - Expert 5-Researcher and expert in public sector accounting	Expert in the field, expert user of governmental accounting and statistical information
Interview 10 - Select Committee Specialist	Expert user of governmental accounting and statistical information
JULY 2020	
Interview 11 - Scrutiny Unit Specialist	Policy expert, non-expert user of governmental accounting and statistical information
Interview 12 - NAO and Select Committee Specialist	Expert in the field, expert user of governmental accounting and statistical information
AUGUST 2020	
Interview 13 - Select Committee Specialist	Expert in the field, expert user of governmental accounting and statistical information
Consultation 7 - Expert 6 - Researcher a former member of IPSAB Board	Expert in the field, expert user of governmental accounting and statistical information
OCTOBER 2020	
Interview 14 - Financial Auditor, NAO	Expert in the field, expert user of governmental accounting and statistical information
Consultation 8 - Expert 8-Expert in public sector accounting	Expert in the field, expert user of governmental accounting and statistical information
Consultation 9 - Expert 7 -Researcher and expert in public sector accounting	Expert in the field, expert user of governmental accounting and statistical information
Consultation 10 - Expert 9 -Researcher and expert in public sector accounting	Expert in the field, expert user of governmental accounting and statistical information

APPENDICES: Appendix 2 - Interview Guidelines

Generalized guideline for interviews with users

Introduction and Consent Form

We currently received a grant from BAFA (British Accounting and Finance Association) in cooperation with ACCA (the Association of Chartered Certified Accountants) and HM Treasury to support the HM Treasury's efforts to enhance user's trust in governmental financial reporting.

Our research stemmed from the concern expressed by the HM Treasury on users' trust in governmental reporting. Although, important initiatives had been introduced to improve the usefulness of departmental reports and Whole of Government (e.g. "Streamlining and Simplification" project), experts and users criticized the skew of reporting towards positive news and the lack of transparency and understandability (e.g. in the Accounting of Democracy reports published by the Public Administration and Constitutional Affairs Select Committee). Our project aims to support the Treasury in its efforts to improve transparency and trust.

Background information

Could you please describe **your role**?

Evtl.:

- How do you support parliament in their scrutiny role?
- Could you give us some examples?

General discussion

Where do you generally get information regarding governmental finances, e.g. spending, funding, taxes etc.?

What **type of information** are you looking for? What type of documents? For which **purpose**? On which **occasions** do you look into financial info provided by the government?

How important are governmental reports in providing you with the relevant information?

Which sections of governmental reports do you use?

Do you prefer to work with numerical information? Or with textual explanations?

Which type of visualization do you find useful?

Do you consider reports produced by the central government trustworthy? Why?

What steps – from your perspective - should be taken to improve trust in governmental reporting?

Discussion on accessibility and understandability

Can you easily find the information you need or have you experienced difficulties in finding data and materials?

Could you give us examples?

Are there any other points with respect to accessibility?

Could you give us an example when you struggled with understanding governmental accounting information?

What are the issues here?

Could you give us an example when the lack of understandability was detrimental for your job, function, decision-making?

Do you consider the accounts as **transparent** enough?

Could you give us an example?

Trust and Risk Reporting

In our project we aim to investigate the ways to enhance users' trust in the UK Government reporting. In particular, we focus on whether trust in financial reporting can be achieved through improvement of risk disclosure. The nexus of **trust** and **quality of risk reporting** is our focus.

In the In the Government Financial Reporting Review published by the HM Treasury it is stated that Treasury plans to enhance mandatory risk reporting (p. 63). The new Orange Book emphasises that disclosure on risk management and internal control should contribute to the annual report being fair, balanced and understandable (p. 35)

What is your opinion on this statement?

How would you describe current risk reporting practice?

- Is it helpful in your job/function?
- Do you use information provided in risk reporting parts of ARAs? On what occasions?
- Would you please have a look at the excerpt from the risk reporting section we sent to you per email? What do you think about this excerpt? Please comment. Is it helpful? Does it answer your questions? What do you like about it? If yes/no, why?
- What would you consider as a best practice example in term of risk reporting? (what are example of best practice in your eyes?)

Which improvement would you like to see on risk reporting in term of:

- a. visualization and presentation of data
- b. narratives around numbers

Further contacts

Are there any other users of governmental accounting information that you would us suggest contacting?

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