

The Evaluation of Annual Municipal Reports in terms of Discharging Accountability: The Case of Turkey*

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ABSTRACT

Public Financial Management and Control Law, which is accepted to be the constitution of public fiscal management in Turkey, has brought about many innovations such as strategic plan, performance-based budget and accrual based accounting so that public resources can be used more efficiently. The law has also stipulated that public institutions account for the use of resources to relevant authorities. As in the world, the most comprehensive accountability tool in Turkey is annual reports. The objective of this study is to find out to what extent the municipalities, which are now using more resources than in the past, can account by means of their annual reports. To reach this goal, the annual reports prepared by 50 municipalities for the fiscal year 2014 have been put to content analysis considering the accountability criteria that have already been set. The research has revealed that the municipalities concerned are weak in terms of accessibility, understandability, timeliness, full disclosure, accuracy and neutrality and, thus, they do not sufficiently account for their use of resources.

Key Words: Annual reports, Accountability, Municipalities, Performance-based Budgeting

JEL Classification: H83, D73, H11, H61

Belediyelerde Faaliyet Raporlarının Hesap Verme Yükümlülüğünü Yerine Getirme Açısından Değerlendirilmesi: Türkiye Örneği

ÖZ

Türkiye'de kamu mali yönetiminin anayasası olarak kabul edilen Kamu Mali Yönetimi ve Kontrol Kanunu, kamu kaynaklarının daha etkin kullanılmasını sağlamak için stratejik plan, performans esaslı bütçe, tahakkuk esaslı muhasebe gibi yenilikler getirmiştir. Burun yanında kaynakların etkin kullanılıp kullanılmadığının hesabının yetkili mercilere verilmesini de şart koşmuştur. Dünyada olduğu gibi Türkiye'de de, kamu hizmetlerinden yararlananlara hesap vermede kullanılan en kapsamlı araç ise idare faaliyet raporudur. Bu çalışma, eskiye göre daha fazla kaynak kullanan belediyelerin faaliyet raporları aracılığıyla ne ölçüde hesap verdiklerini araştırmayı amaçlamaktadır. Makalede bu amaca ulaşmak için 50 belediyenin 2014 mali yılı faaliyet raporları hesap verme yükümlülüğü çerçevesinde belirlenen kriterler ışığında içerik analizine tabi tutulmuştur. Araştırma sonucunda belediyelerin erişebilirlik, anlaşılabilitirlik, zamanlılık, tam açıklama, doğruluk ve tarafsızlık açısından zayıf yönlerinin olduğu, bu nedenle kullanılan kaynaklar konusunda paydaşlarına yeterince hesap vermediğleri ortaya konmuştur.

Anahtar Kelimeler: Faaliyet raporları, Hesap Verme Yükümlülüğü, Belediyeler, Performans Esaslı Bütçeleme

JEL Sınıflaması: H83, D73, H11, H61

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INTRODUCTION

Local governments have been gaining more and more importance in Turkey as in the world. As a matter of fact, certain legal regulations made in the early 2000s enabled especially municipalities to offer more services. Although they are still highly dependent on central government, today municipalities can provide a much wider range of services. Besides, as the new public management understanding defends, municipalities now use market tools such as strategic plan, performance-based budgeting, accruals accounting and incorporation on the grounds that they all improve the quality of services (Homburg, Pollitt & Thiel, 2007: 2-6).

The new public management understanding supports the view that managers should be granted flexibility so that they can use the resources more efficiently, and the motto "*letting managers manage*", which represents this view, (Kettl, 2005: 11; OECD, 1997: 17) has made a big progress in Turkey considering the current status of Turkish municipalities. Especially big and medium scale municipalities are now able to render services more flexibly through their wide fiscal opportunities and the companies they have established.

That municipalities are given more resources, authorities and responsibilities is undoubtedly one side of the medallion because municipalities are also liable to account to citizens, who take part in the financing of local public services with their taxes, for the services they offer (Demirbaş, 2010: 287-288). In fact, the new public management understanding is also focused on this issue, and with the slogan "*making the managers manage*", it is demanded that managers account and take responsibility for the results they have reached (Kettl, 2005: 11). In Turkey, the law numbered 5018 and titled "Public Financial Management and Control" aims primarily at "accountability" (Article 1), and it stipulates that those who are assigned duties and vested with authorities for the acquisition and utilization of public resources of all kind are accountable vis-à-vis the authorized bodies for the use of these resources (Article 8).

Nowadays, there are many more authorities to which managers are liable to account. From this perspective, municipalities are now responsible to account to all their shareholders that are affected by their activities in addition to their voters, municipal councils and auditors (Quirk, 1997: 585). Consequently, the importance of the annual municipal reports that include the results of yearly municipal activities has risen because annual reports are the most comprehensive accountability documents accessible to shareholders (Boyne & Law, 1991: 179). In other words, annual reports are accepted to be the fundamental tool of accountability (Mack, Ryan, & Dunstan, 2001: 3).

The purpose of this research is to examine to what extent municipalities use annual reports as a tool of accountability. Although the public finance literature in Turkey covers various studies that emphasize the importance of accountability in the public sector, there is not enough research into the extent local governments account to authorized bodies. Therefore, this research aims to

contribute to filling the gap in the literature. To reach this goal, the 2014 annual reports of 50 municipalities have been put to content analysis.

This study has five parts. The first part offers the conceptual framework about accountability in public sector. The second part emphasizes the importance of annual reports in terms of accountability. The third part examines the annual report issue considering Turkish municipalities. The forth part analyzes the annual reports of 50 municipalities in terms of accountability. Finally, the findings obtained from the analyses are discussed in the fifth part.

I. ACCOUNTABILITY IN THE PUBLIC SECTOR: CONCEPTUAL FRAMEWORK

Accountability is a key concept of public administration which nobody can object to. However, it is an illusory concept (Koppell 2005: 94; Bovens, 2005: 182; Bovens 2007: 448. Bovens et al 2008: 225; Mulgan, 2000b: 87; Mulgan, 2000: 555; Sinclair, 1995: 219). This conceptual ambiguity and multiplicity mainly results from the fact that ‘accountability’ is an Anglo-Norman concept, which has no semantic equivalents on the European continent. Other languages, including French, Portuguese, Spanish, German, or Dutch, have no exact equivalent and do not semantically separate ‘responsibility’ from ‘accountability’ (Bovens et al., 2008: 226). The other reason for this conceptual elusiveness is that accountability is a multi-faced concept. In fact, different groups have offered different definitions for accountability. To auditors, accountability seems to be a financial or numerical issue; political scientists regard accountability as a political imperative and legal scholars as a constitutional arrangement while philosophers treat accountability under the roof ethics (Kluvers, 2003: 61).

No matter how diverse the approaches to accountability is, accountability is commonly associated with the process of being called “to account” to some authority for one’s actions (Mulgan, 2000: 555). In other words, accountability is a requirement to present an account of and answer for execution of responsibilities to those who assigned those responsibilities. On this obligation relies the allocation of praise and blame, reward and sanction so often seen as the hallmarks of accountability in action. As is seen, accountability is a relationship between two parties. This relationship is marked by stewardship. Stewardship includes two open parties: first, the steward or accountor, i.e. the party to whom the responsibility is entrusted and who is required to present and answer to an account of its execution, and, second, the principal or accountee, i.e. the party entrusting the responsibility and to whom the account is submitted. Stewardship is thus established when a steward agrees to undertake resources and responsibilities entrusted by a principal (Gray & Jenkins, 1993: 55).

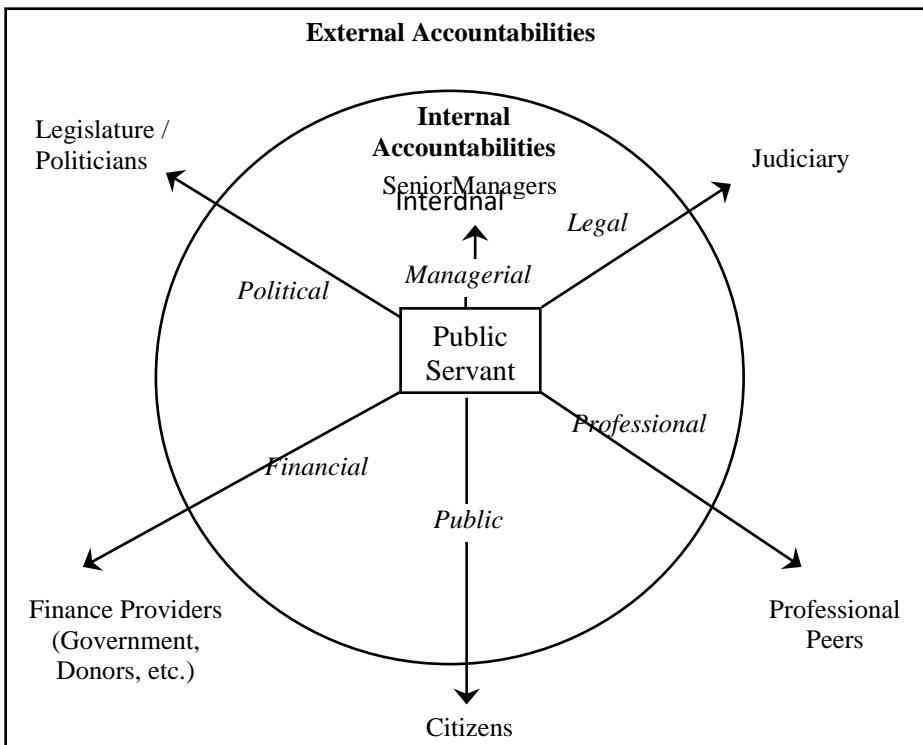
Accountability has a number of characteristics: it is *external*, in that the account is given to some other person or body outside the person or body held accountable; it involves *social interaction and exchange*, in that one side, that calling for the account, seeks answers and rectification while the other side, that being held accountable, responds and accepts sanctions; it implies *rights of*

authority, in that those calling for an account are asserting rights of superior authority over those who are accountable, including the rights to demand answers and to impose sanctions. The inclusion of sanctions in the core of accountability is open to discussion for it may appear to go beyond the notion of 'giving an account' (Mulgan, 2000: 555-556).

In a modern democratic state, the key accountability relationships can be found between the citizens and elected politicians, which is called *political* or *democratic accountability* (Mulgan, 2000: 556). This type of accountability, at the heart of democracy (Brinkerhoff, 2001: 8), can be traced back to Athenian democratic and Westminster traditions of vesting responsibility in the public servant. Public officers exert authority on behalf of elected representatives; thus they are directly accountable to the representatives (Sinclair, 1995: 225). Under political accountability, the main question is: "Whom does the public administrator represent?" The potential political representatives include the general public, elected officials, agency heads, agency clientele, other special interest groups, and future generations. Regardless of which definition of constituency is accepted, the administrator is supposed to be responsive to their policy priorities and programmatic needs (Romzek, & Dubnick 1987: 229). Accountability in public sector is complex and it is not just limited to political accountability. Sinclair (1995) who carried out interviews with chief executives in Australia determined five forms of accountability: Political or democratic, public, managerial, professional and legal accountability. *Public accountability* is seen as a more informal but direct accountability to the public, interested community groups and individuals. In the structural discourse, political and public accountability are regarded as complementary parts of the same process (Sinclair, 1995: 225-226). *Managerial accountability* refers to the public officers' obligation to be accountable to their senior managers within the organization. For instance, public servants may be held accountable by their immediate boss for their attendance record (Heeks, 1998: 6). Today, managerial accountability implies monitoring performance of public servants for not only inputs but also outputs or outcomes (Sinclair, 1995: 227). *Professional accountability* is related to public servants that are members of a professional association or group (Sinclair, 1995: 229; Parker & Gould, 1999: 122). Many public managers are, apart from being general managers, professionals in a more technical sense. They have been trained as engineers, doctors, veterinarians, teachers or police officers, so they are mostly members of professional associations. These bodies lay down codes with standards for acceptable practice that are binding for all members. Besides, public managers have a professional accountability towards their professional association (Boven, 2005: 188). *Personal accountability* is about loyalty to personal conscience in basic values such as respect for human dignity and acting in a way that accepts responsibility for affecting the lives of others. It is based on the belief that accountability is eventually driven by adherence to internalized moral and ethical values (Sinclair, 1995: 230).

Public sector accountability is not limited to five types mentioned above. Some authors also mention legal accountability (Bovens, 2005: 187-188; Romzek, 2000: 24-25; Leclerc et al., 1996: 58), vertical and horizontal accountability (Bovens, 2005: 196-200), financial and performance accountability (Heeks, 1998: 6; Peters, 2007: 20), internal and external accountability (Leclerc et al., 1996: 57; Mulgan, 2000: 558-560), corporate accountability (Yilmaz & Beris, 2008: 21; Bovens, 2005: 190), etc.

Figure 1. Accountabilities in Public Sector



Source: Heeks, 1998: 7.

As seen in Figure 1, public servants face too many accountability pressures. Why does accountability matter in public sector? At present, accountability is recognized as the solution to a wide range of problems in contemporary public administration. Firstly, according to proponents of accountability-centered reforms, enhanced accountability will result in greater transparency and openness. Therefore elected officials will be held more accountable for their actions. Secondly, greater accountability will challenge and judge people who abuse public authority to corrupt practices. Therefore, it will prevent corruption and also secure the justice. Thirdly, enhanced accountability will provide loyalty to explicit rules and codes of behavior and thus make elected and corporate officials more ethical. Fourthly, accountability will enhance the performance of public goods and services (Dubnick 2005: 376-377; Dubnick,

2007: 3; Dubnick & Frederickson, 2009: 146-148). Therefore, increased accountability is a key component of public sector reform (Heeks, 1998: 1).

II. THE HIGHER IMPORTANCE OF ANNUAL REPORTS FOR DISCHARGING ACCOUNTABILITY IN THE PUBLIC SECTOR

In the early 1900s, public reporting in public sector became a significant issue for both theorists and practitioners. Scholars argued that in a democratic state it was highly important for public officers to inform the citizens of their institutions' activities to contribute to their access to information (Lee, 2006: 453). Their argument lied on the fact that citizens could not hold public officers accountable for their activities because of not having sufficient time, information or resources. They claimed that all citizens would enjoy their rights better when they were more informed of the activities of public agencies. In this regard, public reporting was regarded as a key component of public accountability (Lee, 2004: 173-174).

There are different definitions of public reporting, but it is defined in this study as follows: public reporting aims at giving citizens as much information as possible about public activities in a systematic and regular manner to contribute to citizens' rights to information and to hold public officers accountable for their actions, which is a requirement of democracy. There are two types of reporting: direct and indirect reporting showing the achievements of the government and management of citizens' taxes (Lee, 2006: 455). Examples of public reporting are quite various, some of which are annual reports, monthly or quarterly reports, newspaper inserts, regular radio or TV programs, inserts in tax and utility bills, open houses, exhibits, parades, billboards and posters, movies, kiosks, videotapes, and Internet web pages (Lee, 2006: 456).

- ❖ Annual reports are the most conventional type of direct public reporting. There were different and creative ways of implementing annual reports in the past, some of which are as follows (Lee, 2004: 175-176):
 - ❖ The United States Department of Defense produced a film version of its annual report (1968).
 - ❖ The city of Kenosha, Wisconsin, attached an annual letter to the taxpayers in the annual property tax bill.
 - ❖ Fillmore, California, made use of cartoons in its annual report to improve readership.
 - ❖ Many early annual reports covered experiments in presenting statistics and some rudimentary comparative performance information.
 - ❖ The annual report in Milwaukee, Wisconsin provided information about upcoming policies that would need to be decided by city government. The background information aimed to contribute to an informed citizenry and encourage expression of public opinion on those topics.
 - ❖ Arlington, Virginia, Morganton, North Carolina, and Columbus, Georgia, used examples to make it easier for citizens to translate complex financial information into tangible and meaningful concepts. For example, the per capita cost of street maintenance and construction corresponded to three

pounds of bacon a year, and the total cost of city government was equal to one-fifth of a loaf of bread per capita per day.

- ❖ Some annual reports covered sections treating the problems in municipal operations. For instance, the Cincinnati, Ohio, annual report included data on turnover rates of civil servants.
- ❖ Some cities paid to have their annual report published in the local Daily newspaper to make sure that it is delivered to all citizens.
- ❖ Boy Scouts and Girl Scouts were hired to deliver the annual report to every household in several cities.
- ❖ Sanitation workers were asked to distribute the annual report to the homes on their routes.
- ❖ Annual reports were published one after another by some newspapers.

Although public reporting lost its importance in the second half of the 20th century, it did not completely disappear (Lee, 2004: 176). On the contrary, New Public Management movement offered a new conception of public accountability which boosted public reporting to stakeholders of public agencies. NPM is based on the reversal of two cardinal doctrines of progressive public administration; that is, lessening or removing differences between the public and the private sector and shifting the emphasis from process accountability to a greater element of accountability in terms of results. Accounting would stand as a core element in this new conception of accountability for it reflected high trust in the market and private business methods (no longer to be equated with organized crime) and low trust in public servants and professionals (now seen as budget-maximizing bureaucrats rather than Jesuitical ascetics), whose activities were to be more closely monitored and evaluated by accounting techniques. The ideas of NPM were couched in the language of economic rationalism, and further developed by a new generation of “econocrats” and “accountocrats” in high public office (Hood, 1995: 94). In this ‘new’ world, public sector management has gone through a transformation process during which administrators and custodians of resources turned into accountable managers empowered with greater delegated authority. Thus accountability for processes, equity and access has been replaced in large measure by accountability for outcomes, preferably measured in quantitative and particularly financial terms (Parker & Gould, 1999: 110-111).

This increased emphasis on performance and accountability has facilitated the adoption of general purpose financial reporting based on accrual accounting in the public sector worldwide and a greater awareness of the annual report as an appropriate mechanism by which governments can properly fulfill increased accountability expectations (Stanley et al, 2008: 411). Today, annual reports which have been used in the private sector for a very long time are widely accepted as a primary medium for discharging accountability in the public sector (Steccolini, 2004: 331; Law, 2001: 75).

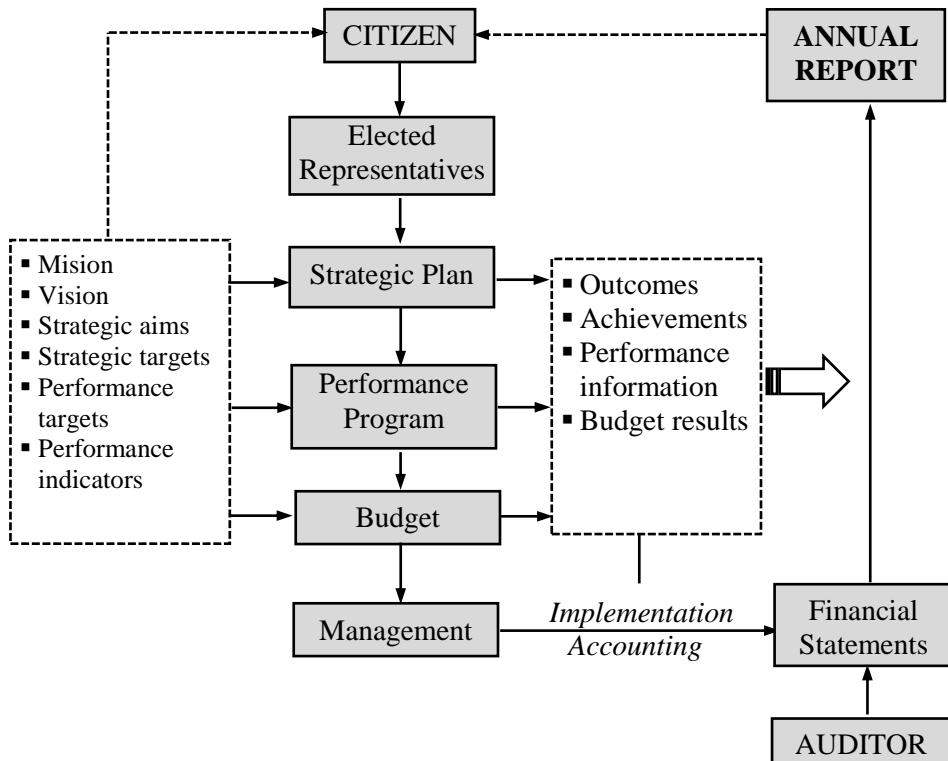
III. ANNUAL REPORTS AS A MECHANISM OF ACCOUNTABILITY IN TURKISH MUNICIPALITIES

Turkey, a part of continental Europe, has a centralized state tradition. Therefore, local governments – and municipalities- have been overshadowed by the central government for long years and could not gain enough strength. Two big financial crises, which happened in November 2000 and February 2001, accelerated the restructuring efforts of public administration. Turkey made a series of reforms in public administration then as it was a European Union candidate (Demirbaş, 2009: 291-293). The use of the term accountability in the Public Financial Management and Control Law numbered 5018 for the first time and the strengthening of the old accountability framework are among the leading reforms.

Until that time, municipalities were self-enclosed, and they were rather weak in terms of accountability to the public. The lack of medium and long term planning made it impossible to adopt a rational management understanding. Cash-based accounting and reporting prevented the production of detailed financial tables (Demirbaş, 2014: 396-400). In addition, there was neither performance measurement nor auditing. Thus, the annual reports prepared by municipalities with such an understanding covered very limited information.

The law numbered 5018 brought about many innovations aimed at an increase in municipalities' capacity to produce useful information. One of the most important innovations might be the renewal of accountability framework after the transition from traditional management to performance management (See Figure 2). According to this new framework, municipalities are required to prepare a five-year institutional strategic plan including their mission, vision, medium-term aims and targets as well as performance indicators. It is required that citizens take part in the preparation of strategic plans. The implementation tool of strategic plans is annual performance program, which is the main basis of the budget. After budget implementation finishes, municipalities are also obliged to prepare the annual report, which is then to be submitted to the municipal council and shared with the public. Hence, annual reports are very important tools for accountability as they show to what extent the activities that have been carried out during the year match with the initial aims and targets.

Another innovation caused by the law numbered 5018 is that fiscal transparency, which is a prerequisite for accountability, has been strengthened. In this regard, it is especially significant that Turkish Government Accounting Standards Board has been formed and accrual accounting and reporting understanding has been adopted. Moreover, together with the law, mayors have been defined as top managers (CEO) and it has been stipulated that mayors are responsible to guarantee that municipal activities are managed legally, efficiently, productively and economically.

Figure 2. The Accountability Framework in Turkish Municipalities

Source: adapted from Pablos, Carcaba & Lopez, 2002: 656.

There have been other developments that have increased the importance of annual reports as accountability tools. For example, The Right to Information Act was enforced in 2004. The objective of this act is to guarantee people's right to information in accordance with the principles of equality, objectivity and openness as required by democratic and transparent management. Another important development was the renewal of the Municipal Law in 2005. According to the new law, the power of administrative tutelage that the central administration had on the municipalities weakened, and municipalities were granted the authority to produce local goods and services of all kinds. Besides, it is quite important for local governance that city councils have been created and voluntary participation in local services has been encouraged (Toksoz, Ozgur & Koç, 2009: 80).

Briefly, Turkish municipalities have undertaken more duties and authorities over the last 15 years, and together with this change, the framework of accountability has also been updated. The legal infrastructure in Turkey offers a general framework for municipalities to account for every single lira they spend. The law numbered 5018 has already stated that municipalities have to account for their activities through annual reports (Article 41). Besides, according to the

municipal law, the rejection of the annual report presented by the mayor to the municipal council by $\frac{3}{4}$ council members is accepted as a valid reason to dismiss the mayor from office (Article 26). As a consequence, annual report is a key to ensuring accountability in municipalities.

IV. EXAMINATION OF ANNUAL REPORTS IN TERMS OF THE EXECUTION OF ACCOUNTABILITY

As it is not feasible to evaluate the annual reports of all Turkish municipalities, it is necessary to put a limit. In this study, it was decided to examine the annual reports of 30 metropolitan municipalities and 51 provincial municipalities considering their population and fiscal power. As to the timing, the annual reports of the fiscal year 2014 were included in the study.

The websites of the 81 municipalities have been browsed, and the annual reports of 50 municipalities were reached. The annual reports of 50 municipalities were examined in terms of accessibility, understandability, timeliness, full disclosure, accuracy and neutrality, which are the main dimensions of accountability (See Figure 3):

Figure 3. Criteria to Evaluate the Accountability of Annual Reports



A. Evaluation in terms of accessibility

Building an open government accessible to all citizens necessitates at least provisions to ensure equal treatment. Laws on freedom of information are important tools used in establishing an open government in public sector (Yilmaz & Beris, 2008: 17). In Turkey, the Right to Information Act numbered 4982 was adopted in 2003 in order “...to regulate the procedure and the basis of the right to information according to the principles of equality, impartiality and openness that are the necessities of a democratic and transparent government”. According to this law, the institutions and agencies are required to provide every kind of information and document, with the exceptions set out in this law, to the applicants (Article 5). If the applicants have applied for information or documents that have already been shared with the public, the institution or agency concerned does not have to provide this information. However, the public institution or agency concerned is liable to inform the applicant of the date, the means and the

place of the publication or disclosure of the information or the document (Article 8).

In Turkey, mayors are required to present the annual report to the municipal council in the meeting in April and share it with the public (law numbered 5018, Article 41; law numbered 5393, Article 56). Besides, in accordance with Article 20 of the Regulation on the Annual Reports to be prepared by Public Administrations, the annual report has to be published on the internet page of the administration.

Out of 81 municipalities included in this study, 50 municipalities have made their 2014 Annual Reports accessible, whereas 30 municipalities have not published their annual reports on their websites (See Table 1).

Table 1. Accessibility of Annual Reports on the Websites of 81 Municipalities

Municipalities as per their population	Number of municipalities with websites	Number of municipalities with accessible 2014 Annual Reports
Up to 50 000-	7	1
50 001 – up to 100 000	15	6
100 001 – up to 150 000	16	7
150 001 – up to 700 000	13	10
700 001 and more (metropolitan)	30	26
TOTAL	81	50

It would be ideal that annual reports are visible on the home page of municipalities' websites. Considering the easiness of accessing the annual reports, it is seen that only 10 of the 50 municipalities have an "annual report" segment, under which the report is accessible with only one click. Most (19) of the municipalities have shared their annual reports under the "institutional" segment. 5 municipalities have shared their annual reports under "documents/publications"; 4 under "budget/plan", 4 others under "management/strategic management", 3 under "activities", 2 under "council", 2 under "reports" and 1 under "right to information".

The annual reports are mostly (45) shared in pdf format on the websites. 5 municipalities have shared them in word format. It is possible to edit word files, which make them slightly superior to pdf.

The visibility of annual reports on websites is important. In addition to this, their size is also quite important. A very big file which takes a long time to open might cause users to close it without waiting for it to be opened. An evaluation of the sizes of the annual reports shows that a great part of the files (41) are more than 10 megabytes (See Table 2).

Table 2. Size of 50 Annual Reports (Megabyte)

Size	Number of Annual Reports
Less than 1 MB	1
1 MB – less than 10 MB	8
10 MB – less than 20 MB	10
20 MB – less than 50 MB	14
50 MB – less than 100 MB	6
100 MB – less than 500 MB	10
500 MB and more	1
TOTAL	50

B. Evaluation in terms of understandability

It is not sufficient that anyone who is interested in annual reports can access them. Annual reports must be presented in a way that anyone can understand the information in it so that accountability can be ensured fully. Otherwise, annual reports would be nothing but documents prepared and published by bureaucrats but not understood by the public and decision-makers (Edizdoğan & Çetinkaya, 2015: 60). Based on this, it is indicated in the related regulation that annual reports should be prepared with a clear, understandable and simple language in order to inform the related parties and the public (Minister of Finance, 2006, Article 6).

To evaluate the understandability of reports, 4 main components can be taken into consideration:

1. *Compliance with the format in the regulation:* Both the regulation on the preparation of annual reports (Article 18) and the Performance-Based Budgeting Guide prepared by the Ministry of Finance (MoF) have made it clear that the information to be shared in annual reports must be presented in certain chapters. Accordingly, annual reports have to have 5 main chapters: a. General information, b. Aims and targets, c. Information and evaluations about activities, d. Evaluation of corporate skills and capacity, e. Recommendations and measures. The annual reports of 50 municipalities have been put to yes/no analysis (Yes=1 point, No= 0 point) to evaluate their format, and the findings are as follows:

Table 3. Compliance of the Formats of 50 Annual Reports with the Format in the Regulation

MAIN PARTS OF THE ANNUAL REPORT	Number of Municipalities Meeting the Criteria (n=50)
Cover	44
Table of contents	46
Opening by the top manager	46
General information	48
Aims and targets	41
Information and evaluations about activities	45
Evaluation of corporate skills and capacity	40
Recommendations and measures	19

As is seen in Table 3, out of 50 municipalities, 6 lack a cover page; 4 lack a table of contents page; again 4 lack the opening by the top manager, 9 lack the aims and targets part, 5 lack the part about activities and 10 lack the part about

corporate skills and capacity. The highest performance in complying with the format given in the regulation can be seen in the part about general information (48), while the worst performance can be observed in the part about recommendations and measures (19). Thus, most of the annual reports (62%) cover no suggestions about the changes they are planning to make in the years ahead, possible changes in their targets, possible risks and the measures that need to be taken against them.

2. *Total page number:* If the total page number is more than required, it might be difficult to understand the text. In the literature, it is criticized if there are more than 500 pages in the report of a municipality with 160 000 habitants (Blanco et al, 2011: 196). Although there is no universal scale for that, an ideal report should not be too long or too short with missing information. In this regard, a report that has 100 to 150 pages might be considered reasonable.

Table 4. Total Page Number of 50 Annual Reports

Number of Pages	Number of Municipalities
Fewer than 100	4
100 – fewer than 150	4
150 – fewer than 200	11
200 – fewer than 250	10
250 – fewer than 300	7
More than 300	14
TOTAL	50

As is seen in Table 4, the annual reports of 48 municipalities have 150 pages and more. The municipality with the longest annual report, which has 556 pages, is interestingly the Uşak Municipality with 196466 habitants. It is followed by Konya Metropolitan Municipality with 442 pages and İzmir Metropolitan Municipality with 432 pages.

3. *Use of sufficient photographs, tables and charts:* The use of photographs, tables and charts makes it easier to understand texts. Yet, when used excessively, visual aids might also distract the readers and prevent them from focusing on the content. It is seen that the 50 municipalities included in this study have no standards in terms of the use of visuals. For instance, one of the metropolitan municipalities has shared 44 photographs of the mayor, which cover more than half of the page. Some municipalities, have tried to photograph nearly every single activity. For example, a metropolitan municipality has shared 60 photos about technical works, 22 photos about rural services and 122 photos about social services. In addition to the municipalities that have shared an excessive number of visuals, there are also municipalities who share no single photo or picture.

Most of the municipalities prefer to use tables. They use charts less frequently than they use tables. Most of the municipalities again have no list of tables or charts (or figures), and even if they have, the charts or tables are not numbered. There are only three municipalities that have listed the tables and

charts already numbered: Antalya and Aydin Metropolitan Municipality and KaramanMunicipality.

4. *Glossary of Acronyms and Terms:* It is very important that there is a list of acronyms at the beginning of the report and a glossary of terms at the end. In this way, reports can be more understandable and citizens, who are unfamiliar with financial legislations, might follow the reports more easily. None of the 50 annual reports included in this study covers such a list or glossary.

C. Evaluation in terms of timeliness

It is important that annual reports are shared with the public on time so that accountability can be ensured. It is stated in our regulation that the annual reports prepared by municipalities are submitted to the municipal councils by mayors in the council meeting in April and shared with the public until the end of April (MoF, 2006, Article 11). Out of the 50 municipalities included in this study, only 9 have shown the date when they uploaded their annual reports on their web pages. The municipalities concerned and the dates they shared their annual reports are as follows: Amasya Municipality (February 2015), Kayseri Metropolitan Municipality, Mersin Metropolitan Municipality, Elazığ Municipality, Adıyaman Municipality, Kırıkkale Municipality (April 2015), Burdur Municipality (June 2015), Kırşehir Municipality (July 2015), Sivas Municipality (October 2015)¹.

D. Evaluation in terms of full disclosure

According to Article 7 of the regulation on annual reports, it is required that the information provided in annual reports has no missing parts and the annual results are fully explained. The information that must be covered in annual reports is detailed in Article 18 of the same regulation. Besides, it is stated in Article 19 of the same regulation that procedures mentioned in Performance-Based Budgeting Guide prepared by the MoF has to be respected. In this framework, the information that must be covered in annual reports can be assessed under three main titles: General administrative information about the municipality; financial information about the budget and financial tables and performance information about the success in reaching performance targets.

1. Existence of administrative information

According to the regulation mentioned above, it is obligatory to include general information about the administration in annual reports. Administrative information is primarily about the mission and vision of the municipality, which is also mentioned in the municipality's strategic plan. Apart from that, it is obligatory to cover information about the municipalities' authorities, duties and responsibilities; organizational structure and human and physical resources as well as the detections and evaluations in internal and external audit reports (MoF, 2006, Article 18/1a). When the Performance-Based Budgeting Guide published by the MoF in 2005 and the Annual Reports Evaluation Guide published by the Turkish Court of Accounts (TCA) in 2013 considered, it is possible to gather the

¹ The date the report was published is seen as 31.12.2014 on the websites of two metropolitan municipalities. However, because such a date cannot be the date when a report can be published, these municipalities were not taken into consideration.

administration information that has to be covered in municipalities' annual reports under 25 titles. According to current regulations, a municipality can give additional information related to its own activities in its annual report (MoF, 2006, Article 7/2; MoF, 2005: 38). Therefore, 10 optional items, which are not obligatory according to the regulation, have also been considered (See Table 5).

Table 5. Municipalities' Accountability Based on the Disclosure of Administrative Information (n=50)

Name of administrative information	Category	Ratio of disclosure (%)
1. History of the municipality	Mandatory	12
2. Mission of the municipality	Mandatory	94
3. Vision of the municipality	Mandatory	94
4. Authorities, duties and responsibilities	Mandatory	92
5. Immovable property	Mandatory	78
6. Movable property	Mandatory	84
7. Organizational chart	Mandatory	96
8. List of subsidiaries and associates	Mandatory	58
9. Information and technological resources	Mandatory	90
10. Distribution of the employees as per type of employment	Mandatory	98
11. Distribution of the employees as per the type of service	Mandatory	36
12. Providing services	Mandatory	82
13. Management and internal control system	Mandatory	80
14. Internal and external audit reports	Mandatory	66
15. Fundamental policies and priorities	Mandatory	70
16. Fundamental principles and values of the administration	Optional	54
17. Map of the municipality	Optional	20
18. Members of the municipal council	Optional	52
19. Members of the municipal board (encumen)	Optional	44
20. Managers	Optional	34
21. Expertise commissions	Optional	40
22. Distribution of the employees as per their educational level	Optional	82
23. Distribution of the employees as per their gender	Optional	62
24. Distribution of the employees as per their years in service	Optional	22
25. Distribution of the employees as per their work places	Optional	44
TOTAL	Average	63

Source: MoF, 2005: 36-38; MoF, 2006: Article 13/b, 18/1a, Attachment 1; Law numbered 5393, Article 56; TCA, 2013: 4, 36-37.

The analysis reveals that the 50 municipalities on average disclosed administrative disclosure items in their annual reports by 63%. The items that are highly disclosed are: Distribution of the employees as per the type of employment (98%), organizational chart (96%), mission and vision (94%) and authorities, duties and responsibilities (92%). The items that are lowly disclosed are, however, the history of the municipality (12%), the map of the municipality (20%), the distribution of employees as their years in service (22%), managers (34%) and the distribution of employees as per the type of service (36%).

2. Existence of fiscal information

According to the legislative framework, fiscal information is probably the most important disclosure requirement for annual reports. In fact, the main

condition in ensuring financial accountability is to produce accurate, reliable, timely, detailed and comparable fiscal information (Demirbaş, 2014: 396). In Article 41 of the law numbered 5018, it is stated that “*the accountability report of the administration shall be prepared so as to include, along with the general information on the related administration, the resources used, and the reasons for the deviation from the budget targets and realizations, financial information comprising information regarding the activities of associations, institutions and organizations supported through assets and liabilities*”. Besides, it is also stated in the law that annual reports should also cover “... basic financial tables and explanations about these tables... and summary of the results of internal and external financial audits” (MoF, 2006, Article 18). In the Municipal Law numbered 5393, it is indicated that annual reports should cover information about “... the status of municipality's debts... information and evaluation related to subsidiaries and associated corporations, partnerships of the municipality...”(Article 56). According to current regulations, we determined 33 mandatory fiscal disclosure items that should be reported in municipalities' annual reports (See Table 6). Besides, although it is not stated in the legislation, two more items regarding fiscal information have also been taken into consideration.

Table 6. Municipalities' Accountability Based on the Disclosure of Fiscal Information (n=50)

Name of Fiscal Information	Category	Ratio of disclosure (%)
1. Balance sheet	Mandatory	46
2. Activity results table	Mandatory	14
3. Budget implementation results table	Mandatory	12
4. Cash flow table	Mandatory	0,2
5. Explanations and comments about financial tables	Mandatory	42
6. Associations, institutions and corporations that are supported	Mandatory	12
7. Fiscal information about subsidiaries and associates	Mandatory	24
8. Municipality's debts	Mandatory	26
9. Results of financial audit	Mandatory	18
10. Budget allowance total	Mandatory	84
11. Budget expense realization total	Mandatory	98
12. Budget income forecast total	Mandatory	72
13. Budget income realization total	Mandatory	98
14. Budget deficit/surplus forecast total	Mandatory	20
15. Budget deficit/surplus realization total	Mandatory	26
16. Budget appropriations by economic classification	Mandatory	72
17. Budget appropriations by functional classification	Mandatory	22
18. Budget appropriations by institutional classification	Mandatory	46
19. Budget expense realizations by economic classification	Mandatory	98
20. Budget expense realizations functional classification	Mandatory	36
21. Budget expense realizations institutional classification	Mandatory	66
22. Deviations from budgeted expenses	Mandatory	62
23. Reasons for the deviations from budgeted expenses	Mandatory	0,2

24. Budget income forecasts by economic classification	Mandatory	62
25. Budget income realizations by economic classification	Mandatory	96
26. Deviations from the budgeted incomes	Mandatory	40
27. Reasons for the deviations from budgeted incomes	Mandatory	0,2
28. Budget financing target	Mandatory	18
29. Budget financing realizations	Mandatory	20
30. Deviations from budget financing target	Mandatory	0,2
31. Reasons for the deviations from budget financing target	Mandatory	0
32. Top manager internal control statement of assurance	Mandatory	84
33. Statement of the head of financial services	Mandatory	88
34. Number and types of public procurement	Optional	70
35. Amounts of public procurement	Optional	46
TOTAL	Average	44

Source: MoF, 2005: 39; MoF, 2006: Article 18/1c, 19/2; Law numbered 5018, Article 41; Law numbered 5393, Article 56; Ministry of Internal Affairs, 2006.

The analysis reveals that 50 municipalities on average disclosed fiscal disclosure items in their annual reports by 44%. As it can be seen, this is much lower than the ratio of administrative information disclosure (63%). The items that are highly disclosed are as follows: total of budget expense and income realizations (98%), budget expense realizations as per economic classification (98%) and total budget income realizations (96%). However, the ratio of disclosure in the items of budget expense realizations as per institutions (66%) and functions (36%) is lower. Generally speaking, it is seen that municipalities disclosed more information about budget realizations than budget forecast. For example, budget income realization as per economic classification is disclosed by 96%, but the same ratio decreased to 62% when it comes to budget income forecast. This makes it less possible to compare forecast and realization and it gets more difficult to understand the "*deviations in budget targets and realizations*" mentioned in Article 41 of the law numbered 5018. In fact, the deviations from budgeted expenses are disclosed by 66% while the deviations from the budgeted incomes are disclosed by 40%. The ratio of disclosure decreases to 0.2% in the deviations from budget financing target. The reasons for the deviations are barely mentioned as it can also be seen in the table above.

The table above shows that balance sheet is disclosed by 46 % of the municipalities, but the disclosure ratio in the other main financial tables is so low. Besides, it is seen that the item of associations, institutions and corporations that are supported by municipalities is disclosed by 12%; the item of fiscal information about subsidiaries and associates by 24%; municipalities' debts by 26%. It means that these areas need to be improved. It can be observed that the findings here are in line with Demirbaş (2014). The study concerned revealed that 9 out of 15 municipalities (60%) disclosed balance sheet information; 4 (27%) disclosed activity results table; 3 (20%) disclosed budget implementation results and 2 (13%) disclosed cash flow table.

3. Existence of performance information

Performance based accountability is an issue that public administration reforms have been increasingly focusing on (Kluvers, 2003: 67). Today, it is no

longer enough to publicize administrative and financial information. It is also necessary to share the performance information about the services (Peters, 2007: 19; Law, 2001: 76). In fact, strategic planning and performance-based budgeting systems applied in Turkey require public administrations to determine to what extent they have reached their performance targets and share this information with the public (MoF, 2005: 12). The municipal law includes similar provisions, too (See 5393, Article 56). According to our legislation, it is obligatory to include such information under “performance information” segment in annual reports. Based on the legislation concerned, we determined 23 mandatory items of performance information that need to be disclosed in municipalities’ annual reports (See Table 7).

In 2014, 14 municipalities turned into metropolitan municipalities. Consequently, they prepared a new strategic plan (2015-2019), and their old plans proved invalid. Therefore, it would not be right to expect such municipalities to include their performance information in their annual reports. In fact, most of the new metropolitan municipalities did not cover their performance information in their 2014 annual reports. Therefore, 10 new metropolitan municipalities were not covered in this analysis, and the annual reports of 40 municipalities were examined in terms of performance information (See Table 7).

Table 7. Municipalities’ Accountability Based on the Disclosure of Performance Information
(n=40)

Name of Performance Information	Category	Ratio of disclosure (%)
1. Strategic aims	Mandatory	73
2. Cost estimate for strategic aims	Mandatory	5
3. Expenditure amounts for strategic aims	Mandatory	5
4. Deviations from strategic aims	Mandatory	3
5. Strategic targets	Mandatory	73
6. Cost estimate for strategic targets	Mandatory	8
7. Expenditure amounts for strategic targets	Mandatory	8
8. Deviations from strategic targets	Mandatory	3
9. Performance targets	Mandatory	38
10. Cost estimate for performance targets	Mandatory	10
11. Expenditure amounts for performance targets	Mandatory	10
12. Deviations from performance targets	Mandatory	8
13. Performance indicators	Mandatory	68
14. Performance indicator targets	Mandatory	63
15. Performance indicator realizations	Mandatory	63
16. Deviations from performance indicators	Mandatory	48
17. Reasons for deviations from performance indicators	Mandatory	25
18. Activity and project information	Mandatory	100
19. For what purpose activities and projects are carried out	Mandatory	35
20. Performance results table	Mandatory	63
21. Performance evaluation scale	Mandatory	23
22. Evaluation of performance results	Mandatory	33
23. Evaluation of performance information system	Mandatory	23
TOTAL	Average	34

Source: MoF, 2005; MoF, 2006, Article18/1c; Law numbered 5393, Article 56.

The analysis reveals that 40 municipalities on average disclosed the disclosure items of performance information in their annual reports by 34%. As it

can be seen, this ratio is much lower than administrative (63%) and financial (44%) information disclosed. The performance information item with the highest score is general information about the activities and projects carried out in the financial year concerned (100%). In fact, such information is literally not performance information. It is rather about the presentation of municipal activities. General information about the activities is followed by strategic aims (73%) and strategic targets (73%). The reason why this type of information is disclosed is that it is based on municipal strategic plan.

The items that are lowly disclosed are cost estimates for strategic aims (5%), strategic targets (8%) and performance targets (10%), expenditure amounts for performance targets (10%) and deviations from performance targets (8%). The ratio of municipalities that share their strategic aims is 73%, but the disclosure of cost estimates and expenditure amounts for these aims is only 5%. Therefore, the weakest point in annual reports is for what purpose the money is allocated and how much money is spent to reach these targets and aims.

The ratio of municipalities that disclosed performance targets in their annual reports is 38% while the ratio of municipalities that disclosed the performance indicators is 68%, which is much higher. This difference shows that 30% of municipalities just share information about performance indicators without sharing information about performance targets. 48% of municipalities disclosed information about the deviations from the targets determined for performance indicators, but the ratio of municipalities that explain the reasons for deviations is 25%. The findings we obtained in this study are generally supported by Demirbaş (2010) and Avcı (2015). Demirbaş (2010) found out that the success level of 70 municipalities based on 4 performance criteria is 38,8%. Considering the 4 performance criteria, Avcı (2015) revealed that metropolitan municipalities share their performance information by 49%². As it can be seen, both ratios are higher than the 34% we obtained based on the 23 items mentioned above, but these ratios also show that municipalities do not sufficiently account for their performance.

E. Evaluation in terms of accuracy and neutrality

It is required that the information revealed in annual reports should be not only complete but also “accurate, reliable, unprejudiced and neutral” (MoF, 2006, Article 5). There is no doubt that the disclosure of information that does not have these qualities is of no value. When examined from this perspective, it is observed that some municipalities do not attach enough importance to this issue. For example, one of the municipalities planned to have 2 meetings with non-governmental organizations, and stated that the realization number is 3 and announced that the target was reached by 110%. The existence of such information means that the municipality concerned has not prepared an accurate and reliable report.

² In the relevant study, the annual reports were evaluated considering 24 criteria under Document Analysis Index. We evaluated 4 of these criteria (1,16,17,18) within the scope of performance and calculated the 49% ratio considering the frequency given in the study. See Avcı (2015: 178).

Apart from this, some municipalities hardly share negative performance results, and they show 100% or results very close to that in almost all of their performance indicators. This casts doubt on the principle of neutrality. What is ideal is to determine realistic targets and announce the results without any speculation.

DISCUSSION

In this study, the annual reports of 50 municipalities were analyzed in terms of municipalities' accountability. Accordingly, the findings have revealed that municipalities do not sufficiently fulfill their responsibilities. The reasons for this failure can be listed under seven titles:

Insufficiency of regulations on annual reports: In Turkey, there is a regulation that regulates the annual reports of public institutions. Although the regulation details some elements such as the reporting principles, format and submission date, it is not guiding enough. There is even incompliance between this regulation and the performance-based budgeting guide prepared by the MoF. To illustrate, the budgeting guide of the Ministry requires the activity and project information to be given under general information whereas the regulation requires it to be shared under performance information. Such inconsistencies cause annual reports to be prepared sketchily. Besides, it is a big deficiency that the regulation covers no information about the ideal number of pages, type and size of electronic files for annual reports.

Municipalities' failure in preparing healthy strategic plans: Turkish municipalities first need a healthy strategic plan so that they can prepare a good annual report. If a strategic plan covers too many aims and targets, there might be problems about determining performance targets and indicators. As a result, performance information may turn out to be immeasurable or too much to be followed. Likewise, strategic plans are supposed to be outcome-based (SPO, 2006: 7), but many municipalities determine their indicators based on input and activities, which eventually increases the number of indicators and decreases the reliability of performance indicators mentioned in the annual report.

Municipalities' failure in establishing an efficient performance measurement system: Good reporting necessitates an efficient performance measurement and monitoring system. Accordingly, who should be doing the performance measurement and monitoring and how, and how often it should be done must be determined and all the input must be recorded and monitored in the database at the appointed time. If these processes function properly, many data, that would provide a basis for annual reports, will also be produced during the year. Because many municipalities lack such a functioning system, they cannot monitor their performance indicators or they fail in producing reliable performance information. As a result, municipalities' annual reports are prepared mechanically at the end of the fiscal year.

Top managers' paying insufficient attention to municipalities' annual reports: Annual reports are important accountability tools for municipalities. The efficiency of this tool directly depends on the top management because the top

management plays a decisive role in the preparation of annual reports. For instance, the attitude of the top management is determinant in ensuring participation in strategic planning, purchasing software for performance measurement and monitoring, increasing the efficiency of financial services unit in all these processes, giving in-service trainings and submitting the annual reports to shareholders. The support of top management is so valuable even for small municipalities with relatively limited opportunities. Unfortunately, in most municipalities, top management does not look out for the processes and the required coordination cannot be ensured (Kesik & Karagöz, 2010: 146). In most small municipalities, annual reports are prepared by editorial units rather than financial services unit.

Failure in communicating the annual reports to the public: This research revealed that out of 81 municipalities, only 50 shared their annual reports on their web sites. However, it is a legal requirement to publish annual reports on websites as mentioned earlier. Ignoring this rule prevents the public from enjoying their right to information, which is a fundamental right. Annual reports, which have to be sent to the Ministry of Internal Affairs after being approved by municipalities, are not shared on the website of the Ministry, either. Consequently, failure in communicating annual reports to the public prevents people from evaluating the municipal activities.

Citizens' showing little interest in annual reports: As in the world, citizens in Turkey show little interest in financial issues such as taxation, expenditure, borrowing and financial tables. Citizens, who have no expertise in public finance, find such topics boring and intimidating (Justice et al, 2006: 302; Emil & Yilmaz, 2004: 19). For example, in the research carried out in Bursa, citizens were asked whether they had any idea about the municipal strategic plan or not, and only 17, 3% of them gave a positive answer to this question (Korlu, 2014: 239). Therefore, that citizens do not demand municipalities to share information with them might also be a reason why the information produced by municipalities does not meet the ideal quality standards.

CONCLUSION

In this article, the annual reports of 50 municipalities for the fiscal year 2014 were examined in terms of accountability. Considering accessibility, understandability, timeliness, full disclosure accuracy and neutrality, the findings reveal that municipalities are not at the required level in terms of accountability. Therefore, it is obvious that some steps should be taken to increase the use of annual reports as an accountability tool.

First of all, the central administration should review and update the regulation on annual reports because the current regulation is not guiding enough. Today, it is becoming more and more important to share annual reports on the Internet, so there should be some standards about this. For example, annual reports should be shared under easily accessible titles. The files should not have more than 5 megabytes, and users should be able to search or copy something in the file. There should be more clear standards as to the use of charts and tables.

For instance, the photographs of mayors should not cover the entire page. Although these issues sound trivial, it should be considered that information is of no value if it is not accessible and understandable.

The criteria about what type of information should be disclosed in annual reports should also be clearly determined. Especially, administrative, financial and performance-related information should be clarified. It would be more appropriate to use tables to see the targets, realizations and deviations in general and detail. Currently, municipalities are able to produce the financial tables determined in the accounting regulation; however, most municipalities use these tables as they like. They use the format they prefer or they share as many details as they want.

Another important issue is to increase the performance information production capacity of municipalities. Given that municipalities are bad at performance measurement and monitoring, it is evident that they need software and training support. Instead of each municipality developing or purchasing software, the central administration can develop software for small, medium and large scale municipalities and provide the municipalities with the software they need. In this way, resources would not be wasted.

Some measures can be taken to share annual reports with more people and strengthen accountability. To illustrate, annual reports can be divided into two: financial report and performance report as in the USA. Thus, the municipal council can discuss the two reports separately and focus on each report more. In addition to these reports, a “citizen report” can also be prepared so that citizens who have no expertise in financial issues can easily understand the content (Polat, 2010: 104). It is obvious that the professionals to whom the reports are submitted in line with legal processes and the citizens who have no expertise have different needs. Besides, it is thought that such a measure would increase citizens’ interest in municipal finance.

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