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Information brokers and the use of budgetary and financial information by politicians: the case of Portugal

Susana Jorge, Maria Antónia Jorge de Jesus and Sónia Nogueira

This paper analyses the intermediary role of the technical bodies that support the use of budgetary and financial information by central government politicians in Portugal. The main findings show that information brokers are playing a central role in preparing this information in a credible, simple and understandable way. However, even if not intentionally, the information they present can be biased. Politicians need to be aware that the information brokers they rely on may not be giving them 'neutral' information.

Keywords: Central government; information brokers; information needs; politicians; technical intermediaries.

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

However, questions have been raised regarding the real use that politicians make of financial (and budgetary) information. And, if they are not making much use of it, why not? One reason might be because the information is too technical. In this case, can 'information brokers' (Heald, 2003) or 'informational intermediaries' (Fung, 2013) with the necessary expertise be employed to improve the use and usefulness of budgetary and financial information by politicians? In Portugal there are three bodies that fulfil this role, mainly acting as technical supporters and advisers to politicians at the central government level. These bodies are the support unit (UTAO—Unidade Técnica de Apoio Orçamental); the budget department (DGO—Direção-Geral do Orçamento); and the public finance council (CFP—Conselho das Finanças Públicas).

This paper analyses the intermediary roles played by these three bodies to support the use

of budgetary and financial information by politicians. A distinction between budgetary and financial information is made, because both types of information are included in regular public sector accounts in Portugal. The former is cash-based and relates to accounting for budget execution and accomplishment; the latter is accrual-based and derives from financial accounting.

This paper answers two important questions:

- What type of budgetary and financial information is used and prepared by technical advisory bodies (information intermediaries), either voluntarily or at the request of politicians?
- What is the role of these technical units and how does it affect the use and usefulness of budgetary and financial information by politicians?

Our study involved interviews with the officials in the intermediary bodies—the UTAO, the DGO and the CFP; the head of the parliamentary commission of budget, finance and public administration (COFAP—Comissão de Orçamento, Finanças e Administração Pública); and the Portuguese secretary of state of budget. These politicians are the ones who make the most use of information brokers.

Information brokers and their role in the use of budgetary and financial information by politicians

Information brokers, or intermediaries, are

Susana Jorge is an Assistant Professor in the Faculty of Economics of the University of Coimbra and a Researcher in the Research Centre in Political Science, Portugal.

Maria Antónia Jorge de Jesus is an Assistant Professor in the Instituto Universitário de Lisboa and a Researcher in the Business Research Unit (BRU-IUL), Portugal.

Sónia Nogueira is an Assistant Professor in the School of Public Management, Communication and Tourism of the Polytechnic Institute of Bragança and a Researcher in the Research Centre in Political Science, Portugal.

actors involved in processes of generating, interpreting, organizing or communicating information for a particular purpose to specific social groups (Wolfe, 2006). Brokers or intermediaries capture and interpret information, adapting it to the context, adding to it, packaging it, communicating it; they also facilitate exchanges between other groups (Saywell and Cotton, 1999). In the public sector setting, the concept and role of information brokers or intermediaries has been discussed in the literature in terms of transparency for accountability, and open government. 'Accountability' means that citizens are entitled to public sector budgetary and financial information. Brokers or intermediaries can make this information more accessible and understandable to citizens, so that they can better judge whether public resources are being properly used (Lourenço *et al.*, 2013).

As the representatives of citizens, and often major decision-makers, politicians are assumed to be main users of public sector budgetary and financial information. Depending on the level of government, they also have control functions. It is therefore important to clearly understand politicians' information needs and what role brokers have in fulfilling these needs.

Brokers or intermediaries often make government budgetary and financial information more understandable to the final users. If these users are citizens towards whom public officials, and particularly politicians, are accountable, information brokers relate to media and journalists (Heald, 2003). If the final users are politicians, the intermediaries might be individuals, groups or organizations who offer advice and technical support (Fung, 2013).

Intermediary organizations or groups serving political constituents are well suited to determine their information needs, possess privileged communication channels, and have the analytical capabilities to organize complex information in a sensitive way to their requirements: 'these organizations are the best suited to identify the most important kinds of information and for articulating how that information ought to be provided...so that it is the most accessible and useful' (Fung, 2013, p. 202).

In the political setting, an important contribution made by information brokers is to prepare summary budgetary and financial information, making it more understandable (Wolfe, 2006). Consequently, public sector or governmental information brokers or intermediaries have a two main roles: they are

preparers of information for a certain groups of users; and, simultaneously, they are also users of information, but at a different level of complexity and intelligibility—the information they use is normally prepared by technical experts.

Rutherford (1992, pp. 278–279) discussed the need to recognize: 'the nature and objectives of financial statements users in the public sector...enabling users and needs to be identified in the specific context of the activity'. Politicians in a parliament require refined public sector budgetary and financial information—they cannot generally use crude data as this comes from agencies or other levels of government—aggregation and analysis needs to be done first. To use information, users need to be able to understand and to process it (Fung, 2013). A distinction also needs to be made between what they are offered and what they ask for, since the latter presupposes 'inside' knowledge of the information (Likierman and Creasey, 1985). 'Audiences are...an important part of the context of financial reporting' (Heald, 2003, p. 754). Consequently, when preparing their reports, intermediaries have to translate the information so that their audience values, appreciates and understands, bearing in mind that it is impossible to fulfil all 'individual whims' (Likierman and Creasey, 1985).

According to Heald (2003, p. 739), information brokers 'necessarily play a significant role in the processing of government financial information'. The author underlines an 'even greater reliance on information brokers' (p. 748) to deal with the complexity of government information and information overload. Considering the complexity and multidimensionality of public sector budgetary and financial information, intermediaries are those processing and packaging the information in ways that suit the values, needs, habits and capabilities of the final users.

Consequently, the relationship between information brokers and (final) users is usually asymmetric, since often the former have more information or more knowledge about the information. Brokers exhibit different types of behaviour, which can affect the use of the information they are processing. The neutrality of a broker's behaviours seems to depend on the complexity of the information and its understandability by the final user—the more complex the information, the more discretion information brokers might have to aggregate, select, analyse and communicate it. Another issue is whether information brokers receive

clear guidance from the final users on what information to prepare and how—if this does not happen, brokers have the opportunity to create their own agendas, managing information in such a way that their relationship with users might not be neutral or impartial (Birnberg *et al.*, 1983; Heald, 2003).

Birnberg *et al.* (1983) distinguish various forms of information distortion and related action. Some of these forms are not relevant for our analysis because they include manipulation and gaming actions, which do not apply to the role of information brokers. In addition, some forms of information distortion are less appropriate because these forms are more likely to be adopted by information users rather than by information brokers, for example smoothing (attributing data flows to subsequent periods of reporting), and biasing (selecting the most beneficial information for the information producer or user). To meet our research goals, we built on two interrelated forms of information distortion that can also be meaningful to information brokers, i.e. focusing (either enhancing or degrading information elements) and filtering (selecting certain more desirable information elements). If information brokers pursue their own agendas, they may adopt mechanisms of filtering and focusing in presenting the repackaged information to the ultimate users—either citizens or politicians.

However, information brokers have a more neutral role in enriching information for the ultimate users. What circumstances lead to brokers taking a neutral or an agenda-setting role? Information brokers' behaviour can be ranked on a scale of neutrality considering the circumstances of their actions:

- Level 1: Giving a summary of complex technical information, but serving neutrality by aiming to provide a comprehensive view of the information—*aggregating*.
- Level 2: Interpreting complex technical information, including narratives to the available financial figures and explanations according to certain standards—*analysing*.
- Level 3: Guiding the users of information by highlighting particular issues that could lead to fruitful debates—*focusing*.
- Level 4: Selecting information, i.e. concentrating on information which seems to them most relevant to decision-making—*filtering*.
- Level 5: Moulding the information according to their own agenda deliberately intending to affect politicians' debates and decisions—*agenda-setting*.

Methodology

Data were gathered for our study using semi-structured interviews, since our aim was to understand a complex phenomenon, where those involved had different perspectives all of which needed to be considered (Miles and Huberman, 1994). The interviews were based on a script; the questions were prepared taking the relevant academic literature and public debates into consideration. Core questions related to the role taken by technical intermediaries in producing budgetary and financial information for politicians. A second important group of questions concerned the types of information that intermediaries usually deal with—the sources they used, and the factors they particularly considered when preparing information for politicians.

Interviews were conducted between March and April 2015 with two members of the CFP, two members of the UTAO, and with the Budget Director General. Only five interviews were performed because in each unit those chosen were going to be able to provide all the relevant information. Additional interviews were carried out with politicians who dealt directly with the broker units, in order to understand the role of those units in providing the information the politicians needed. These politicians were the Secretary of State of Budget, to whom the Budget General Director reports, and the head of COFAP, for whom the UTAO prepares the information. Qualitative content analysis (Hsieh and Shannon, 2005) was then applied to the transcripts of the interviews.

The role of information intermediaries in the Portuguese central government

In the Portuguese central government, the UTAO and the DGO are particularly important in making budgetary and financial information more understandable by politicians, and probably therefore contributing to its use and usefulness in parliamentary debates and policy-making. The independent CFP monitors and assesses the sustainability of public finances and publishes its report: so they are available to all interested parties. Figure 1 describes these bodies.

The budget department (DGO—Direção Geral do Orçamento)

The DGO uses the ministry of finance's central system as its main source of information. Each public sector entity's budgetary information is automatically fed into this on a 'declarative' basis. Data are aggregated for central government. Local government data are

gathered by the local government general department and used by the DGO to report on the public sector finances as a whole. The UTAO and the CFP can access the DGO's information system, which means that the DGO has to produce high-quality reports.

The department mainly prepares cash-based budgetary information, although it acknowledges that fiscal policy objectives are dealt with in the accrual-based national accounts. The DGO rarely receives specific information requests from politicians—essentially, the DGO strictly follows its activity plan.

The role of the department as technical intermediary preparing information for politicians is that of data aggregator. It does not offer additional treatment of the information it gathers, except when preparing information for budgetary consolidation purposes (for example eliminations of internal transfers between entities). In this aggregation process, complex, diverse and large amounts of information are transformed into clear and simplified reports. The importance of this process to the understanding of the information

by the government was underlined by the secretary of state of budget.

Our analysis concludes that the DGO's role is mostly in summarising complex technical information, assuring neutrality and clarity in data presentation for politicians. This broker's behaviour fits level 1 (aggregating) of the neutrality scale presented in the theoretical framework: it affects the use of information contributing to a better understanding, but it does not offer any interpretation, hence it does not interfere with the politicians' agendas.

The support unit (UTAO—Unidade Técnica de Apoio Orçamental)

The UTAO does not use information directly from public sector entities, but information already gathered and prepared by other bodies, such as the DGO and the National Statistics Office. Regarding public debt, they also use information from the Bank of Portugal and the governmental agency that manages public credit (IGCP).

It follows an annual activity plan, for each legislative session, which identifies a set of

Figure 1. Characteristics of informational intermediaries in Portugal.

DGO

- The DGO is a department within the ministry of finance with the broad mission of regulating and controlling the budgetary process of the government as a whole, preparing information for the secretary of state of budget.
- It provides information for assessing the accuracy of public sector accounts; it monitors fiscal targets; and prepares EU financial reports. It also ensures that information concerning budgetary execution is prepared on time.
- It has an annual activities plan, defined by law, which includes: preparing the national budget and the general account; monitoring, analysing and controlling budgetary execution; and providing technical support to all public sector entities included within the national budget.

UTAO

- The UTAO is a technical unit (eight to ten members) working for parliament and particularly for COFAP.
- It was created in 2006, following the model of the USA's Congressional Budget Office.
- It is responsible for analysing the state's budget law and its amendments; the state's general account; budgetary execution by all public bodies; EU Stability and Growth Pact (SGP) revisions; the fiscal impact of some new legislation; the debt levels and investments of all public sector entities and enterprises, as well as regional and local governments; and PPPs, concession and financial rebalance contracts entered into by any public sector entity.
- It has an annual activities plan defined by COFAP and technical reports (opinions and information) throughout the year.

CFP

- Advisory and politically-independent body (six members).
- Promotes public finance transparency, contributing to the quality of the democracy as well as that of economic policy decisions.
- Role includes evaluating the macroeconomic scenarios adopted by the government and the extent to which fiscal projections match those scenarios; evaluating whether fiscal rules have been met; analysing public debt and its sustainability; evaluating the economic situation of regional and local governments, as well as government business enterprises; and analysing some financial systems and bodies, such as PPPs and concessions and pensions and health systems. The CFP is not responsible for inspecting or controlling the management of public sector entities.
- According to its *annual activities plan*, established by law, it publishes reports—on, for example, the SGP; the Board of Fiscal Programming; and the state's budget proposal. It also regularly publishes reports on the public accounts sustainability, as well as producing *ad hoc* reports on issues it considers important.

areas of analysis that must be performed throughout the year. This plan is approved by COFAP, the parliamentary commission of budget, finance and public administration that the UTAO reports to, and comprises the preparation of several reports and notes, either using cash-based or accrual-based information. Sometimes, particular analyses of specific subsectors of the public sector might be performed, at the request of COFAP (for example social security, health or local government), but always on the basis of aggregated data provided by the respective ministries.

In these reports, information is prepared in an analytical and monitoring role: 'We perform analyses, our own analyses... We interpret the data, seeking to represent them in the most rigorous and factual way possible, within our functions, but we are not producers of statistics'. Nevertheless, there is a concern with presenting information in a clear and simple way, in concise (10–15 A4 pages) and easily readable documents, using graphs and tables, and presenting comparative analyses: 'Our perspective, in terms of justifying in the text... we use a different perspective, i.e. we try to present the degree of [budget] execution relatively to the objective intended to a certain year'. Reports are sometimes focused on specific issues under debate at that moment.

Generally, the UTAO's reports are on budgeting, but it also monitors excessive deficit procedure (EDP) criteria.

Users of the UTAO's information are primarily COFAP members, but the reports are available on COFAP's website. The UTAO has a technical role in preparing reliable reports that can be easily understood by those members of parliament who do not have expertise in budgetary, financial and economic issues. It is widely considered to be crucial to having politically independent information, on which politicians can base their discussions. The Secretary of State of Budget recently highlighted the role of the UTAO in contributing to the quality of debates in the parliament.

So the UTAO's role is mainly the analysis, interpretation and explanation of complex technical information. In the process of preparing their reports, even if politically independent, the UTAO's members select information for their analysis and sometimes seem to focus on certain issues considered more important for the current debate. This is acknowledged by politicians in COFAP.

Despite the fact that the UTAO's activity plan is agreed with the politicians it works for,

it does not receive specific guidance about what to include in its reports. Therefore, the UTAO's role fits levels 2, 3 and 4 (analysing, focusing and filtering) of the neutrality scale—its behaviour not only allows politicians to understand complex information, but also guides them in their interpretation and discussions.

The public finance council (CFP—Conselho das Finanças Públicas)

The CFP focuses on macroeconomic fiscal policy. It uses information from integrated services and autonomous services covered by the national budget, which it accesses directly from the DGO's ICT system. The CFP uses accrual-based information when preparing reports directly related to the national accounts. Fiscal issues are reported on a cash basis, while the accrual basis is used for financial issues, namely those concerning finance and in specific sectorial areas analyses, such as hospitals and transport systems.

The CFP's members have statutory obligations to prepare reports for parliament on the EU Stability and Growth Pact and on the state's budget.

Both the Secretary of State of Budget and the head of COFAP recognize the CFP's role as being relevant to the public debate in the parliament. In particular, the head of COFAP (a member of parliament) saw the CFP not as just a technical intermediary, but as an important player in the public debate, guiding the users of information, regardless whether they are politicians, citizens or media. As the CFP is concerned with transparency issues, as well as with the quality of democracy, it is more focused on the general public's and the media's opinion.

So the CFP is technically a 'broker' and fits levels 2, 3 and 4 (analysing, focusing and filtering) of the neutrality scale. However, its behaviour is closer to a filtering approach, since it clearly selects and focuses its information outputs on issues relevant to political decision-making or public debate. It does not intend to influence the political agenda, although its reports might lead the government to follow certain paths.

Summary

While following an activity plan set by the politicians they were working for, our brokers had the discretion to prepare their reports in a way that they thought would best meet politicians' needs. In this process, some brokers went beyond mere aggregation (neutrality), to analysing, focusing and filtering information, so eventually introducing a bias effect—even if

not intentionally. However, no evidence was found in the Portuguese case of any behaviour fitting level 5 (agenda-setting) of the neutrality scale.

Although some of the analyses performed by our information brokers were grounded on accrual-based information, they were preparing cash-based micro budgetary information. This could be because accrual information prepared by individual public sector entities in Portugal is not yet reliable, and consequently not good enough, to be aggregated and used for political debate and/or decision-making. On the other hand, our information brokers' backgrounds were in economics, public administration or law, and not in accounting, which might explain why they preferred cash-based budgetary information. Perhaps if these units had more staff with accounting expertise, accrual-based financial information might be gathered and analysed in order to be understood and used by politicians.

Conclusion

The paper makes three important contributions to government financial and fiscal management:

- It explores the relationship between initial preparers—'information brokers'—of budgetary and financial information and politicians: this area has not been researched to date.
- It suggests a theoretical framework to grade information brokers' behaviour according to a scale of neutrality, which ranges from aggregating to agenda-setting.
- It provides, in the case of the Portuguese central government, empirical evidence of broker's behaviour. They were found to act in different ways when preparing information for politicians to whom they were providing support.

We found that information brokers might introduce bias as a result of their knowledge and preferences. This might be unintentional, but politicians should be aware of the risks. How, and to what extent, politicians' actions are affected by brokers' behaviour should be

explored in future research.

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IMPACT

This paper raises some important issues for politicians about the accuracy and neutrality of the financial and budgetary information that is prepared for them by 'impartial' information brokers. Politicians without accounting backgrounds often simply rely on the financial information they are given without questioning the extent to which it might have been unintentionally biased by those preparing it. At the very least, politicians need to ensure that an information broker's team includes accounting professionals who understand the value and use of accrual- and cash-based information.