PUBLIC SECTOR FINANCIAL REPORTING: A USER NEEDS STUDY IN CYPRUS
This City is what it is because our citizens are what they are.

Plato

428/427 – 348/347 BC

Classical Greek philosopher, mathematician, writer of philosophical dialogues and founder of the Academy in Athens, the first institution of higher learning in the Western world.
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FOREWORD AND ACKNOWLEDGEMENTS

The Public Sector Committee of The Institute of Certified Public Accountants of Cyprus (ICPAC), under the Chairmanship of Mrs. Rea Georgiou, asked Associate Professor Maria Krambia-Kapardis of Cyprus University of Technology to carry out a survey to identify the public sector financial reporting users’ needs and wants from such reports and whether these needs and wants are being met. The research team comprised of Professor Colin Clark, Victoria University, Australia; Associate Professor Maria Krambia-Kapardis; and Nicolas Nicolaides, both from Cyprus University of Technology. Nicolas Nicolaides has played a key role administering the questionnaire, processing the responses and producing the survey data.

The research team is very grateful to the Public Sector Committee, and in particular Messer Rea Georgiou, Andreas Antoniades and Chloe Charalambous, who provided support with their constructive comments and suggestions throughout the study.

As with any project of this nature, the authors are grateful to the participants of the focus groups who gave of their time and generously shared their views. Similarly we are grateful to the many that made their contribution by completing the survey.

*Responsibility for the report, and its views, remains with the authors.*
PUBLIC SECTOR FINANCIAL REPORTING: A USER NEEDS STUDY IN CYPRUS
Public Sector Financial Reporting: A User Needs Study In Cyprus

EXECUTIVE SUMMARY

The Public Sector Committee of the Institute of Certified Public Accountants of Cyprus initiated the project to identify the needs of the users of public sector financial reports and determine whether these needs are being met. The importance of such matters is intensified given the recent global financial crisis in which many governments have increased public expenditure to stimulate the economy. It is expected that, in many countries, this period will be followed by significant cuts in government spending. Citizens are likely to want more accountability from the government and more information on where their money is being spent.

The International Accounting Standards Board (IPSASB) released its Consultation Paper, Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, in September 2008. The Consultation Paper addressed: the objectives and scope of financial reporting, the qualitative characteristics of information included in General Purpose Financial Reports (GPFRs), and the reporting entity. The IPSASB Consultation Paper is an important part of the context of the present study.

Two focus groups were conducted: one of providers of public sector financial information and one of users of financial information. A number of issues were addressed between the two groups and there appeared to be some overlap between the two groups. In general it was ascertained that:

- there is a lack of financial information being provided by government entities;
- more information on debt, pension funds, justification on budget achievement etc would be useful;
- there is a time lag from the end of the period to the time the reports are published which makes the reports less useful;
- financial information from local authorities is limited;

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• the financial information is complex and difficult to comprehend by the users; and

• there is a lack of uniformity in reporting, for example, amongst local authorities or public corporate bodies and more comparative information would be useful, for example comparison between two public sector entities.

Following the findings of the focus groups, a questionnaire was prepared and administered to users who had a particular interest in public sector financial information. In drafting the questionnaire, the Consultation Paper of IPSASB (2008) as well as the comments from the focus groups were used.

A key finding of the survey is that the responses to the questionnaire confirm that the International Public Sector Accounting Standards Board’s Preliminary Views presented in the Consultation Paper have an empirical basis.

Given that the information currently provided is perceived by the users not to be accessible, verifiable, timely, faithfully represented, understandable and comparable with similar EU entities, the providers need to take action to remedy this situation.

RECOMMENDATIONS
Based on the findings of the survey, and the focus groups which preceded the survey, a number of recommendations can be proposed as follows.

1. That annual reporting legislation be enacted, or a Ministerial Council decision be made, requiring the preparation of annual reports for reporting entities.

2. That there be an agreed schedule of public sector reporting entities specifying the bodies subject to the annual reporting requirements.

3. That the proposed annual reporting legislation provide for, consistent with the information needs identified in the IPSASB Consultation Paper (2008), the inclusion of financial and non-financial information about:

   • economic resources of the reporting entity at the reporting date and claims to those resources;

   • the effect of transactions, other events, and activities that change the economic resources of the reporting entity and claims to those resources during the reporting period, including cash inflows and outflows and financial performance;
• the reporting entity’s compliance with relevant legislation or regulation and legally adopted or approved budgets used to justify the raising of monies from taxpayers and ratepayers;

• the reporting entity’s achievement of its service delivery objectives; and

• prospective financial and other information about the reporting entity’s future service delivery activities and objectives, and the resources necessary to support those activities.

4. That, specifically, the annual reports of public entities include:

• an income and expenditure statement;

• a statement of assets and liabilities;

• a cashflow statement; and

• a reconciliation between budget and financial information, where the budget is subject to approval by the Parliament.

5. That accrual accounting be consistently used for all public sector entities.

6. That annual reports be more comprehensive and understandable than at present. To facilitate this, a harmonised reporting format be developed, based on IPSASB standards, and implemented to aid comparability over time and between entities as far as possible.

7. That the annual report include a summary of the strategic plan, objectives, and future plans of the entity and that future annual reports report against the previously published strategy, objectives and plans.

8. That the annual reports are subject to audit and that the audit opinion be included in the annual report of prescribed reporting entities.

9. That the annual reports be prepared, audited, and published initially not more than 120 days after the end of the reporting period. Over time, the period for the production, audit and publication of the annual reports be reduced within the legislation.
INTRODUCTION

Given the recent global financial crisis many governments have increased public expenditure to stimulate the economy. In many countries it is expected that this period will be followed by significant cuts in government spending. Through media coverage and the fact that many citizens will be affected, citizens will want more accountability from the government and more information on where their money is being spent. The existence of better financial reporting “can improve the credibility and integrity of public finances and contribute to a more effective management of public resources”. Aristotle, in the Politics, was the first to note that “citizenry have a right to know how funds are used and that the accounts should be laid before them. In the 13th century England the Magna Carta made clear that there should not be taxation without consent as to how those funds are used”. Since governments raise funds from taxation, provide public goods, borrow from other governments or entities and redistribute this wealth they must ensure their citizens are informed to enable them to exercise their democratic control over the government.

BACKGROUND

The International Public Accounting Standards Board (IPSASB) released its Consultation Paper, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*, in September 2008. The Consultation Paper addressed: the objectives and scope of financial reporting; the qualitative characteristics of information included in General Purpose Financial Reports (GPFRs); and, the reporting entity. Comments were requested by March 31, 2009, with 55 submissions having been made. The Conceptual Framework, once adopted, is intended to establish the concepts that are to be applied in developing International Public Sector Accounting Standards.

The Consultation Paper presented “Preliminary Views” on nine matters about which it sought comment. They arguably represent the best single contemporary source on the basic issues fundamental to public sector General Purpose Financial Reporting. The nine preliminary views are presented below.

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Preliminary View 1 - The Authority of the IPSASB Framework

The IPSASB Framework will not establish new authoritative requirements for financial reporting by public sector entities that adopt IPSASs, nor will it override the requirements of existing IPSASs.

In selecting accounting policies to deal with circumstances not dealt with in IPSASs or other guidance issued by the IPSASB, public sector entities will refer to, and consider the applicability of, the definitions, recognition criteria, measurement principles, and other concepts identified in the IPSASB Framework.

Preliminary View 2 - General Purpose Financial Reports (GPFRs)

GPFRs are financial reports intended to meet the common information needs of a potentially wide range of users who are unable to demand the preparation of financial reports tailored to meet their specific information needs.

Preliminary View 3 - The Users of GPFRs

As a mechanism for focusing on their common information needs, the potential users of GPFRs of public sector entities are identified as:

- recipients of services or their representatives;
- providers of resources or their representatives; and
- other parties, including special interest groups and their representatives.

The legislature is a major user of GPFRs. It acts in the interest of members of the community, whether as recipients of services, providers of resources, or citizens with an interest in, or need for, particular services or activities.

Preliminary View 4 - The Objectives of Financial Reporting

The objectives of financial reporting by public sector entities are to provide information about the reporting entity useful to users of GPFRs for:

- accountability purposes; and
- making resource allocation, political and social decisions.

Preliminary View 5 - The Scope of Financial Reporting

The scope of financial reporting encompasses the provision of financial and non-financial information about:

- economic resources of the reporting entity at the reporting date and claims to those resources;
- the effect of transactions, other events, and activities that change the economic resources of the reporting entity and claims to those resources during the reporting period, including cash inflows and outflows and financial performance;
- the reporting entity’s compliance with relevant legislation or regulation and legally adopted or approved budgets used to justify the raising of monies from taxpayers and ratepayers;
- the reporting entity’s achievement of its service delivery objectives; and
• prospective financial and other information about the reporting entity’s future service delivery activities and objectives, and the resources necessary to support those activities.

It also encompasses explanatory material about: (a) the major factors underlying the financial performance of the entity, the achievement of its service delivery and other objectives and the factors which are likely to influence its performance in the future; and (b) the assumptions underlying and major uncertainties affecting the information included in GPFRs.

Preliminary View 6 - Evolution of the Scope of Financial Reporting
The scope of financial reporting should evolve in response to users’ information needs, consistent with the objectives of financial reporting.

Preliminary View 7 - The Qualitative Characteristics of Information Included in GPFRs
The qualitative characteristics of information included in GPFRs of public sector entities are:

• relevance, which encompasses confirmatory value, predictive value, or both;
• faithful representation, which is attained when depiction of economic or other phenomena is complete, neutral, and free from material error;
• understandability;
• timeliness;
• comparability; and
• verifiability (including supportability).

Constraints on financial reporting are materiality, cost, and achieving an appropriate balance between the qualitative characteristics.

Preliminary View 8 - Characteristics of a Reporting Entity
The key characteristic of a reporting entity is the existence of users who are dependant on GPFRs of the entity for information for accountability purposes, and for making resource allocation, political, and social decisions.

A public sector reporting entity may be an entity with a separate legal identity or other organisational structure or arrangement.

Preliminary View 9 – The Composition of a Group Reporting Entity
A group reporting entity will comprise the government (or other public sector entity) and other entities when the government (or other public sector entity):

• has the power to govern the strategic financing and operating policies of the other entities (a “power criterion”); and
• can benefit from the activities of the other entities, or is exposed to a financial burden that can arise as a result of the operations or actions of those entities; and can use its power to increase, maintain, or protect the amount of those benefits, or maintain, reduce, or otherwise influence the financial burden that
may arise as a result of the operations or actions of those entities (a “benefit or financial burden/loss” criterion).

A major benefit of a Conceptual Framework will be the predictability of the standards and other decisions that are developed subsequent to the Conceptual Framework. The Preliminary Views and the submissions in response to the release of the Consultation Paper further highlight the controversies to be resolved in developing a position on Public Sector General Purpose Financial Reporting. Some of the key matters for consideration include the following:

- Should there be a separate Conceptual Framework, and accounting standards, for the public sector distinct from the private sector?
- If a separate Conceptual Framework, and subsequent standards, for the public sector should that also include the charities and not for profit sector?
- What legal status should be assigned to such a Conceptual Framework? Should it have the force of law, so that its definitions etc are recognised by law?
- Which user groups are to be recognised as the target audience for General Purpose Financial Reports? Are all user groups, and their needs, of the same importance?
- What are the purposes of General Purpose Financial Reports? Do the objectives of General Purpose Financial Reports differ between the public sector and private sector? Are the needs of user groups sufficiently understood?
- Should non-financial reporting, as well as financial reporting be prescribed? If so, should the non-financial information be subject to audit?
- Should the qualitative characteristics of information be the same for the public sector and the private sector? In the case of the qualitative characteristic “understandability”, is the “citzenry”, or “representatives of the citizenry”, or some other group, to be the frame of reference in determining “understandability”?
- Is the reporting entity a separate legal entity? Can a reporting entity be an economic entity without being a separate legal entity?

**METHODOLOGY**

Qualitative and quantitative research methods were used for the present study. Initially the research team organised two focus groups: one of providers of public sector financial information and one of users of financial information. Following the findings of the focus groups (see below) a questionnaire was prepared and administered to users who had a particular interest in public sector financial information. It was considered inappropriate to survey the average citizen, or the man in the street, as it was expected that these individuals may not be well versed with the topic being surveyed. In drafting the questionnaire, the Consultation Paper of IPSASB (2008) as well as the comments from the focus groups were used as the basis. The questionnaire was prepared in
English; the Public Sector Committee of ICPAC translated it to Greek and slightly modified the questionnaire. The questionnaire was pilot tested.

The aims of the survey were to:

1. identify if there is a perception gap between the information needs of the users and their satisfaction level in respect of public sector financial information;
2. to identify what are the information needs of the users for the three segments of the public sector (central government, local authorities, and public corporate bodies); and
3. identify if the characteristics of the information provided meet the criteria as outlined by IPSASB.

The questionnaire had three sections. Section A dealt with the demographics, Section B addressed the User Information Needs and Satisfaction Level and Section C examined the characteristics of financial and non-financial information. Both Sections B and C covered not only central government financial reporting but local authorities, as well as public corporate bodies. Refer to Appendix 1 for a copy of the questionnaire.

FOCUS GROUPS: FINDINGS

The first focus group conducted was that of the users in September 2009. In that group the research team invited representatives from: (a) the financial journalists, (b) members of the accounting and legal professions, (c) Cyprus Chamber of Commerce and Industry, (d) Industrial Employers Federation, (e) academics, and (f) company directors. The providers’ focus group was conducted two days later and individuals were invited from: (a) the Parliament, (b) the Ministry of Finance, (c) National Audit Office, (d) Treasury (e) Public Corporate Bodies (f) University accounting departments, (g) Department of Statistics, and (h) Municipalities.

A number of issues were addressed between the two groups and there appeared to be some overlap between the two groups. In general it was ascertained that:

• there is lack of financial information being provided by government entities;
• more information on debt, pension funds, justification on budget achievement etc would be useful;
• there is a time lag from the end of the period to the time the reports are published which makes the reports less useful;
• financial information from local authorities is limited;
• the financial information is complex and difficult to comprehend by the users; and
• there is a lack of uniformity on reporting, for example, amongst local authorities or public
corporate bodies and more comparative information would be useful, for example
comparison between two public sector entities.

QUESTIONNAIRE ADMINISTRATION
The research team identified a group of 1000 individuals that were likely to have used public sector
financial information. The questionnaire was then distributed by email and additionally
administered at a public sector accounting seminar organised by the Public Sector Committee of
Cyprus (ICPAC). There were 135 responses, 34 of which had missing data and the research team
decided to delete them from the group so as to have more complete findings. Thus there were 101
useable responses. The response rate is appropriate given that this is a specialised field of research
and it is not expected that the average citizen in Cyprus uses public sector financial reports.

The number of respondents provided sufficient data to enable descriptive statistics for the purpose
of this report. Further statistical analysis will be the subject of a subsequent academic publication.
Having perused the responses it was noted that there were no respondents who have “never” used
“any” of the forms of financial information being considered, i.e., Financial Reports; Budgetary
Reports; Audit Report of the Auditor General; Annual Reports of Ministries/Departments/Other
Services; Annual Budgets; Reports on Budget Achievement; Management Reports; Announcements;
and Announcements in Print and Electronic Media. Therefore, it appears in the presentation of the
findings that there are a large number of respondents who have never used a particular form of
financial information; however, they are users of at least one of the forms of financial information.

As illustrated from the demographics, the respondents are a group that are well versed with the
issues being examined which makes the findings reliable and useable. The demographics of
respondents are presented in the following section and then the major findings are presented in
the section Survey Findings. The response to all of the survey questions are presented in graphical
form in Appendix 2.

QUESTIONNAIRE DEMOGRAPHICS
The respondents, as illustrated in Diagrams 1 and 2, were mainly 31-50 year olds, male, with an
undergraduate degree (48%) or postgraduate qualifications (48%). Only 4% of the respondents had
high school leaving certificate as their highest academic qualification. Interestingly, 90% of the
respondents had professional qualifications as well as their academic qualifications. Furthermore as
shown in Diagram 3, the majority of the respondents (63%) were recipients of services or their representatives, whilst 25% were providers of resources and the remaining 12% belonged to special interest groups. The respondents (see Diagram 4) believe that financial information provided by the public sector is useful to users because it:

- makes the public sector accountable;
- makes resource allocation possible;
- assists in social decisions; and
- assists in decision making for the public sector.

**SURVEY FINDINGS**

**USER NEEDS AND SATISFACTION LEVEL**

As indicated in the IPSASB Consultation Paper the various users of financial information have a right to access this information because they are:

- providing funds involuntarily and cannot choose not to do so e.g. taxpayers, ratepayers; or
- providing or receiving goods and services from the government thus they need to know; or
• they are members of a special interest group with an interest in the funding and delivery of particular services.

A list of information categories was provided in the questionnaire and the respondents were asked to state what their information needs are for the three segments of the public sector. As indicated in Diagram 5, the users appear to have “a lot” of information needs as far as the public sector is concerned. These needs of course are greater in respect of the central government rather than the local authorities or the public corporate bodies; hence there is skewness in the diagram. More specifically, 60% of the respondents have “a lot” of information needs or “absolute” needs in respect of the central government; whereas for users of information in respect of public corporate bodies 49% have “a lot” of information needs or “absolute” information needs, and for users of information in respect of local government 46% have “a lot” of information needs or “absolute” information needs.

These needs vary depending on the type of information. The respondents were asked to state their needs and satisfaction level for the following information:

• the types and amounts of resources currently available for providing services in future periods and claims to those resources
• the amount, sources, and uses of resources raised during the reporting period
• the amount and sources of cost recovery during the period, including amounts recovered from taxpayers, ratepayers, fee-for-service consumers, and donors
• whether resources have been used economically, efficiently, and effectively, and in accordance with approved budgets and other authority that justified the raising and use of those resources
• the entity’s performance in achieving its service delivery objectives; including quantitative and qualitative aspects of its service delivery achievements

• anticipated future service delivery activities and objectives of the entity, including information about their anticipated cost and the amount and sources of the resources that will be allocated to their provision

• prospective financial and other information useful in assessing the sustainability of government operations and programs and at what level

• revenue (tax, grants, running costs, undertakings of loans ...)

• expenses (wages, running, subsidies, social benefits, public works, interest, paying off loans ...)

• assets (fixed assets, bank balances, investments, debtors, reserves ...)

• liability (loans, creditors, obligations/ reserves for pension funds ...)

• reserve funds

• guarantees

• achievement of budget

• achievement of objectives

• legal obligations

• future planning/strategies

The major user needs appear to be for information on:

(a) revenue, expenses, liabilities, and guarantees;

(b) whether resources have been used economically, efficiently and effectively and in accordance with approved budgets;

(c) whether the budget and objectives have been met; and

(d) legal obligations and future planning and strategies. (See Diagrams 7, 9, 11, 13, 15).

Whilst it is evident that the users have information needs (see Diagrams 8, 10, 12, 14, and 16) the users are not satisfied with the information currently provided (see Diagram 6). The extent of the satisfaction varies for the three segments of the public sector but it is evident that there is a gap between users needs and their satisfaction level.
Table: Overall Satisfaction Level with the Information Currently Provided

<table>
<thead>
<tr>
<th></th>
<th>Very dissatisfied</th>
<th>Dissatisfied</th>
<th>Satisfied</th>
<th>Very satisfied</th>
<th>Not applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>31%</td>
<td>27%</td>
<td>27%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Local Govt.</td>
<td>43%</td>
<td>28%</td>
<td>18%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Pub. Corp.</td>
<td>42%</td>
<td>25%</td>
<td>21%</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Diagram 6: Overall Satisfaction Level with the Information Currently Provided

Diagram 7: User Needs: Revenue Disclosure

Diagram 8: Satisfaction Level: Revenue Disclosure

Diagram 9: Information Needs: Liabilities

Diagram 10: Satisfaction Level: Liabilities

Diagram 11: User Needs: Achievement of Objectives

Diagram 12: Satisfaction Level: Achievement of Objectives
FREQUENCY OF INFORMATION USAGE

In the case of central government financial information, on average the information is mainly used “once” to a “few times” a year. In the case of local government and public corporate bodies the financial information is not used very frequently (see Diagram 17).

For the Auditor General’s report, it appears that 85% of the respondents do access it to read in respect of central government whereas 60% access it for local authorities and public corporate bodies.
ACCESSIBILITY OF THE INFORMATION

It is important to know how the financial information is accessed so as to enable the improvement of reporting and transparency. As shown in Diagram 18 the users predominantly access the financial information and annual reports through published documents or the internet. However, some written and oral requests are made. As indicated in the focus groups by some participants, on occasions they do not know where to locate the information, and they sometimes need to make written requests to the various providers.

CHARACTERISTICS OF FINANCIAL AND NON-FINANCIAL INFORMATION

The Consultation Paper\(^6\) states that the financial information ought to have a number of attributes to be useful to users. These attributes are: relevance, faithful representation, understandability, timeliness, comparability and verifiability. The respondents of the present study believed that the information is relevant and comparable by year but it is not:

- faithfully represented;
- understandable;
- timely;
- verifiable; or
- accessible.

According to the IPSASB (2008) information is “relevant if it is capable of making a difference in achieving the objectives of financial reporting... whether information about these transactions, other events, or activities is capable of making a difference in the assessment of accountability or in decision-making does not depend on whether the information has actually made a difference in the past or will definitely make a difference in the future”. According to the IPSASB (2008) information may be capable of making a difference and thus be relevant even if some users choose not to take advantage of it or are already aware of it. The respondents of the present study indicated that they believe the financial information provided is relevant particularly for the central government (see Diagram 19).

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\(^6\) Ibid, par. 4.2 p. 31
However, the relevance of the non-financial information is lower than for financial information as indicated by Diagram 20.

Faithfully represented information, according to the IPSASB\(^7\) is attained when information is complete, neutral and free from material error.

Completeness implies that it includes all “information that is necessary for faithful representation of the phenomena that it purports to depict”\(^8\). If information is omitted then the information is misleading or false.

Neutrality “is the absence of bias that is intended to attain a predetermined result or to induce a particular behavior”\(^9\). Therefore, neutral information is free from bias thus it “faithfully represents the economic and other phenomena that it purports to represent”\(^10\). Therefore information is not neutral if it influences a particular decision to be made in order to achieve a predetermined result or outcome.

Information sometimes may include estimates. To faithfully represent estimates there should be appropriate inputs, and “each input must reflect the best available information”. Sometimes however it may be necessary to “explicitly disclose the degree of uncertainty in financial and other information to faithfully represent economic and other phenomena”\(^11\).

As indicated in Diagram 21, the respondents feel that the financial information provided by local government is not faithfully represented. This view is also held for the public corporate bodies but to a lesser extent for the central government. The same holds true for non-financial information (see Diagram 22).

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\(^7\) Par. 4.11, p. 33
\(^8\) Par. 4.14, p. 33
\(^9\) Par. 4.15, p. 33
\(^10\) Ibid
\(^11\) Par. 4.17, p. 34
Understandability is the “quality of information that enables users to comprehend its meaning”\(^\text{12}\). The information provided should respond to the “needs and knowledge” of the users. In other words the language used should be ‘plain’ and the information should be presented in a readily understandable manner. Thus information should be concise, classified, and presented clearly. As indicated earlier the respondents of the current survey are considered to be individuals with a reasonable knowledge of government activities and the environment in which it operates to enable them to make a judgment as to the understandability of the financial and non-financial information provided to the users by Cypriot government entities.

It appears from Diagram 23 that the financial information provided is to some extent understandable, particularly in respect of the central government, and to a lesser extent for local government and public corporate entities.

The understandability of the non-financial information (Diagram 24) is lower than for financial information.

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\(^\text{12}\) Par. 4.20, p 35.
Timeliness means “having information available to users before it loses its capacity to be useful for accountability and decision making purposes”\(^{13}\). By having relevant information available sooner than later it is possible for the users to make informed decisions. Lack of timeliness can “render information less useful”. The findings of the present survey as far as timeliness are consistent with the view held by the IMF on this matter. According to the Financial Standards Foundation, Best Practice Report for Cyprus (August 2009)\(^{14}\) the IMF’s Article IV Consultation report states that there is a major drawback in reference to Cyprus. Cyprus is consistently failing to provide information in a timely manner.

When information is out of date, or provided with 1-2 years time lag that information ceases to be useful. If we are to consider the current economic situation where there is a need to lower the budget deficit and the government is trying to find ways to increase its revenue it is inappropriate to review information on a public sector entity which is two years out of date. Thus the authorities including the Auditor General ought to reconsider why it takes them so long to publish information and to find ways to make this information readily available on a timely basis (see Diagrams 25 and 26).

![Diagram 25: Financial Information-Timeliness](image1)

![Diagram 26: Non-Financial Information-Timeliness](image2)

Comparability: Where information is comparable it enables users to identify similarities and differences between two sets of phenomena. The usefulness of information is “enhanced if it can be compared with:

- “Budget or prospective financial information for the entity for the reporting period or reporting date
- Similar information about the same entity for some other period or some other point in time and or

\(^{13}\) Par. 4.22. p. 35

• Similar information about other entities”.

The respondents of the present survey felt that the financial information provided is comparable with prior years however both the survey respondents and those who participated in the focus groups felt that the financial and non-financial information ought to be comparable with relevant public sector entities in different EU member countries (see Diagram 27).

Verifiability is “a quality of information that helps assure users that information faithfully represents the phenomena that it purports to represent...in some cases may be described as, supportability” . Verifiability is often used to refer to financial information whilst supportability tends to refer to qualitative and prospective information disclosed.

The terms imply that the information is:

• Supportable,
• representing the “phenomena that it purports to represent without material error or bias; or
• an appropriate recognition, measurement or representation method has been applied without material error or bias”.

Direct verification is achieved for instance when one counts cash or checks records. Indirect verification is when it is possible to recheck the inputs or recalculate the outputs using the same accounting convention. Thus the assumptions made in preparing the information ought to be transparent so as to enable the users to make an informed decision as far as the assumptions used and the methods of compilation, measurement, representation and interpretation of the information. This will enable the users to confirm that the information represents the “phenomena that it purports to represent without material error or bias”. In fact “the more verifiable or supportable is the information included in the financial report, the more useful it is”.

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15 Par. 4.25 p. 36
16 Par. 4.28 p. 36
17 ibid
The respondents indicate that the information particularly that from local authorities and public sector entities tends not to be verifiable (see Diagram 28).

**ACCESSIBILITY OF FINANCIAL INFORMATION**

According to the IMF’s 2005 Report on the Observance of Standards and Codes (ROSC), whilst Cyprus meets a number of criteria of the Code, Cyprus falls short of many of the requirements on making information publicly available. The same report states that “Cyprus needs to publish fiscal data more frequently and regularly, make the fiscal relationship between its national and local governments more transparent, subject its macroeconomic forecasts to external scrutiny and clarify regulation of public-private partnerships”21. Diagram 29 illustrates that the respondents do not believe that financial information is accessible.

**ENDORSEMENT OF IPSASB CONCEPTUAL FRAMEWORK**

A key finding of the survey is that the responses to the questionnaire confirm that the International Public Sector Accounting Standards Board’s Preliminary Views presented in the Consultation Paper have an empirical basis.

First, the questionnaire responses confirm that each of the broad categories of users identified in the Consultation Paper is present amongst the respondents, albeit in varying proportions. That is the three broad categories is a representative description of users: recipients of services or their representatives; providers of resources or their representatives; and other parties, including special interest groups and their representatives. In respect of the more specific user groups identified in the Consultation Paper, the survey findings confirm that all user groups are present with the exception of “donors including international organizations”. The presence of specific user groups may vary according to the circumstances of the country. Perhaps, as to be expected, there is considerable variation in the size of the respective user groups identified within the Consultation Paper.

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20 Par. 4.31 p. 37
21 Par. 4.32 p. 37
22 cited in standards Forum, 2009:4
23 ibid.
Second, the survey responses confirm that each of the information needs identified in the IPSASB Consultation Paper was rated as being a significant information need, with responses predominately in the “some”, “a lot” or “absolute” information needs categories. This provides strong confirmation that the IPSASB has correctly identified information needs of users. This was found to be true for the users of general purpose financial reports in respect of central government, local government and public corporate bodies.

The survey did not ask respondents to rate the importance of the qualitative characteristics of the information as set out the IPSASB Consultation Paper but rather asked respondents to rate the importance of financial information. Interestingly, because the questionnaire used the term “faithfully represented” as per the IPSASB Consultation Paper and also the term “reliable” respondents rated the information provided using both of these characteristics, amongst others. Whilst the response category with the most responses was “Neither Agree nor Disagree”, there were differences in the pattern of responses for both categories. Does this raise the prospect that the terms “faithfully represented” and “reliable” have slightly different meanings for public sector annual report users?
RECOMMENDATIONS AND CONCLUSIONS

The Constitution of the Republic of Cyprus (1960) makes specific mention to the disclosure of Budgets and the responsibility of the public sector to provide this information. More specifically, Part IV (Article 81) states that the Budget is introduced to the House of Representatives at least 3 months before the day fixed by law. Furthermore, the same Article states that within 3 months of the end of the financial year the final accounts shall be submitted to the House of Representatives.

There are other Parts of the Constitution e.g. Part VII (Articles 126, 127, 128); Part XI (Article 165, 166,167,168) and Part XII (Article 169) which are addressing the issue of public sector information and responsibilities of the public sector officers but are less relevant to the issue in question.

RECOMMENDATIONS

Based on the findings of the survey, and the focus groups which preceded the survey, a number of recommendations can be proposed as follows.

1. That annual reporting legislation be enacted, or a Ministerial Council decision be made, requiring the preparation of annual reports for reporting entities.
2. That there be an agreed schedule of public sector reporting entities specifying the bodies subject to the annual reporting requirements.
3. That the proposed annual reporting legislation provide for, consistent with the information needs identified in the IPSASB Consultation Paper (2008), the inclusion of financial and non-financial information about:
   - economic resources of the reporting entity at the reporting date and claims to those resources;
   - the effect of transactions, other events, and activities that change the economic resources of the reporting entity and claims to those resources during the reporting period, including cash inflows and outflows and financial performance;
   - the reporting entity’s compliance with relevant legislation or regulation and legally adopted or approved budgets used to justify the raising of monies from taxpayers and ratepayers;
   - the reporting entity’s achievement of its service delivery objectives; and
   - prospective financial and other information about the reporting entity’s future service delivery activities and objectives, and the resources necessary to support those activities.
4. That, specifically, the annual reports of public entities include:
   - an income and expenditure statement;
   - a statement of assets and liabilities;
   - a cashflow statement; and
   - a reconciliation between budget and financial information, where the budget is subject to approval by the Parliament.

5. That accrual accounting be consistently used for all public sector entities.

6. That annual reports be more comprehensive and understandable than at present. To facilitate this, a harmonised reporting format be developed, based on IPSASB standards, and implemented to aid comparability over time and between entities as far as possible.

7. That the annual report include a summary of the strategic plan, objectives, and future plans of the entity and that future annual reports report against the previously published strategy, objectives and plans.

8. That the annual reports are subject to audit and that the audit opinion be included in the annual report of prescribed reporting entities.

9. That the annual reports be prepared, audited, and published initially not more than 120 days after the end of the reporting period. Over time, the period for the production, audit and publication of the annual reports be reduced within the legislation.

CONCLUSIONS AND BRIDGING THE GAP

In order for legislators and others that have the capacity to make changes in public sector financial reporting it is important to realize that all three segments of the government are interrelated and interlocking. If one of the segments is not reporting, as expected by the users, the entire system will be subject to criticism. Thus there is a need to find ways to improve financial reporting for all three segments. It should also be noted that the perceptions of users about their satisfaction with the GPFRs indicate that there are some differences between the segments, nevertheless there is broadly similarity in the level of satisfaction or dissatisfaction about GPFRs of the three segments of the public sector.
Given that the information provided currently is perceived by the users not to be accessible, verifiable, timely, faithfully represented, understandable and comparable with similar EU entities, the providers need to take action to remedy this situation.

Whilst the providers are working on making the financial and non-financial information closer to the needs of the user, the users need to be educated and trained in how to read and access this information.

Many overseas governments have made public sector financial information more user friendly. The providers need to realize that an ordinary citizen such as a taxpayer, with an average level of understanding, should be able to access, read and be able to interpret if and how the government is spending their money.

In order for the gap to be bridged the stakeholders (both providers and users) need to recognize that financial information disclosure is a complicated matter and cannot easily be presented in a simpler form without detracting from its meaning.

It is encouraging to observe that users have acknowledged that public sector financial information serves a useful purpose in making governments accountable, in assisting in political and social decision and in efficient resource allocation. For their part the providers of the financial information in the present study are willing to improve the reporting of the information they currently present as this was evident from the focus groups.

In looking at financial reporting of other countries we are confident to say that there is no ready panacea public sector financial reporting and that each country should carry out its own study to identify what is expected by its users and ensure those needs are met.
BIBLIOGRAPHY


APPENDICES
APPENDIX 1. QUESTIONNAIRE – PUBLIC SECTOR FINANCIAL REPORTING

Taking into consideration the role that the ICPAC has to adhere to as far as financial disclosure by the public sector and the fact that 350 of its members are employed by the public sector, the Public Sector Committee in collaboration with Dr. Maria Krambia-Kapardis, (an Associate Professor at Cyprus University of Technology and a member of ICPAC) as well as Professor Colin Clark (from Victoria University of Australia) are carrying out the following study.

«Financing information that is provided to the citizens by the public sector in Cyprus»

The findings of the study will be beneficial to the economy generally and the public sector specifically.

Financial information means the information with regard to the economic situation, the performance and the changes in the economic situation of an entity, which is useful to a wide field of users in order to assist them in their decision making.

The term «Public Sector» covers the Central Government, Local authorities (e.g. municipalities) and Semi-government organizations.

Section A: Demographics and other Related Information

This section aims to gather general demographic background information that would help the researchers analyze the results. Please answer the following questions accurately by choosing your response:

<table>
<thead>
<tr>
<th>A.1 Gender:</th>
<th>A.2 Your age group:</th>
<th>A.3 Educational and professional qualification?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male 1</td>
<td>20-30 1</td>
<td>High School Graduate 1</td>
</tr>
<tr>
<td>Female 2</td>
<td>31-40 2</td>
<td>Undergraduate – Diploma / Bachelor Degree 2</td>
</tr>
<tr>
<td></td>
<td>41-50 3</td>
<td>Postgraduate – Masters/ Doctorate 3</td>
</tr>
<tr>
<td></td>
<td>51-60 4</td>
<td>Professional Qualification 4</td>
</tr>
<tr>
<td></td>
<td>61+ 5</td>
<td></td>
</tr>
</tbody>
</table>

A.4.1 In what capacity do you use public sector financial reports?

<table>
<thead>
<tr>
<th>Recipient of services or their representatives 1</th>
<th>Provider of resources (e.g. goods, finance) or their representatives 2</th>
<th>Special interest groups (e.g. journalists/researcher) and their representatives 3</th>
<th>Other (please specify): 4</th>
</tr>
</thead>
</table>

A.4.2 What is your position? (You may choose more than one)

<table>
<thead>
<tr>
<th>Citizen, taxpayer, ratepayer or other involuntary resource provider 1</th>
<th>Donor, including international organization 2</th>
<th>Present or potential institutional or individual lender or purchaser of government bonds 3</th>
<th>Government employee 4</th>
<th>The legislature or oversight body 5</th>
<th>Accountant and/or auditor 6</th>
<th>Fee-for service consumer of services 7</th>
<th>Media / Researcher/ Academic 8</th>
<th>Elected or appointed official 9</th>
<th>Other professionals (e.g. lawyer, engineer) 10</th>
<th>Government supplier 11</th>
<th>Advisor to users or private consultant 12</th>
<th>Other (please specify): 13</th>
</tr>
</thead>
</table>
Section B: User Information Needs and Satisfaction Level

Please rate your information needs for each sector: Government - Local government - Semi-government. Rate your information needs for each sector where: 1 = no information needs; 2 = limited information needs; 3 = do not know; 4 = some information needs; 5 = a lot of information needs.

<table>
<thead>
<tr>
<th>B.1</th>
<th>B.1.1 Government</th>
<th>B.1.2 Local Govt.</th>
<th>B.1.3 Semi-Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The types and amounts of resources currently available for providing services in future periods and claims to those resources</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>2.</td>
<td>The amount, sources, and uses of resources raised during the reporting period</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>3.</td>
<td>The amount and sources of cost recovery during the period, including amounts recovered from taxpayers, ratepayers, fee-for-service consumers, and donors</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>4.</td>
<td>Whether resources have been used economically, efficiently, and effectively, and in accordance with approved budgets and other authority that justified the raising and use of those resources</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>5.</td>
<td>The entity’s performance in achieving its service delivery objectives; including quantitative and qualitative aspects of its service delivery achievements</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>6.</td>
<td>Anticipated future service delivery activities and objectives of the entity, including information about their anticipated cost and the amount and sources of the resources that will be allocated to their provision</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>7.</td>
<td>Prospective financial and other information useful in assessing the sustainability of government operations and programs and at what level</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>8.</td>
<td>Revenue (Tax, Grants, Running costs, Undertakings of loans ...),</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>9.</td>
<td>Expenses (Wages, Running, Subsidies, Social Benefits, Public Works, Interest, Paying off loans ...),</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>10.</td>
<td>Assets (Fixed Assets, Bank Balances, Investments, Debtors, Reserves ...),</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>11.</td>
<td>Liability (Loans, Creditors, Obligations/ Reserves for Pension Funds ...),</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>12.</td>
<td>Reserve Funds</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>13.</td>
<td>Guarantees</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>14.</td>
<td>Achievement of Budget</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>15.</td>
<td>Achievement of Objectives</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>16.</td>
<td>Legal Obligations</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>17.</td>
<td>Future planning/Strategies</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

Please note any other financial information needs not mentioned above.
## B.3 How frequently have you used the following information?

<table>
<thead>
<tr>
<th>Information Provided</th>
<th>Never</th>
<th>≤ Once a year</th>
<th>Once a year</th>
<th>A few times a year</th>
<th>≥ Once a month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reports</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Budgetary Reports (internal use only)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Audit Report of the Auditor General</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Annual Reports of Ministries/Departments/Other Services</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Annual Budget</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Reports on budget achievement</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Management Reports (Monthly, tri-monthly, annually, Extraordinarily)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Announcements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Announcements in Print and Electronic Media</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

## B.4 How do you most often obtain the information below?

<table>
<thead>
<tr>
<th>Information Provided</th>
<th>Written request</th>
<th>Oral request</th>
<th>Internet</th>
<th>Through published documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Reports</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Budgetary report (internal use only)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Audit Report of the Auditor General</td>
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<td>3</td>
<td>4</td>
</tr>
<tr>
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<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Annual Budget</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Reports on concretization of budgets (Assessment)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Management Reports (Monthly, tri-monthly, annually, extraordinarily)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Announcements</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Announcements in Print and Electronic Media</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

## B.5 How satisfied are you with the information currently provided in meeting your needs?

*Please rate your information where: 1 = very dissatisfied; 2 = dissatisfied; 3 = neither dissatisfied nor satisfied (neutral) 4 = satisfied; 5 = very satisfied.*

<table>
<thead>
<tr>
<th>Information Provided</th>
<th>Government</th>
<th>Local Govt.</th>
<th>Semi-Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The types and amounts of resources currently available for providing services in future periods and claims to those resources</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>The amount, sources, and uses of resources raised during the reporting period</td>
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<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>The amount and sources of cost recovery during the period, including amounts recovered from taxpayers, ratepayers, fee-for-service consumers, and donors</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Whether resources have been used economically, efficiently, and effectively, and in accordance with approved budgets and other authorities that justified the raising and use of those resources</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>The entity’s performance in achieving its service delivery objectives, including quantitative and qualitative aspects of its service delivery achievements</td>
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<tr>
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<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Prospective financial and other information useful in assessing the sustainability of government operations and programs and at what level</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Revenue (Tax, Grants, Running costs, Undertakings of loans ...);</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Expenses (Wages, Running, Subsidies, Social Benefits, Public Works, Interest, Paying off loans ...);</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Assets (Fixed Assets, Bank Balances, Investments, Debtor, Reserves ...);</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Liabilities (Loans, Creditor, Obligations/Reserves for Pension Funds ...);</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Reserve Funds</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Guarantees</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Achievement of Budget</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Achievement of Objectives</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Legal Obligations</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Future planning/Strategies</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
Section C: Government Reporting

Below you will find some statements on the characteristics of the financial and non financial information published by the Government.

Please indicate the degree to which each statement reflects your opinion by circling the appropriate response using the following scale where 1 = Strongly Disagree, 2 = Disagree, 3 = neither Agree nor Disagree/Neutral, 4 = Agree, 5 = Strongly Agree

### C1. The financial information in central government reporting is:

<table>
<thead>
<tr>
<th></th>
<th>C1.1 Government</th>
<th>C1.2 Local Govt.</th>
<th>C1.3 Semi-Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Relevant</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>2. Faithfully represented</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>3. Understandable</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>4. On time</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>5. Verifiable</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>6. Accessible</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>7. Reliable</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>8. Comparable by year (ie can the users compare from one year to the next)</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>9. Comparable with other EU government financial reports</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

### C2. The non-financial information included in the central government’s financial reporting is:

<table>
<thead>
<tr>
<th></th>
<th>C2.1 Government</th>
<th>C2.2 Local Govt.</th>
<th>C2.3 Semi-Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Relevant</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>2. Faithfully represented</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>3. Understandable</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>4. On time</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>5. Verifiable</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>6. Comparable</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

### C3. Financial reporting by the Government is useful to users because:

<table>
<thead>
<tr>
<th></th>
<th>C3.1 Government</th>
<th>C3.2 Local Govt.</th>
<th>C3.3 Semi-Govt.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is accountable</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>2. It makes resource allocation possible</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>3. It assists in political decisions</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>4. It assists in social decisions</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>5. It assists in decision making for the public sector</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>6. Overall non financial information provided is satisfactory for my needs</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

### C4. If you wish, please elaborate on your responses for Government

### C5. If you wish, please elaborate on your responses for Local Government

### C6. If you wish, please elaborate on your responses for Semi-Government

THANK YOU VERY MUCH FOR YOUR VALUABLE CONTRIBUTION TO THIS RESEARCH
APPENDIX 2. STATISTICAL ANALYSIS AND RESULTS

Section A: Demographics and other Related Information

A1. Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>57%</td>
</tr>
<tr>
<td>Women</td>
<td>43%</td>
</tr>
</tbody>
</table>

A2. Age

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30 years</td>
<td>17%</td>
</tr>
<tr>
<td>31-40 years</td>
<td>15%</td>
</tr>
<tr>
<td>41-50 years</td>
<td>34%</td>
</tr>
<tr>
<td>51-60 years</td>
<td>32%</td>
</tr>
<tr>
<td>61+ years</td>
<td>2%</td>
</tr>
</tbody>
</table>

A3. Educational qualification

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School Graduate</td>
<td>48%</td>
</tr>
<tr>
<td>Undergraduate – Diploma / Bachelor Degree</td>
<td>4%</td>
</tr>
<tr>
<td>Postgraduate – Masters/ Doctorate</td>
<td>48%</td>
</tr>
</tbody>
</table>

A3.4 Professional Qualification

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Qualification</td>
<td>90%</td>
</tr>
<tr>
<td>Not answer</td>
<td>10%</td>
</tr>
</tbody>
</table>

A4.1. In what capacity do you use public sector financial reports?

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipient of services or their representatives</td>
<td>63%</td>
</tr>
<tr>
<td>Provider of resources (e.g. goods, finance) or their representatives</td>
<td>12%</td>
</tr>
<tr>
<td>Special interest groups (e.g. journalists/researcher) and their representatives</td>
<td>16%</td>
</tr>
</tbody>
</table>

A4.2. Position

<table>
<thead>
<tr>
<th>Position</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected or appointed official</td>
<td>2%</td>
</tr>
<tr>
<td>Government employee</td>
<td>10%</td>
</tr>
<tr>
<td>Accountant and/or auditor</td>
<td>2%</td>
</tr>
<tr>
<td>Fee-for service consumer of services</td>
<td>2%</td>
</tr>
<tr>
<td>Media / Researcher / Academic</td>
<td>27%</td>
</tr>
<tr>
<td>Elected or appointed official</td>
<td>2%</td>
</tr>
<tr>
<td>Other professionals (e.g. lawyer, engineer)</td>
<td>2%</td>
</tr>
<tr>
<td>Government supplier</td>
<td>2%</td>
</tr>
<tr>
<td>Advisor to users or private consultant</td>
<td>2%</td>
</tr>
</tbody>
</table>
Section B. User information needs and satisfaction level comparison

B1: User Information Needs
User Information Needs - Overall

<table>
<thead>
<tr>
<th></th>
<th>Government</th>
<th>Local Govt.</th>
<th>Pub. Corp. Bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>No information</td>
<td>0%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Limited needs</td>
<td>5%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Some needs</td>
<td>10%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>A lot of needs</td>
<td>15%</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Absolute needs</td>
<td>20%</td>
<td>40%</td>
<td>50%</td>
</tr>
</tbody>
</table>

B5: User Satisfaction Level
User Satisfaction Level - Overall

<table>
<thead>
<tr>
<th></th>
<th>Government</th>
<th>Local Govt.</th>
<th>Pub. Corp. Bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very dissatisfied</td>
<td>0%</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>7%</td>
<td>9%</td>
<td>29%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>28%</td>
<td>43%</td>
<td>49%</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>28%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>Not applied</td>
<td>21%</td>
<td>5%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Government - Overall

Local Government - Overall

Pub. Corp. Bodies - Overall
User Information Needs - Sectional

B1.1. Types and amounts of resources currently available for providing services in future periods and claims to those resources

B1.2. Amount, sources, and uses of resources raised during the reporting period

B1.3. Amount and sources of cost recovery during the period, including amounts recovered from taxpayers, ratepayers, fee-for-service consumers, and donors

B1.4. Whether resources have been used economically, efficiently, and effectively, and in accordance with approved budgets and other authority that justified the raising and use of those resources

User Satisfaction Level – Sectional

B5.1. Types and amounts of resources currently available for providing services in future periods and claims to those resources

B5.2. Amount, sources, and uses of resources raised during the reporting period

B5.3. Amount and sources of cost recovery during the period, including amounts recovered from taxpayers, ratepayers, fee-for-service consumers, and donors

B5.4. Whether resources have been used economically, efficiently, and effectively, and in accordance with approved budgets and other authority that justified the raising and use of those resources
B1.5. The entity’s performance in achieving its service delivery objectives; including quantitative and qualitative aspects of its service delivery achievements

B5.5. The entity’s performance in achieving its service delivery objectives; including quantitative and qualitative aspects of its service delivery achievements

B1.6. Anticipated future service delivery activities and objectives of the entity, including information about their anticipated cost and the amount and sources of the resources that will be allocated to their provision

B5.6. Anticipated future service delivery activities and objectives of the entity, including information about their anticipated cost and the amount and sources of the resources that will be allocated to their provision

B1.7. Prospective financial and other information useful in assessing the sustainability of government operations and programs and at what level

B5.7. Prospective financial and other information useful in assessing the sustainability of government operations and programs and at what level

B1.8. Revenue (Tax, Grants, Running costs, Undertakings of loans ...)

B5.8. Revenue (Tax, Grants, Running costs, Undertakings of loans ...)

B1.9. Expenses (Wages, Running, Subsidies, Social Benefits, Public Works, Interest, Paying off loans ...)

B5.9. Expenses (Wages, Running, Subsidies, Social Benefits, Public Works, Interest, Paying off loans ...)

[Graphs and charts showing the percentage distribution of user needs across different categories for each of the topics listed above]
B1.15. Achievement of Objectives

B5.15. Achievement of Objectives

B1.16. Legal Obligations

B5.16. Legal Obligations

B1.17. Future planning/Strategies

B5.17. Future planning/Strategies
B.3 Frequency of Information Used

How frequently have you used the information - Overall

![Graph showing frequency of information use for different sources.]

Local Goverment - Overall

![Pie chart showing frequency of information use for local government.]

Government - Overall

![Pie chart showing frequency of information use for government.]

Pub. Corp. Bodies - Overall

![Pie chart showing frequency of information use for public corporation bodies.]

Overall frequency options:
- Never
- ≤ Once a year
- Once a year
- A few times a year
- ≥ Once a month

Information sources:
- Government
- Local Govt.
- Pub. Corp. Bodies
How frequently have you used the following information?

### B3.1. Financial Reports

- **Government**: 20%
- **Local Govt.**: 15%
- **Pub. Corp. Bodies**: 20%

### B3.2. Budgetary report (internal use only)

- **Government**: 25%

### B3.3. Audit Report of the Auditor General

- **Government**: 20%
- **Local Govt.**: 15%
- **Pub. Corp. Bodies**: 20%

### B3.4. Annual Reports of Ministries/ Departments/other services

- **Government**: 25%

### B3.5. Annual Budget

- **Government**: 20%

### B3.6. Reports on concretization of budgets (Assessment)

- **Government**: 25%

### B3.7. Management Reports (Monthly, tri-monthly, annually, Extraordinarily)

- **Government**: 20%

### B3.8. Announcements

- **Government**: 25%

### B3.9. Announcements in Print and Electronic Media

- **Government**: 20%
B.4 Access to Information

How do you most often obtain the information - Overall

<table>
<thead>
<tr>
<th>Method</th>
<th>Overall</th>
<th>Government</th>
<th>Local Govt.</th>
<th>Pub. Corp. Bodies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written request</td>
<td>0%</td>
<td>24%</td>
<td>19%</td>
<td>25%</td>
</tr>
<tr>
<td>Oral request</td>
<td>5%</td>
<td>7%</td>
<td>10%</td>
<td>18%</td>
</tr>
<tr>
<td>Internet</td>
<td>15%</td>
<td>28%</td>
<td>29%</td>
<td>26%</td>
</tr>
<tr>
<td>Through published documents</td>
<td>20%</td>
<td>9%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Not received</td>
<td>30%</td>
<td>21%</td>
<td>31%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Local Government - Overall

- Written request: 20%
- Oral request: 19%
- Internet: 19%
- Through published documents: 24%
- Not received: 7%

Government - Overall

- Written request: 21%
- Oral request: 5%
- Internet: 22%
- Through published documents: 31%
- Not received: 9%

Public Corporate Bodies - Overall

- Written request: 28%
- Oral request: 18%
- Internet: 24%
- Through published documents: 25%
- Not received: 5%
Section C: Government Reporting

C1. The financial information in central government reporting is:

- Relevant
- Faithfully represented
- Understandable
- On time
- Verifiable
- Accessible
- Reliable
- Comparable by year
- Comparable with other EU government financial reports
C2. The non-financial information included in the central government’s financial reporting is:

C2.1. Relevant

C2.2. Faithfully represented

C2.3. Understandable

C2.4. On time

C2.5. Verifiable

C2.6. Comparable
C3. Financial reporting by the Government is useful to users because:

C3.1. It is accountable

C3.2. It makes resource allocation possible

C3.3. It assists in political decisions

C3.4. It assists in social decisions

C3.5. It assists in decision making for the public sector

C3.6. Overall financial information provided is satisfactory for my needs

C3.7. Overall non-financial information provided is satisfactory for my needs
PUBLIC SECTOR FINANCIAL REPORTING: A USER NEEDS STUDY IN CYPRUS
Biographical Note

Maria Krambia-Kapardis

Maria Krambia Kapardis, (PhD; MBus; BEc; ACA) is an Associate Professor of Accounting at Cyprus University of Technology. She is a member of the Institute of Chartered Accountant of Australia and the Institute of Certified Public Accountants of Cyprus (ICPAC). She has served as a member of the Education Committee the Ethics Committee and the Disciplinary Committee of ICPAC. Her research interests include: fraud detection and prevention, corporate governance, corporate social responsibility, ethics and the accounting profession. She is on the editorial board of a number of international academic accounting journals and has published locally and internationally.

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Colin Clark

Professor Colin Clark, (BBus; DipEd; MBA; PhD; FCPA; FCA; FIPAA) is at Victoria University, Melbourne. He has been active within CPA Australia, having been a state President and a member of the Board of CPA Australia, including being Vice President. His research is within public sector accounting and management, and corporate governance issues. In particular his projects have focussed on the needs of users of public sector annual reports, performance management and reporting and the powers of auditors general. He has previously been Deputy Dean and Executive Dean of the Faculty.

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