

# **Transparency, Trust and Confidence in the Public Sector**

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## **Abstract**

This article forwarded findings from a research on public sector performance measurement regimes in a selected developed country. Amongst the issues explored in the research is on the public trusts and confidence in the government agencies and its influence on aspects of participation and voting decisions. Transparency is recognised for the means to improve trust. Therefore greater transparency in the public sector is also hope to enhance public confidence and trust in the government agencies. The research questions were answered using pragmatic paradigm which allows for mixed research methodologies. Utilising documents analysis, survey questionnaires and interviews, the study examine 22 cases. Findings on the aspects presented in this paper, suggest that enhanced transparency neither influence the voting decisions nor improved public participation in the local government activities. However, it does provide clearer views for the public service employees on the local government functions, and support them in delivering their work in more efficient manner.

**Keywords:** public sector accounting, transparency and trust, public sector performance measurement, public participation, civil service performance

## **1. Introduction**

In accounting term, 'transparency' is called 'disclosure', the obligation to disclose an organisation's financial circumstances for the benefit of their creditors or principals (Hood, 2006). Governmental transparency can be explained as the ability to find out what is going on inside government (Piotrowski et al, 2007). Transparency has been generally supposed to make institutions and their office-holders trusted and trustworthy (O'Neill, 2002). Cases of untrustworthy politicians and officials have made trust a hard and risky issue. Therefore, remedies are needed to recover trust back by enhancing standards of accountability and transparency. Government imposes elaborate measures to make sure its agencies keep agreements and do not betray trust.

In the UK, government empower the Audit Commission (AC) to evaluate local government performances through the Use of Resources (UoR) assessment. The UoR is part of Comprehensive Assessment Regime (CPA) introduced in the UK for enhancing public management. The results of these assessments will then be published and local government will also be ranked. Local public are able to view annual accounts of their local government as well as the performance results. These efforts enhance government transparency for the extra disclosures provided to public. Transparency is hoped to enhanced trust and confidence in the public sector and therefore local public are expected to be more supportive of the local government.

## **2. Literature review**

Hood (2006, p. 19) suggests 'that transparency seemed to have established some kind of quasi-religious authority as contemporary doctrine of governance'. Increasing transparency as measured by some index may be different in reality due to the gap between nominal transparency and effective transparency (Heald, 2006a, pp. 34). The author described the gap as 'transparency illusion'. The author also notes that a receptor capable of processing, digesting, and using the information is necessary for effective transparency.

Heald (2006b) wrote that transparency is believed to positively connect to performance because exposure to public view works as stimulus. The author notes that, however, transparency about operational aspects of process can affect behaviour in unexpected ways. The author also suggests that introducing or increasing transparency may have damaging effects rather than beneficial except if it is seen to make a difference. The author explains that if transparency is beneficial, it could lead to cessation or reduction of corruption and punishment of offenders. Public knowledge arising from greater transparency would lead to greater cynicism and possibly wider corruption if the corruption exposed continues. But if trust is constantly observed, it is hardly earned and easily dissipated (O'Neill, 2002). Huge efforts have been placed into ensuring trustworthy performance, auditors scrutinise accounts, examiners control and mark examinees, police investigate crimes but the question as to whether they are trustworthy remains. The author also argues that evidence of trust distrust is not easy to pick up when people have no choice, like the case of public goods and services, the only evidence available is what people say.

O'Neill (2006) wrote that many institutions and office-holders in UK of whom transparency requirements have been imposed across the last fifteen years are now seen as less trustworthy, and are apparently less trusted than they were before the requirements were introduced. The author further questioned the achievement of government notion that transparency is indispensable for accountability and good governance, for preventing corruption and improving performance; and for increasing trustworthiness and trust. Declining trust has led to a shift from relations based on trust and status to those based more explicitly on contractual relations (Hughes et.al., 1997).

Figure 1 is developed based on arguments in Power (1994; 1997) and other readings. The figure shows the displacing of trust by new accountability assurance mechanism. Instead of trusting local authorities, central government put their trust in the AC to monitor and certify local authorities. According to Power, audit displaces trust from first-order to second-order verification activities; besides displacing trust, the assessment done by the AC especially the Value for Money (VFM) theme in the UoR assessment involves a displacement from first order experts, such as teachers, social workers, police and so on, to second-order experts, such as accountants and managers. Power (1994) argued that:

An irony that audits of this kind bring a shift from professions the public trusts more- such as doctors, police and teachers, to a profession the public trusts less (the accountants) at the instigation of a profession the public trusts least (the politician), (p.35)

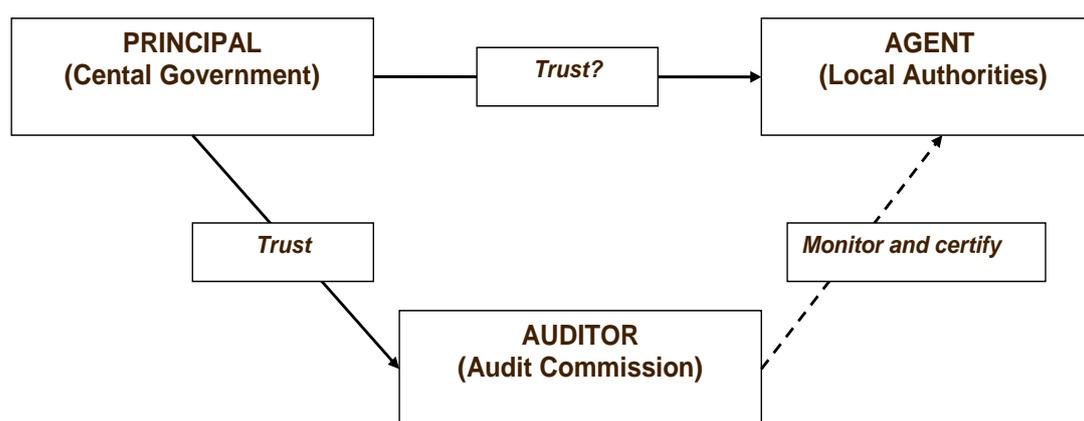


Figure 1: The Displacing of Trust

(Source: Author's diagram adapted from Power, 1994, 1997 and other readings)

Public confidence in public administration can be categorized to three fundamental principles, namely transparency, accountability and trust (Power, 1994). Therefore, when public trust is declining, public confidence will also decline. The author in his 1997 book (p. 134-136) discusses the issues on what he called as 'distrusting the auditees' and 'trusting the audit process' which resulted from the new public sector management. There is a persistent trend across the developed world that public confidence in public institutions is in a state of decline (Davies et al, 2001). In the public sector, public confidence will provides a bridge for mutual interest between the managers of service providers and the auditor. Publication of the performance result is very good to communicate performance and thus enhance transparency. Transparency also works to benefit service providers by allowing them to transfer liability and reduce risk.

O'Neill (2006) suggests that those who aim to communicate must fashion their speech-acts with care, take account of the actual capacities and beliefs of their audience and must meet a range of epistemic and ethical norms that are constitutive of adequate information. Only when those norms are met, transparency may then extend communication by making information available to some audiences. In the event when they are not met, transparency may worsen communication by spreading confusion, uncertainty, false beliefs, and poor information. O'Neill further states:

Indeed, it is often all too plain that the real aim of certain practices of disclosure is *not to communicate*. Standard practices such as using print so small that many will find it hard to

read, or terminology so arcane that most will find it hard to follow, suggest that warnings, documents, and labels are meant to *transfer liability* without *communicating risks effectively*. ... Information is disclosed, transparency is achieved: but what is going on is not really communication with customers or with the public, but a form of defensive risk management, by which companies can claim to have warned those who buy their products, so reducing blame and litigation in the event of mishap, while avoiding genuine communication with those whom they supposedly warn. (p. 88)

Power (2004) forwarded a similar argument that the real purpose of such uses of transparency is (it seems) not to protect the public or customers, but to protect providers and others by transferring liability for damage or injury. Stasavage's (2006) study of the European Council of Ministers found that secrecy of Council proceedings has led to serious problem of accountability, as a representative could say different things in public and private and avoid firm positions on policy. Advancement of technology also contributes towards enhanced transparency, in which many government agencies including local governments use the internet to disseminate information. Margetts (2006, p. 205) suggests three ways in which government might become more transparent in this digital era, which the author termed as digitization of government:

- i. the amount of information that government obtains and may disseminate becomes greater and being more accessible to more people;
- ii. the process of digitization involves formalizing and codifying aspects of government processes which in turn can become more stable, less discretionary, and hence more transparent; and
- iii. digital government also reduces the needs for transparency by making it easier to 'join up' government agencies and services and thereby reducing the need for citizens to understand government.

Although digitization may make government more transparent, there are barriers to it, such as, the uncertainty and unpredictability produced by electronic processes, increased complexity, and difficulty of navigating digital government because of its size or design (Margett, 2006).

Thus, the issue of balance between governmental secrecy and openness is always debatable. This is also due to different levels of individual demand for governmental transparency (Piotrowski et al, 2007). Some people strongly feel the need to access government information and learn about government activities while some are less interested. Furthermore, different people require different kinds of information (Heald, 2006b; Piotrowski et al, 2007). Piotrowski et al (2007, p. 320) found different dimensions to the public's demand for transparency in government: related to public finances, safety, the principle of open government and the notion of good or honest government. There is less public demand for transparency when the public perceives that government is already adequately opens (Piotrowski et al, 2007). The authors also noted that people who are involved politically and communicate frequently with government demand greater transparency.

Several other studies found relationships between trust in government with perception of democracy (Marlowe, 2004); demand for transparency and satisfaction with government services (Van Ryzin, Muzzio and Immerwahr, 2004); and that civic participation is higher in smaller places than in larger ones (Oliver, 2001).

### 3. Methodology

This study adopted a pragmatic paradigm which allows for mixed methodologies in data collection. The respondents were 22 local authorities and focus of study confined in the area of financial accounting and auditing. Utilising the 22 cases – procedural documents, published assessment results, annual accounts, questionnaires and interviews were collected, held and analysed. The findings presented and discussed in this paper are confined in the area of public trust, participation, and influence on voting decisions.

### 4. Findings

#### 4.1 Public Trust and Participation

Power (1997) argues that the audit explosion has its roots in the loss of trust in contemporary society, and therefore, it has become important to provide an account of one's actions. Thus, the enhanced regulation resulting from New Public Management (NPM) seeks to make government officials accountable. Power (1997) doubt that audits delivers greater accountability, efficiency and quality, but suggests that they encourage distrust; the auditees would become less trustworthy when they adapt their behaviour strategically in response to the audit process.

Hood (1995) also highlights the high-trust and low-trust relationship with 'accountingization' (a term used by Power and Laughlin, 1992, p. 133). The high degree of auditing in local government signifies low-trust in the organizations. Thus, statements were generated and used during the interviews to probe respondents' views on public trust and public participation in local authorities. The objective was to ascertain whether interviewees' experienced improved trust and public participation as a result of the assessment regimes. Table 1 and Table 2 show results from analysis of responses for the statements.

Table 1: Influence on Public Trust and Participation

	Frequency (%)			
	Agree	Neither Agree nor disagree	Disagree	No view
<b>The UoR exercise has improved</b>				
i. public trust in my local authority	15.0	30.0	55.0	
ii. public participation in my local authority's activities	5.0	15.0	80.0	
iii. public trust in local government generally	5.0	35.0	55.0	5.0
iv. public participation in activities organised by local government generally	0.0	20.0	75.0	5.0

Notes: N=20

Source: Interview Data, 2008

The frequencies of responses shown in Table 1 indicate a high majority of disagreement. 80 percent disagree that the UoR exercise has improved public participation in 'my local authority's activities' and 2 percent for 'activities organised by local government generally'. Frequency of responses for the 'UoR exercise has improved public trust in my local authority' fetches 55 percent disagree as well as for 'public trust in local government generally'. The responses signify a mismatch between the objectives of the assessment to enhance public trust and the perceptions of finance directors of the achievement of these objectives.

**Table 2: Mean Analysis – Influence on Public Trust and Participation**

	Min-Max	Mean	Standard Deviation
<b>The UoR exercise has improved</b>			
i. Public trust in my local authority	1-4	2.55	0.83
ii. Public participation in my local authority's activities	1-4	2.05	0.76
iii. Public trust in local government generally	1-4	2.42	0.69
iv. Public participation in activities organised by local government generally	1-3	2.00	0.67

Notes: N=20

The mean is average on a scale of 1(='Strongly Disagree') to 5(='Strongly Agree')

Higher means indicate stronger agreement on the statement

Source: Interview Data, 2008

Mean analysis reported in Table 2 evidenced the disagreement, relatively lower means for all the statements, and standard deviations below 1 indicate harmony in views. From the Min-Max column, not a single respondent marked '5=strongly agree' for any of the statements on trust and participation. A director responded:

*"I don't think the public want to know or care about it." [DOF 5]*

And:

*"I have not seen the evidence, in my experience. I know we tried to invite participation in the budget through budget consultation and I think it is a general problem, a national problem. I have not seen UoR directly as being the cause or the guiding light." [DOF 2]*

Many directors shared similar views to the two quotations above. This problem is related to financial reporting requirement which is 'beyond comprehension' of members of the local public and on the issues of the UoR indicators representing less of public expectation but more for the central government's and the AC's views of best-practice. An explanation from one of the directors which was shared by many:

*"I don't think it is useful for the public. It is more useful for me as to how I am doing as opposed to other councils are doing. It is more of the professional pride. It allows you to do league tables, compare yourself with neighbours but not to local citizens. I don't think the press have even picked on it in terms of such and such is better than us or we are better than them." [DOF 5]*

The explanation from another director also supports and elaborates the view above:

*"The way the Commission are going down of making information on their website more accessible in terms of red and green flag may help. I think the difficulty is that the Commission view of good practice of UoR is a professional view whereas the public view is 'what is the impact on their council bill- their tax bill'. The public are not aware of government grant formulae and other things that have far more impact other than council tax bill." [DOF 6]*

Responses above highlight the needs for reconciliation between what is presented and what is comprehensible by the local citizen. Many directors explained that they re-produced

their annual accounts in a summarized, simplified format and produced pamphlets on the budget, planning and other achievements at their local authority to attract public's attention. A few directors suggested that having a workshop with the local public could help in delivering messages about the assessment and stimulate their interest and understanding.

Although the majority disagree with the two statements, a few directors do view that the UoR that requires extensive reporting and the publication of ranks should improve public trust in them. Their responses were influenced by their own expectations but they agreed with the majority and accepted the fact that they have not seen any evidence of improvement either in public trust or public interest in the UoR and CPA. Many expressed disappointment that the local public would not care if they are doing well, would have no interest or concern to the local council, only if something goes wrong, then the press would 'in no time' make that a headline in their newspaper. The directors also expressed their concern over negative publicity which might influence an auditor's perception and therefore affect the judgement on local authorities. It was difficult to repair the tarnished reputation they had when things went wrong. Some directors admitted that bad reputation and poor results from the assessment was linked to a decline in their staffs' motivation which the directors have to work extra hard to improve.

#### 4.2. Voting Decisions

Statements in this section were generated to explore whether the publication of assessment results is reflected in the public's voting decisions. Responses to this statement would confirm the views on the importance of the assessment to the public at large. Table 3 and 4 display the results analysed from responses to the statements.

Table 3: Influence on Voting Decisions

	Frequency (%)		
	Agree	Neither Agree nor disagree	Disagree
<b>The published Comprehensive Performance Assessment results have influenced the decision of local electors</b>			
i. on whether to vote in local elections	0.0	10.0	90.0
ii. on which political party to vote for	0.0	10.0	90.0

Notes: N=20

Source: Interview Data, 2008

As revealed in Table 3, a huge majority (90%) disagree that the published CPA results have influenced the decision of local electors on (i) whether to vote in local elections, or (ii) which political party to vote for. It is interesting to note that nobody agrees that it would. The directors viewed UoR and CPA as being of no interest to the public, and therefore have no influence on the public's decision on politics or politicians. A director responded:

*"People are willing to stand on which impact them more compared to CPA. It is very much based on the politics of the council rather than the council being classified as fair or whatever." [DOF 5]*

The view is supported by another director who said:

*"Totally, they quite frankly don't care. There is no impact on whether people would vote; if it did we would have seen the turn-out increasing. It is not, it remain relatively stable in all areas. In terms of which party to vote for, the controlling groups are the greater majority in this council as well as in my previous council." [DOF 1]*

Respondents' views in this section harmonized with their responses in the previous section on whether the UoR exercise has improved public trust and participation, which also attained a very high percentage of disagreement. A mean analysis was further done to check on means of responses and standard deviations, reported in Table 4.

**Table 4: Mean Analysis – Influence on Voting Decisions**

	Min-Max	Mean	Standard Deviation
<b>The published Comprehensive Performance Assessment results have influenced the decision of local electors</b>			
i. on whether to vote in local elections	1-3	1.80	0.62
ii. on which political party to vote for	1-3	1.70	0.66

Notes: N=20

The mean is average on a scale of 1(='Strongly Disagree') to 5(='Strongly Agree')

Higher means indicate stronger agreement on the statement

Source: Interview Data, 2008

Low means are reported for both statements, confirming the high percentage of disagreement. The 'Min-Max' column also shows there are respondents who marked '1=strongly disagree' for both statements. These indicate the insignificance of the CPA results to politics or politician. Unanimity in views for this category is evidenced by the low standard deviations for both statements.

## 5. Summary and Concluding Remark

The comprehensive performance assessment enforced in local government agencies regime are not viewed as contributing towards improvement in public trust nor in public participation, although part of the objectives of greater transparency is to improve trust. The assessment regime and its published results have not been viewed as affecting local electors' decisions to vote in local elections nor the choice of political parties. The public has showed little interest in responding to the invitation for public inspection of the local authorities' statement of accounts, possibly due to the difficulty in understanding the accounting terminologies.

However, the comprehensive performance measurement and assessment do enhance efficiency in service deliveries as it improves clarity on what is expected from the local government. There is an opportunity to research further into why the public may not be interested in local authorities' assessment and what other information they need from local authorities. Another issue worth researching is whether there are other local public expectations of their local government which differ from the central government.

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