

The use of budgetary and financial information by politicians in parliament: a case study

Use of
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information

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Abstract

Purpose – The purpose of this paper is to research the use of accounting information by politicians. Based on the Portuguese Parliament setting, it seeks to understand how useful politicians consider this information to be, what type of budgetary and financial information they use, and for what purposes. Finally, the research also seeks to find out whether politicians resort to expert intermediaries or advisors help them in the use of this information.

Design/methodology/approach – Following a qualitative and interpretative methodology, the study draws upon interviews with Members of Parliament in Portugal (and their technical advisors (TAs)) from all political parties, in particular the members of the Budget, Finance and Administrative Modernization Committee (COFMA) of the Parliament.

Findings – Research shows that, due to the general lack of knowledge and the complexity of the accounting information, politicians in the Parliament do not use it frequently, only occasionally. To be better or worse informed for the debates and other activities depends on each Member of Parliament's personal willingness to prepare oneself, notwithstanding some aggregated and previously analyzed information made available by official technical support units. Parliamentarians may also resort to TAs, who prepare the information at their request. Both intermediaries and TAs are deemed important to support parliamentarians' understanding of more technical budgetary and financial issues.

Practical implications – This paper shows that politicians acknowledge there is room for improving the role of information intermediaries and advisors, who would support them to better understand and use accounting information. Parliamentary groups in charge of hiring advisors, as well as accounting professionals, in Portugal and in other countries, must be aware of the very useful role accountants play in this process.

Social implications – While allowing to understand whether and how politicians use accounting information, this research contributes to the process of public sector accounting reforms in Portugal, and at an international level, inasmuch as public sector accounting and reporting standards should better address these users' information needs. Assuming that these reforms would foster more accurate, transparent and useful information for accountability and decision making, it is essential that politicians acknowledge and become real users of accounting information, in order to accomplish those objectives.

Originality/value – This study contributes to the general knowledge of how politicians use accounting information. Academic studies so far have not gathered enough evidence about the type of accounting information that is actually important for politicians. This paper highlights that use of such information by politicians depends on individual skills and their willingness to receive the appropriate advice.

Keywords Members of parliament, Accounting advisors, Accounting information needs, Information understandability

Paper type Research paper



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1. Introduction

The users of accounting information are a seminal and recurrent topic within studies of the conceptual frameworks underlying either business accounting or public sector accounting standards.

According to the IPSASB's (2014, §2.4) conceptual framework, the primary users of general purpose financial reporting/reports (GPFs) of public sector entities are citizens, i.e., "[...] service recipients and resource providers who do not possess the authority to require a public sector entity to disclose the information they need for accountability and decision-making purposes." Furthermore, "the legislature (or similar body) and members of parliament (or a similar representative body) are also primary users of GPFs, and make extensive and ongoing use of GPFs when acting in their capacity as representatives of the interests of service recipients and resource providers."

As representatives of citizens, and often major decision-makers, politicians are indeed expected to be users of public sector accounting information on the public sector (Giacomini *et al.*, 2016). However, the reality in several jurisdictions seems to show that politicians, namely parliamentarians, are not interested in using this type of information for their activities (Liguori *et al.*, 2012; Van Helden, 2016) – the information is often quite complex, extensive and the decision-making process seems to be based on the political rationale that does not award much importance to accounting information.

Recently, the debate in the academic literature on public sector accounting has addressed the following issues (Van Helden *et al.*, 2016): whether politicians, namely parliamentarians and members of government, do use accounting information; if affirmative, which accounting (cash-based budgetary and accrual-based financial) information do they use in particular; and whether they resort to accounting at all as a tool/source of information for their activities. An additional issue in the debate concerns the reasons for politicians not using this type of information, if that is the case.

Some literature suggests that politicians lack the necessary expertise for using highly technical and complex accounting information, namely financial accrual accounting. Consequently, they underestimate its value for the political activities (Olson and Shalin-Andersson, 1998; Guthrie *et al.*, 1999; Ezzamel *et al.*, 2005; Liguori *et al.*, 2012). As a result, politicians tend to use this type of information selectively (Paulsson, 2006; Buylen and Christiaens, 2015; Grossi and Reichard, 2016), or symbolically, e.g. accrual-based accounting is said to be used by politicians because of its symbolic power and not on considerations of its real usefulness for public sector entities (Liguori *et al.*, 2012).

On the other hand, scholars fail to understand which financial information topics matter to politicians. In consequence, there is the need to ask politicians what type of information they want, need, avoid or prefer for their activities (Askim, 2015).

Another branch of the literature highlights other factors which discourage the use of accounting information by politicians, namely information overload (derived from multiple stakeholder interests and multi-dimensional accountability requirements); large amounts of information are prepared, but lack the quality needed to take decisions (Eppler and Mengis, 2004). This indicates the need for simplified, summarized and transparent information, which could be prepared by "intermediaries," "brokers" or "advisors" (Rutherford, 1992; Heald, 2003; Fung, 2013). The latter could work for politicians and prepare the information they do not have time or the know-how to collect, analyze or even read, or that they otherwise do not know about, but which should be informed or explained. Jorge *et al.* (2016b) already analyzed the role of information brokers, acting as information intermediaries, who provide accounting information in general for politicians in the Parliament and in Central Government. This study also pointed out that particularly Members of Parliament (MPs) may resort to technical advisors (TAs) who prepare information specifically for each parliamentary committee, hence acting as experts.

Because in the above-referred literature politicians are presented as lacking the skills required to understand accounting information, it is unclear whether and how they even use it, especially MPs in their role and tasks as representatives. Therefore, this study aims at generally looking into the use of accounting information by MPs. Accounting information is broadly understood as including budgetary and financial reporting.

Using the case of the Portuguese Parliament, this paper researches, in particular, whether politicians understand and find this information important and useful, what type of information they use (budgetary and financial, cash- or accrual-based), if any, and for what purposes. Finally, it tries to understand whether politicians resort to TAs, experts on accounting matters for preparing information they need, namely for supporting parliamentary debates, and ultimately impacting the way they use accounting information.

To accomplish these objectives, this paper addresses the following research questions:

- RQ1.* Is budgetary and financial information understood by, and useful for, MPs?
- RQ2.* What type and sources of accounting (budgetary and financial) information do MPs actually use in their activities, and for what purposes, namely in parliamentary debates?
- RQ3.* In order to get accounting information to support their activities, do politicians resort to any type of intermediaries or TAs (who may be considered “information brokers”)?
- RQ4.* Does resorting to intermediaries or TA impact the use politicians in the Parliament make of accounting information?

Following a qualitative and interpretative methodology, the study draws upon interviews with MPs in Portugal (and their TAs), representing all of the political parties, in particular those that are part of the Parliamentary Committee for Budget, Finance and Administrative Modernization (COFMA). MPs in this Committee deal specifically with budgetary and financial matters, and are thus the principal users of accounting information, compared to other MPs.

While being an explorative study, this paper contributes to the general knowledge of how politicians use accounting information. Academic studies so far have not gathered enough evidence about which type of accounting information is actually used, and how, by politicians. Moreover, in an overall context of public sector accounting reforms, toward accrual accounting, international harmonization and IPSAS, it is important to understand whether and how politicians use the information provided by the new accounting and reporting systems.

Henceforth, the paper is organized as follows. Section 2 presents a literature review on the use of accounting information by politicians. Section 3 briefly explains how intermediaries or advisors can make a difference by supporting the use of accounting information by politicians. The empirical study of the case of parliamentarians in Portugal follows in Section 4. It begins with a brief characterization of the Portuguese Parliament, then explains the type of accounting information at central government level available for politicians, and finally addresses the methodological issues. Section 5 presents the main findings. The paper ends with discussion and concluding remarks in Section 6.

2. The use of accounting information by politicians

Financial information is commonly understood as that which is included in the general financial reports entities prepare, either in the public or the private sectors, according to accounting standards applied in each of those settings. This information is also assumed to be prepared and disclosed with the overall objective of being useful to a diverse group of users,

who generally use it for accountability and decision-making purposes (IPSASB, 2014). In the public sector context, the main reason for disclosing financial information of public sector entities relates to accountability. However, when the development of conceptual frameworks started to be discussed and reforms drew public sector accounting closer to business accounting, the decision-making purpose was also brought to the context of public sector information disclosure (Rutherford, 1992; Jones and Pendlebury, 2000; Oulasvirta, 2012).

Accordingly, the “use” of financial information in the public sector might be defined as the way “users” potentially “utilize” that information. For example, for the decision-making purpose, public managers use financial information to decide how to manage the entities they are responsible for, or investors/financiers to decide whether to invest or provide funds. Concerning accountability, Parliaments and Courts of Auditors may use financial information to monitor public spending by government agencies and the executive power (control functions), or to help citizens understand the use of public money and the consequences in terms of future taxes.

One may consequently ask about politicians’ place in this context. They might be decision-makers in government departments or municipalities, or parliamentarians with oversight and representative duties, who discuss and assess the Government’s activities and reporting, and promote resolution measures.

Recent literature (e.g. Van Helden, 2016) includes a proliferation of researches that have been looking deeply into the use of financial information in the public sector for management purposes (e.g. Ter Bogt, 2003; Liguori *et al.*, 2012; Kroll, 2014) and as support for decision making (e.g. Moynihan and Pandey, 2010). The results of those studies overall suggest that this information does not seem to attract politicians’ attention significantly (Buylen and Christiaens, 2015; Jorge *et al.*, 2016b). Due to specific knowledge required to understand and use financial statements, politicians are frequently referred to as not having the skills for reading financial information; instead they reveal clear preference for non-financial information, e.g. related to performance measurement (Olson and Shalin-Andersson, 1998; Guthrie *et al.*, 1999; Ter Bogt, 2004; Askim, 2007; Ezzamel *et al.*, 2007; Moynihan and Pandey, 2010; Liguori *et al.*, 2012).

The changes that many countries have been introducing in recent years in public sector accounting systems, at different levels of government, have given special importance to the use of financial information in the public sector. Ezzamel *et al.* (2005) point out that particular accounting systems, namely accrual-based, have made it possible to have more appropriate public management, considering the improvement in the information produced for accountability and decision-making purposes. Such reforms toward accrual-based accounting make it imperative that key stakeholders in the public sector, including politicians, become acquainted with the information prepared and disclosed, which should therefore be the basis for analysis and discussion. A neglected area of research has been how elected politicians use financial information (Pollitt, 2006), although researchers have been giving it more attention lately. Yamamoto (2008) studied how politicians use financial reporting (cash and accrual-based) in policy-making. He concluded that, while only a few politicians read and fully understand financial reports, on the other hand, they do not find accrual information more useful than cash. In order to make financial reporting more useful in political decision-making, politicians need to establish a link between financial and non-financial information, given that they have a broader outlook on public finance and accountability. Along these lines, the study of Jorge *et al.* (2016a) indicated that usually politicians associate accrual-based accounting information with the National Accounts (government financial statistics), because these provide a macro-overview of the Government’s finances to which politicians pay special attention.

Other studies have analyzed politicians’ perceptions of the importance of performance and financial information, rather than assess the actual use of that information (e.g. Liguori

et al., 2012; Van Helden, 2016). Literature also shows that, considering the particularities of public sector entities (e.g. non-for-profit objectives, the political importance of budgets, taxes as main sources of funding, [...]), in some cases, financial information is not only used as a decision-making tool (e.g. Guthrie *et al.*, 1999; Windels and Christiaens, 2006), but it assumes other roles that have little to do with rationality in organizational actions (Behn, 2003; Cohen *et al.*, 2013; Van Dooren *et al.*, 2010).

Furthermore, there is little empirical evidence about the use of information disclosed in the financial reports or about the factors that affect the use of financial information, in practice, by politicians. Referring to performance information, Saliterer and Korac (2014) conclude that the availability of information is the driver of use. Askim (2007) refers to the context to explain that, in specific political areas, politicians use more information, suggesting that decisions made by politicians need to be contextualized, so specific cases of use of such information could be better identified and the purposes of that use better understood.

Some studies are about politicians and their use of financial information, but discuss topics of different nature, such as budget cycles (Bastida *et al.*, 2013; Ribeiro and Jorge, 2015) or budget preparation on an accrual basis (Sterck, 2007).

Research on the use of accounting (budgetary and financial) information by politicians is indeed scarce. One of the few examples is the study by Buylen and Christiaens (2015) about Flemish local councilors, suggesting that financial accounting information is hardly used in budgetary debates. The authors believe that this is due to the fact that the use of financial information presupposes a more economic rationale, whereas budgetary information is taken into account more easily in political assessments. The fact that the budget has a political profile means that political and budgetary decisions may be based more on public interest and ideological considerations than on the assessments of financial performance. Consequently, financial information is significantly ignored by politicians (Raudla, 2012). Politicians are, most of the time, not so willing to use financial information (Buylen and Christiaens, 2015) due to factors such as the complexity of policies formulation, legal restrictions, mismatch between strategic planning and budgeting and the short-term horizon of their mandates (Steyvers *et al.*, 2006; Van Dooren *et al.*, 2010; Pollitt and Bouckaert, 2011). Buylen and Christiaens (2015) add that very specific information is often quickly dismissed as unworthy or unused by politicians, because scholars apply a classic or excessively rigid definition to the concept of use. Accordingly, Moynihan (2006) explains that the results of political decisions are unlikely to be systematically related to financial information, hence such relationship is not easily observed by the researchers. Buylen and Christiaens (2015) also highlight that the use of information by politicians is generally less formal and less direct than the information in the financial reports. The extent and type of use of the financial information may depend on the political decision-making process (Guarini, 2016; Giacomini *et al.*, 2016).

Guarini (2016) emphasizes that the use of financial information by politicians for the budget debate aims fundamentally at highlighting only concrete political questions, whereas Askim and Baldersheim (2012) and Liguori and Steccolini (2018) consider that it is only intended to promote political debates, to set the political agenda and to relieve the informational asymmetry between the legislative and executive powers. Buylen and Christiaens (2015) showed that, for budget review meetings, politicians use information to improve the quality of the debate and allow legitimacy, by identifying problems and triggering discussions, pointing to the differences between the intended and the real performance. The fact that parliamentary debates are open to the public can be a political opportunity for attracting votes (Carvalho *et al.*, 2012). Consequently, the selection and the use of information for public debates happen in a context of a variety of beliefs, motifs and preferences, thus reflecting and simultaneously being affected by the contextual conditions

(Moynihan, 2006; Guarini, 2016). Giacomini *et al.* (2016, p. 490) find that “when political conflict escalates, executive board members devote greater attention to accounting information, using it to develop policies. Furthermore, when politicians of the majority and opposition parties get involved in the decision-making stage, accounting information can be used as ammunition to defend or attack a decision.” In this case, “the reliability of data and different abilities to access the data, matter.”

3. Information intermediaries and the use of accounting information by politicians

The concept and role of information intermediaries or brokers have been discussed in the literature about governmental information transparency and accountability, and open government (e.g. Fung, 2013; Lourenço *et al.*, 2016). Accountability takes into account the fact that citizens are entitled to access government financial information; therefore, if such information is adequately published and provided to citizens (i.e. more transparent and open), they can better assess the responsibilities of politicians and public sector officials, namely concerning the use and allocation of public resources (Bovens, 2005; Caba Pérez *et al.*, 2005; Lourenço *et al.*, 2013).

In broad terms, those information intermediaries are important for generally making government financial information more understandable to the final users. While these users are citizens to whom public officials and politicians are accountable, information brokers relate to media and journalists (Heald, 2003; Fung, 2013). If the end users are politicians, the intermediaries might be individuals or groups who offer advice and technical support.

Politicians in Parliament are seen as potential internal users of public sector financial information (Rutherford, 1992); they are in principle capable of demanding any information they want. Nonetheless, in practice they exert limited power of control, which makes them act as external users of the financial reports of government and public sector entities overall for assessing accountability and general compliance with the legislation (e.g. budgetary restrictions).

As highlighted, information needs of politicians have not been empirically identified. However, there has been an acknowledgment that the nature and objectives of financial statement users in the public sector need to be established by considering the specific context of their activity (Rutherford, 1992; IPSASB, 2014). If politicians in the Parliament require public sector financial information to debate and assess government action, this information cannot be used as provided originally, prepared according to special standards (e.g. directly pursuant to IPSAS reporting and the National Accounts). Some prior aggregation and analysis are needed. Furthermore, to use the information, users need to be able to understand and be capable of processing it (Fung, 2013). Therefore, politicians in their position need to be equipped with skills for accessing and using public sector financial information for their parliamentary activities and debates, so they can meet the goals of controlling and verifying accountability. One way of achieving this is through the support of TAs or intermediaries.

According to Heald (2003, p. 739), information brokers “[...] necessarily play a significant role in the processing of government financial information.” The author underlines an “even greater reliance on information brokers” (p. 748) to deal with the complexity of government information and the information overload. Considering the complexity and multidimensionality of financial information in the public sector, information intermediaries are those processing and packaging the information in ways that suit the values, needs, habits and capabilities of the final users. They are, therefore, believed to have an asymmetric relationship with the information users – they have access to more information and have, *a priori*, more knowledge. Additionally, information intermediaries are supposed to gather adequate expertise, so the information they prepare is highly reliable to be used for informed decision-making and public debate. They are also likely to use

information in ways that mitigate risks for those depending on it (Fung, 2013) – once better informed, users may improve their debates, assessments or decision making.

When bridging between information sources and information users, information intermediaries' behavior might not be as neutral, which possibly affects the interpretation, use and usefulness politicians make of financial information (Birnberg *et al.*, 1983; Heald, 2003). If users do not instruct intermediaries about the information they require, intermediaries or brokers might “manage it” at their will, following their own “agendas” (Birnberg *et al.*, 1983; Heald, 2003), potentially distorting behaviors. Consequently, it is important to understand what is the role of intermediaries or brokers supporting politicians, and how this role affects the use and usefulness they make of accounting (budgetary and financial) information (Jorge *et al.*, 2016b). Regarding this issue, Heald (2003) underlines the importance of the audiences (i.e. addressees) of financial reporting, especially in government contexts where direct users and brokers of such information are scarce. Accordingly, the way accounting information effectively reaches politicians is important for the use they make of this information – what is important for the use is the information politicians receive and not the one that is available. Therefore, depending on who intermediaries work for, when preparing their reports, they have to translate the information into the contents and formats the audience (politicians) values, appreciates and understands.

In summary, brokers or intermediaries are fundamental in gathering and preparing information to support the activities of politicians. They are likely to affect politicians' perceptions of the meaning and usefulness of that information for their overall activities. Considering the Parliament setting and the use of budgetary and financial information, these intermediaries seem even more important, taking into account the technicality of those subjects. Therefore, the competences of information intermediaries working for politicians, as well as of their TAs in financial matters, are of the utmost importance. They have to be experts, or at least possess enough knowledge so as to offer reliable information and to show politicians how they can make the best use of the budgetary and financial information they can access.

4. Study context and methods

4.1 *The Portuguese parliament*

The Portuguese Parliament has a single house – “The Assembly of the Republic[1],” currently formed by 230 members and divided into seven political parties (Parliamentary Groups – PG). MPs are directly elected in general elections, as representatives of all Portuguese citizens, hence acting on their behalf, but in representation of each party's ideology.

The Parliament deliberates in matters specifically established in the Portuguese Constitution, in addition to its role of monitoring the Executive's activity and assuring compliance with the Constitution and the laws overall.

Apart from Plenary sessions, the Parliament functions with two types of Parliamentary Committees: standing committees and *ad hoc* committees. The former are specialized committees working on specific issues, with permanent jurisdiction in each term. The latter is set up with a specific purpose and for a limited time period, in order to analyze in depth a specific matter, presented by a PG and approved in a Parliament plenary session; at the end of that period, these committees are obliged to issue a final report with the main conclusions of their work, for final approval in the Plenary. Besides, the parliamentary standing committees may create several temporary sub-committees and working groups to analyze specific issues of legislative nature, or to monitoring a certain subject.

Currently, there are 12 standing committees in the Portuguese Parliament that deal with several matters. One of those committees is for budgeting and finance issues. It is called the Budget, Finance and Administrative Modernization Committee (COFMA).

COFMA has competencies and political control on all of the affairs under the Ministry of Finance, namely: Strategic Planning Options, national program of public administration reforms and modernization; Budget and State General Account; fiscal policy and public finance; and all other matters under the Ministry of Finance[2]. It has 23 MPs: 1 President, 2 Vice-presidents (one of each of the largest PG) and 20 ordinary members distributed proportionally according to their representation in the Parliament. Only five PG (out of the seven) are represented.

According to the current regime regulating Parliament operations[3], the PG might resort to specialized TAs, namely to work in the committees (Article 109). PG are awarded funds for this purpose, which they may manage as they wish.

Nowadays, four out of the five political parties represented in the COFMA have their own TAs, who are not assigned to any specific MP, but work for the respective PG, i.e., for the MPs of that political party in the COFMA.

4.2 Types of accounting information at the central government level

Portugal is a unitary and centralized country. Due to this centralization tradition, the public sector accounting system is similar between central and local governments. In the middle 1990s, a reform took place approaching public sector accounting to business accounting and introducing the accrual basis. Currently, the public sector accounting and reporting system overall comprises three subsystems: cash-based budgetary accounting, accrual-based financial accounting and accrual-based management accounting. Both at central and local government levels, budgets and budgetary reporting are cash-based, while financial reporting is accrual-based. Therefore, public sector and governmental entities prepare financial reports, generally acknowledged as including both budgetary and financial information. These financial reports are submitted to the Budget General Directorate (DGO), which so far aggregates only budgetary cash-based reporting. Information coming from the budgetary cash-based reporting is therefore the only one available in an aggregate form, for the Central Government, the Parliament, information intermediaries other than DGO and auditing authorities. This information is also the main source for the government financial statistics (National Accounts), being adjusted to be reported according to the accrual basis.

Accrual-based financial statements are prepared by each entity but are not yet gathered; therefore, there is not yet financial information made available in an aggregate form.

In Portugal, there are entities that fulfill the role of intermediaries or brokers, preparing accounting information in general for politicians in the Parliament and in Central Government. These entities are the following:

- DGO – Budget General Directorate, functions in the Ministry of Finance and, apart from preparing information specific to this ministry, it also gathers information from all ministries. It prepares aggregate information regarding the public sector as a whole, to support accountability and decision making.
- UTAO – Technical Unit for Budgetary Support, reports to the parliamentary standing Committee for Budget, Finance and Administrative Modernization (COFMA), generally providing technical support to MPs on matters relating to the monitoring of budget execution, budgetary discipline, PPPs, and debt and investment of all public sector entities, enterprises and regional and local governments.
- CFP – Public Finance Council, acts as a politically independent advisory body, assessing and monitoring sustainability and transparency of public finances in its broader sense.

UTAO and CFP use DGO as main source of information, as well as the National Institute of Statistics (INE). For some specific purposes, they may also resort to financial information gathered directly from each entity.

Currently, the State Budget and the State General Account (cash-based budget execution) work under the Budget Framework Law (Law 151/2015), while an IPSAS-based financial accounting system is beginning to be implemented (Decree-law 192/2015). Despite this recent reform, public sector accounting and reporting will continue to comprise cash-based budgetary reports, accrual-based financial reports (IPSAS approach), and accrual-based management accounting reports. However, Whole of Government Accounts (WGA) are not yet prepared. Consequently, there is not yet accrual-based reporting in the accounts of the central government as a whole, in spite of individual entities under the central government (e.g. governmental agencies) already preparing these.

4.3 Data collection and analysis

This is an explorative study of a qualitative nature. It relies on open interviews made to MPs in Portugal, representing the political parties, who are in particular members of the COFMA. The MPs interviewed were indicated by the presidents of the PG as the most suitable and responsible ones, considering their involvement in financial matters. TAs to the PG in the COFMA were also interviewed, for the purposes of gathering complementary information.

A guiding script with the main questions was previously sent to the interviewees. The questions for MPs addressed general topics in order to realize: their understanding and usefulness of accounting (budgetary and financial) information for their parliamentary activities; the type of accounting information they actually use, and for what specific purposes; the sources and means to get that information, as well as additional processing of the information obtained; whether they resort to any type of intermediaries or TAs to prepare accounting information; and the relevance of these intermediaries. These questions were adapted for the TAs working for the politicians, in order to get their perspective on: the MPs' knowledge about financial and budgetary information and its usefulness; the type of information used and the purposes for which it is used; and specific type of information they were required to prepare for MPs and sources for that information. Finally, they were also asked about their own experience and expertise regarding financial and budgetary information, namely public sector GPFs, and their perspective on the importance of this expertise to help MPs understand and use the information.

A total of nine interviews were made, between January and July 2018, lasting 45–60 min each: five MPs (one of each of the five political parties in the COFMA) and four of their TAs (one political party in the COFMA does not have advisor). The transcripts of the interviews were sent to all interviewees for final validation. They were analyzed pursuant to the procedures of manual directed content analysis (Hsieh and Shannon, 2005).

5. Results and findings

The main findings are summarized and presented in the order of the issues addressed in each of the research questions presented in the Introduction.

5.1 Overall understanding and usefulness of accounting information

MPs replied that they generally have an understanding of cash-based information related to budget execution and reporting, while they associate accrual-based information with the National Accounts (namely government financial statistics). Therefore, accrual-based financial information is not understood as deriving from financial statements and reporting. Nevertheless, they also acknowledge that, in the Portuguese case, accrual-based financial information is not yet aggregated, which compromises its use, given that only in rare occasions they use accounting information of individual entities. Several interviewees underlined that budgetary accounting information is more useful and used because it is provided in an integrated format by the DGO, for the whole of the public sector and several subsectors of the Public Administration.

Additionally, aggregated cash-based budgetary information is usually made available quicker than the information of the National Accounts – timeliness is an important determinant for the information usefulness. Easy interpretation is also crucial:

“[...] there is need for data that is relatively easy to interpret [...]”. Sometimes, “[...] the way the information is presented makes it difficult to scrutinize it.” (Interviewee MP4)

Cash-based budgetary information is less complex than accrual-based financial information – cash-flows are more straightforward; “[...] This information is more useful, because it is the one we know best” (Interviewee MP2). But, “[...] one is not better than the other; they assess different things” (Interviewee MP4).

Subsequently, MPs also highlighted that they basically use information at aggregate level:

[...] we use macro figures, i.e., not considering each entity individually [...] although we may resort to some entities’ statements when a problem arises concerning that entity, or when it is brought to public debate or discussion. Hence, it is occasional. (Interviewee MP3)

Specific information regarding one entity in particular might be useful only in particular situations – e.g. a hospital’s accounts, when financial issues regarding the health sector are under discussion.

One interviewee gave an example concerning the importance of understanding the difference between cash and accrual-based information:

There is a case where this is evident [...] relating to PPP liabilities; these are treated differently on one side and on the other [...] and, if such [cash/accrual] difference was not taken into consideration, we could be given a completely wrong answer either in terms of the financial flows or of the real investment [...]. (Interviewee MP3)

One could also realize that sometimes MPs do not know which financial information is prepared by the entities, either separate or aggregate and even where it can be obtained – e.g. where to obtain information about a certain bank or a business financial group under political scrutiny to debate. They do not have a clear idea of what information is available.

TAs confirmed that MPs have a general idea about the difference between cash and accrual-based information, even more so those who work more directly with budgetary and financial matters. It depends on the parliamentarians’ expertise, and also on their willingness to learn more about these issues. However, all TAs highlighted that, both for themselves and for the COFMA MPs, accruals relate to National Accounts, whereas cash accounting is budgetary information. They explained that “some MPs know exactly there is information related to the National Accounts deficit reporting that is different from the information in budgetary balances” (Interviewee TA1):

Some COFMA members more or less know how to deal with these differences and when they must be considered; however, they do not know details concerning adjustments needed to compare these two types of information. (Interviewee TA3)

TAs themselves, working directly with the COFMA parliamentarians, also associate accrual accounting to National Accounts figures and cash accounting to budgetary information, and they use one or the other depending on the specific situations under discussion. They generally do not use financial accrual-based reporting in relation to specific entities or sectors, because this kind of information is not available in an aggregate format, which they prefer.

5.2 Type of accounting information used, sources, and purposes of use

MPs mostly use information from DGO – cash-based budgetary information, as well as information already prepared by an important institutional information broker working specifically for the Parliament – UTAO. The latter prepares periodic reports, including accrual-based information from the National Accounts. The information gathered by these

entities is more used by MPs, because it is available in integrated systems and prepared by entities with recognized integrity, and instilling confidence in that information. Financial (accrual-based) information is rarely used, if used at all, because it is not available; and when it is available, it is not aggregated and lacks enough reliability.

MPs use information from DGO and UTAO to help them in the debates in plenary sessions in the Parliament. Nevertheless, this information is particularly used by those involved in financial issues and especially when there are specific matters to be debated – in these cases, budgetary and financial information is particularly used in the working groups or specialized subcommittees in charge of those matters, in order for parliamentarians be better prepared for the debates.

They also use technical notes prepared by Parliament services summarizing the legislative projects that are going to be debated for approval. Another clear source of information is external experts, invited to be heard in the working groups or in the committees on specialized issues for discussion:

[...] If the Committee agrees overall, certain entities and personalities can be heard [...].

“MPs in the COFMA also take information gathered during hearings to the Government, and other entities, such as regulators”, e.g. the Bank of Portugal or the Portuguese Securities Market Commission (CMVM). (Interviewee MP1)

Still, it is for each MP to decide how to be better or worse prepared for the plenary debates or for discussing the matter in the Committee. Therefore, each MP has his/her own way to prepare for the debates and may use other sources of information, for example:

Information from google, from the media and from consulting firms. (Interviewee MP1)

Preparation for the debate, hence the use of budgetary, financial or other information of this kind, depends on each MP's preference and interest in the matter. It depends also on each MP's understanding of the parliamentary work and on the level of preparation they want to achieve on a specific subject:

[...] MPs belonging to COFMA are those more inclined and more capable of addressing these issues [...] but [...] each one has his/her own working method [...]. (Interviewee MP1)

[...] there is a big difference between MPs who work in these areas and those who do not [...]. (Interviewee MP4)

Sometimes, they may even prepare information on their own, e.g. for debates in TV, MPs may gather the information they want, developing their own analysis and charts, so they can support specific arguments in public communication:

[...] In this scope [...] for preparing this information, it is often important to distinguish between the two accounting systems [budgetary reporting and National Accounts]. (Interviewee MP3)

However, as one MP underlined in the debate, “it is important to make ourselves understood; otherwise our mission is not accomplished” (Interviewee MP4).

In these processes, MPs may also use, as source of information, studies or reports prepared by universities and other independent civil society organizations.

Finally, it was also clear that financial (accrual-based) information is only used when very specific matters arise, requiring deeper analysis, up to the level of the entity. This information might be used “[...] in very fine analyses, in which MPs will search for such information according to their areas of interest” (Interviewee MP2). For example, when they want to analyze PPPs or some issues related to a particular hospital or to Social Security.

This is also corroborated by all TAs interviewed, who mention that they use cash or accrual information for the COFMA members, on the specific topics under consideration at

any time. Moreover, it was underlined that they do not process the available information, but only collect the information requested by the parliamentarians for each issue in debate, using information already prepared by other intermediaries, who might therefore be the real “information brokers,” such as UTAO, CFP, INE, the Bank of Portugal and DGO, considered institutional intermediaries. They emphasize that sometimes MPs need information about “[...] a hospital debt or on the concrete situation of Social Security, but there is no information available [...] so they cannot use it” (Interviewee TA4).

One of the TAs also mentioned that he gathers information from sources outside of the Parliament, such as from academic studies, or study groups from their own PG. Another advisor stated that he uses studies from international organizations, such as the OECD and the European Commission (e.g. the AMECO database), in order to obtain the “[...] big picture of several topics in economics, and not only accounting information” (Interviewee TA3).

5.3 Resorting to intermediaries or technical advisors – “information brokers”

There seems to be two trends in what concerns the role of intermediaries and TAs to MPs. Some MPs, with less technical knowledge of financial and accounting matters, only use information prepared by the institutional entities, such as the DGO, UTAO and INE mentioned above. These entities act as intermediaries for these MPs who apparently do not need further information. Other MPs, with more knowledge and perhaps more experience in Executive’s functions (e.g. positions in former governments), use additional intermediaries, namely TAs, mostly party-related, in order to obtain a better understanding of the information provided (more detailed, more explained, [...]). They acknowledge the overall complexity of the information, and the need to simplify it; they are also aware of the time needed to collect this information and analyze it for the Parliament, Committee and working group debates, as well as in other political activities outside of the Parliament. TAs working for the PG are seen as crucial in these tasks. Additionally, expert advisors may be commissioned for specialized committees or working groups (COFMA and its working groups, in this case) to provide support in such matters as public finance.

Despite the regulations governing parliamentary functions, allowing each PG to have one or two TAs with a fair amount of knowledge of budgetary or financial matters, MPs mentioned that they may request their aid as they wish. Once more, it depends on the interest, vocation and working method of each MP, while preparing their activities.

The existence of TAs depends on the governance of each PG – even if they are entitled to have such advisors, according to the general regulation of the Parliament, and they receive some budget allocation for that, they may decide not to have (permanent) advisors. An MP belonging to a smaller PG acknowledged the importance of these TAs, but replied that they did not have any.

The TAs in turn underlined that sometimes MPs only ask them to do “secretarial work; not using their expertise and knowledge [...] Again, it depends of the parliamentarian’s will [...] sometimes we could do better, but we are not required to” (Interviewee TA4).

All TAs explained that MPs, namely COFMA members, sometimes use information they gathered themselves. The work of advisors is required depending on the expertise and willingness of MPs, and not in a systematic way and form.

5.4 Importance of intermediaries or technical advisors for the use of accounting information

The important role of (budgetary and financial) information brokers in general, both official intermediaries and particularly specialized advisors for supporting the activity of politicians, was clearly acknowledged, as observed in the following statements:

It should be mandatory [to resort to these types of bodies/people] [...] Politicians in general should be aware that it changes completely the quality of their performance. Evidently, this does not

necessarily imply improvements in the discussions held [...] [...] My experience tells me that sometimes technical dishonesty makes the debate easier [...]. (Interviewee MP3)

The importance of the intermediaries for the financial matters is "...huge... They are greatly important." "For sure [my activity in the Parliament] would not be the same [if I could not resort to this technical support]" (Interviewee MP4).

Technical intermediaries help "...to avoid discussions on technical grounds which are purely and simply wrong and it is often difficult to explain to public opinion that we are having an absurd discussion," just because it lacks the right support (Interviewee MP4).

Some MPs underlined the role of the above-mentioned specialized advisors, who should not only have expertise in Economics (mainly in public finance), but also in Accounting. One MP referred that his PG has an advisor "[...] on hard core public sector accounting" (Interviewee MP3).

Moreover, some MPs said that it is important to look into the role of information intermediaries, because they may treat the official information in one way or another. For example, while DGO essentially aggregates the information, UTAO has privileged access to DGO and INE's information, which it selects and analyses, thus compromising neutrality and the individual use of information according to what each MP may want. This point of view is underlined as follows:

[UTAO] has access to information that we, MPs, do not have [...] not only to the summarized statements; they go into the appendices, etc [...] Very few of us do that, because we do not have additional information [...]. Still, there is already a lot of information produced and available [...] I also think there is a point where the processing of the information – charts, analyses, etc., depends on each one's concern [...] there is some subjectivity. Therefore, I think there is a limit for the official entities to do this [...] There is a limit for what information extraction should be, because otherwise we, MPs, would lose the chance to explore different points of view. (Interviewee MP3)

TAs also highlighted that their role as institutional advisors to MPs should be recognized, namely as advisors to the COFMA members, but also to other parliamentary committees related to financial areas. They think their work should be more than providing information required by MPs:

[...] we have no autonomy [...] we should also process the information, because we are better prepared for that [...] but it depends on our own expertise [...] not necessarily in accounting, but not only in the area of economics; it is necessary to have at least preparation in public finance. (Interviewee TA4)

When asked whether their skills are enough to face the new public sector accounting and reporting systems that are starting to be implemented, TAs referred to the need for additional training that should be provided to PG advisors on these matters.

6. Discussion and conclusion

As main decision-makers in the public sector, politicians would be expected to be accounting (budgetary and financial) information users. However, questions arise concerning whether they actually use that information, and how. Have politicians actually acknowledged the importance of accrual-based financial information in the public sector? Have they realized the impact of public sector accounting recent reforms on the information they have available for using?

The literature on the topic, albeit scarce, evidence that politicians tend to prefer non-financial information because it is less technical, thus easier to understand. Financial information, if used at all, is chosen sporadically, in particular contexts and for specific purposes, either for making decisions or for having rational political debate. Still, there is no evidence of the specific type of financial information politicians may resort to – one still does not know what they actually want, how and specifically what for.

The present study picked up on previous literature and provided additional empirical evidence about whether and how politicians use accounting (budgetary and financial) information. The evidence from the Portuguese Parliament as an illustrative case, allowed the following analysis.

With regards to the politicians' overall understanding and usefulness of accounting information, the paper evidenced that MPs (namely those dealing with budgetary and financial matters) usually understand the overall difference between cash and accrual-based accounting information, but while they associate cash basis information to public sector budgetary reporting, they link accrual-based information to the National Accounts. This happens because, on the one hand, accrual-based financial information is not yet aggregated (e.g. WGA are not yet prepared) and, on the other hand, statistical information from the National Accounts (accrual-based) is especially relevant for assessing international commitments in the EU context. These findings are in line with those of Jorge *et al.* (2016a) for politicians in the central government.

As to the type of accounting information used, sources, and purposes of use, this research showed that MPs use budgetary or financial information, as well as other available information, at their will, occasionally, in particular situations and/or debates. Moreover, financial accrual-based information directly from public sector entities is not used because they think it does not exist or they do not know how it can be obtained, and they prefer to resort to information already prepared by other official bodies such as INE and DGO. Still, not all politicians are interested or aware of those types of information, but only if they are more involved in budgetary and financial matters.

Even if they have some knowledge that allows them to understand public sector budgetary and financial information, politicians generally accept that they lack the expertise and even time to gather and/or analyze such information. So they feel it is very important to have, at least, institutional intermediaries in charge of such tasks. In the case of the Portuguese Parliament, there is a technical support unit (UTAO) for this purpose.

Although existing literature (e.g. Ezzamel *et al.*, 2007; Liguori *et al.*, 2012; Buylen and Christiaens, 2015) has highlighted politicians' lack of interest in accounting information due to the complexity of such information and politicians' inadequate knowledge that prevents them from adequately understanding the accounting reports, this research showed otherwise. The fact that politicians do not use the information does not necessarily arise from lack of understanding, but from the way budgetary and financial reporting is presented to them. They essentially need information to assess government measures and to make decisions about budgetary and other public policies. So, the information not only must be available, but available in an aggregate form so that it can be useful for political decision-making. In the case of Portugal, the only aggregate information comes from budgetary reporting, which is still preferred by MPs, as well as by intermediaries and TAs who prepare the information for them. Non-aggregate financial (accrual-based) information is only used by MPs when very specific matters arise, requiring a deeper analysis up to the entity level. This research's findings are much more detailed than those of previous literature and provide a better understanding of the kind of information politicians need and use.

Concerning resorting to intermediaries or TAs – “information brokers,” it was observed that there is a distinction between institutional intermediaries and TAs in the PG, as the role of each one is different. In Portugal, entities such as DGO, INE and specially UTAO are very important to give support, as they prepare general information for MPs, but do not replace more specialized advisors, whose role and expertise is for each PG to decide. While some politicians are satisfied with the information provided by the institutional intermediaries, possibly resorting directly to other information on their own, others find important to use TAs working individually with each PG, and especially in the parliamentary committee responsible for budgetary and financial matters – in the Portuguese Parliament, COFMA.

However, these advisors often use information previously gathered and analyzed by other institutional intermediaries, namely UTAO, DGO and INE, thus acting as “second line information brokers,” and not using original sources. For very specific matters external expert advisors may also be commissioned.

The importance that politicians attach to official intermediaries or TAs, and to their required expertise, seems somehow to be affected by politicians’ background and their previous experience. This is particularly evident when they were previously in governments or other executive functions, which help them realize the importance of accounting information for public financial management.

As to the importance of intermediaries or TAs for the use of accounting information, this research pointed out that the type of expertise that is required of intermediaries and TAs seems to vary according to the information that MPs need to have. With the appropriate expertise, advisors could better understand financial issues and look for several sources of information, preparing and simplifying it for a better and deeper understanding and explanations, according to politicians’ specific needs. Overall, MPs found that it is fundamental for TAs to have a general background in Economics and Public Finance. Furthermore, there is a general acknowledgment that deeper knowledge of accounting issues would be important, so that they could explain better to politicians the meaning and potential of accrual-based financial information derived from public sector accounts. In the case of Portugal, these intermediaries would be particularly important once WGA are in place, as expected following the ongoing reforms, and this information becomes the source of political debates and decision making. TAs particularly recognize the need for those supporting the PG in COFMA to receive special training in the new public sector accounting and financial reporting system (IPSAS-based), which is currently being implemented.

Finally, while some TAs feel their work is perhaps not relevant enough, others think their role is important for completing the MPs’ own tasks, in the specialized committee (in Portugal, COFMA) or in the parliamentary debates and auditions. They must work in close collaboration.

The findings relating to the intermediaries and TAs and their importance go beyond existing literature, because resorting to intermediaries (institutional brokers or TAs) is key for improving the use by politicians of accounting information, especially that which is drawn from accrual-based financial reporting. Intermediaries with accounting expertise and working directly with politicians can prepare the information according to the latter’s needs, making it understandable, and consequently useful, for politicians’ purposes. Jorge *et al.* (2016b) are the only authors so far to have empirically addressed the role of these intermediaries. In particular, they highlight their not so neutral role while preparing information for politicians.

All in all, this paper highlighted that the use of accounting (budgetary and financial) information depends on politicians’ capacity and their willingness to have the appropriate support and advice. Availability of information is also a crucial factor, namely in an appropriate format adequate to MPs’ needs and understanding.

It is overall acknowledged that more reliable information makes the parliamentary debates richer, more interesting and fruitful. If they are based on less credible information, or information that is likely to be controversial, debates will be deceitful and disappointing. In line with Giacomini *et al.* (2016), debates are naturally confronting situations, and accounting information may be used to better defend or attack an argument. In order to get reliable accounting information is it important MPs to resort not only to institutional intermediaries, but also to TAs with the adequate skills, which should be a mandatory practice within the PG in finance matters-related committees. The role of these information brokers can be decisive in the use and usefulness of accounting information, particularly for accrual-based reporting information. In cases of public sector accounting reforms toward

IPSAS, as nowadays in Portugal, the appropriate advice to MPs is crucial for their understanding of the importance of those reforms to make more information available for their activities.

Practical implications from this research may be summarized as follows. Understanding whether and how politicians use accounting information is central to the process of public sector accounting reforms, in Portugal as well as in other countries, indicating that public sector accounting national and international standards-setters should better address those users' information needs. For accounting information (specially that derived from accrual-based financial reporting) to be useful and used by MPs, it must be prepared in an aggregate, but at the same time, simplified format, addressing their needs and preferences, namely linking to the National Accounts. Since MPs resort to intermediaries to prepare accounting information to meet their needs, these intermediaries, either institutional bodies, TAs in the PG or other, need to have background knowledge in public sector accounting and financial management. Therefore, the research points to the need for accounting experts among the official intermediary bodies and TAs who prepare public sector accounting information for policy-makers. This will allow the latter to understand the importance of this information for public finance management. Accounting experts who prepare information to support the activities of politicians, while helping the latter realize the potential and usefulness of budgetary and financial accounting information, they can also play a key role in the ongoing public sector accounting reforms in many countries. They can be the drivers of a paradigmatic change in the culture of politicians, forcing them to pay attention to accounting information in general (thus becoming real users of such information). At the same time, politicians may better realize how this can change the way public moneys are managed, ultimately influencing the consequences of public policies.

One limitation of this research relates to the fact that it focuses only on the politicians (and advisors) of a specialized parliamentary committee for financial matters. Therefore, future developments of this work may involve complementing the current analysis with an overall picture of the activity of the Parliament as a whole, analyzing the minutes of parliamentary meetings and main debates in the past years. Other matters deserving attention in future research relate to: how politicians' background and previous experience affects the role of intermediaries in the politicians' accounting information use; and the level of aggregation accounting information needs to have in which circumstances, to be useful.

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Notes

1. See www.parlamento.pt/sites/en/
2. For further details see www.parlamento.pt/sites/COM/XIIILeg/5COFMA/Apresentacao/Paginas/Regulamento.aspx
3. Regimento da Assembleia da República no. 1/2018, de 22 de janeiro.

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