How Can Technology Improve Government Financial Transparency? 
The Answer of the eXtensible Business Reporting Language (XBRL) 

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ABSTRACT

The aim of the article is to conduct a theoretical analysis concerning the role that XBRL – eXtensible Business Reporting Language – a digital and open standard more and more widespread all over the world for business disclosure, could play within governmental financial reporting. Literature about that is poor, and this research topic seems to be particularly relevant: considering the strong need for governments’ information transparency strengthened by the fiscal crisis, XBRL could be a useful digital standard to push and improve governments’ accountability and information transparency and comparability, also to prevent or avoid future crisis. This issue needs specific research because the role of XBRL within governmental financial reporting is partly different to the role of XBRL in corporate disclosure.

Keywords: E-Government, Government Accountability, Government Financial Reporting, Government Transparency, XBRL

1. INTRODUCTION

Last decades have been characterized by a lot of modernization processes that involved public administration in many countries: changing processes concerning the organizational, managerial and financial dimensions of government, in order to recover efficiency and effectiveness, but also to improve its transparency and accountability.

Within these processes, technology plays a significant role. In the early 2000s e-government phenomenon is exploded:
it concerns the use of new technologies, in particular ICT (Information and Communication Technology), in government working and public services delivering. Numerous studies, as well as various public programs underway, demonstrate scholars and governments interest in the potential offered by technology implementation in providing public services and managing relationships with different kind of public entities stakeholders, such as citizens, firms and other public bodies.

Nevertheless, it’s well known that 2008 has seen the beginning of one of the deepest recession since the early 1930s. Governments have had to provide – and they are still doing – huge financial resources, involving considerable expenditure of taxpayers’ money, to help the economy and try to limit social consequences. One of the effects of this financial crisis is national sovereign debt crises that have highlighted governments’ lack of transparency and accountability, as well as poor public finance management and public sector financial reporting (think about the “Greek case”).

In the past it was thought that governments are risk-free. The ongoing crisis leads us to criticize this assumption: looking at what is happened in the last years, it can be said that it is no longer valid. Governments are not risk-free and the failure of fiscal management in the public sector has an economic impact that will far exceed the impact of losses incurred by corporate failures, such as Enron, WorldCom, Parmalat, Lehman Brothers (Ball, 2012).

The lack of financial transparency is assumed to be one of the main causes of the financial crisis of late 2008. Governments are called to reinforce their own credibility, restoring trust between themselves and the citizens, the taxpayers, the markets, the investors (Sapienza & Zingales, 2012). The recent negative events have made clear the importance of role played by the government financial reporting, identifying a compelling and urgent need for governments to address seriously and rapidly the quality improvement of their whole public financial management systems, to protect the public interest and also investors in governments’ bonds. There are widespread calls for a more rigorous and transparent financial reporting systems that should improve government decision making and its accountability, enhancing global fiscal stability and sustainability, supporting the ability of monitoring and meeting the governments’ commitments now and in the future. They should provide clear, consistent and comprehensive information regarding the economic and financial consequences of their political decisions.

Furthermore, raising funds through debt markets, and considering that banks and private investors hold governments’ debt, there is strong demand for financial transparency and accountability from the public sector as is expected from the private sector, as well as comparability too. Definitely, governments have a public interest obligation to investors and potential investors to provide timely, detailed and reliable information.
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