

TRANSPARENCY AND CORPORATE REPORTING IN LOCAL GOVERNMENTS: APPLICATIONS OF OVACIK MUNICIPALITY

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ABSTRACT

Local governments are areas where democracy can be directly implemented in democratic contemporary societies. Local executives and organs are selected by local people to meet the common needs of local people. They fulfill the duties and authorities determined by law on the basis of accountability and transparency. But in societies where authoritarianism prevails, local executives and bodies, even if elected by local people, fulfill the duties and authorities dictated by the central government, rather than performing activities on the basis of accountability and transparency. Therefore, authorities and responsibilities are at the discretion of the central management. Accountability and transparency are directed towards upstream and centralized management.

In contemporary democratic societies, local governments communicate their financial and non-financial reports about the activities they perform and their results in a clear and timely manner to appropriate local people. In this context, local government executives and organs account for local people on the basis of transparency. On the contrary, in societies where authoritarianism prevails, local administrators and organs report the financial and non-financial information determined by the central government as desired. Naturally, local people do not have enough knowledge about the resources and their use of local government.

In this framework, the aim of this study is to demonstrate the importance of transparency and corporate governance in local governments and to value Ovacik municipality practices.

Keywords: Transparency, Local Government, Corporate Reporting, Ovacik Municipality



INTRODUCTION

Local government may be defined as public entities whose bodies are elected by the people in the region and having the duties and authorities specified by law, established to meet the common needs of the local people living in a certain geographical area (Ulusoy and Akdemir, 2001:41). Managers and organs of local governments should be expected to manage with an understanding of corporate governance.

Corporate (good) governance is defined as an approach in the public domain that requires government and, ultimately, public managers to manage public institutions in an accountable manner and be transparent to stakeholders. The stakeholder concept here refers to the people, groups and institutions that will benefit from the good governance of public resources and who will suffer harm from mismanagement. Corporate governance adopts a citizen-oriented public approach and builds on citizens the beginning or foundation of the conceptual framework of the public decision-making process. As a requirement of the modern democratic system, accountability responsibility is regulated to cover all phases of administrative processes with the understanding that the source of the authority is the citizen and that all the authorities using the authorities are acting on behalf of the citizen. The authority that they have given to the local authorities through elections is returning to the public with reporting and information. The use of authority transfer, political and technical responsibility, reporting, information, transparency and accountability are provided at every stage. People who give authority to local governments can control the use of authority and ask for accountability.

In non-democratic governments, local governments are mostly controlled by the central government and their rights are restricted and their authorities are seized. Therefore, the responsibility of local governments towards citizens becomes a responsibility towards central government and prevents the realization of democracy. However, local governments are obliged to provide financial and non-financial information to the stakeholders about the activities they perform, the resources they use and their places of use. It is extremely important that the information presented is clear, easily understandable and accessible. This can be achieved with transparency.

In this study, the importance of transparency in local governments will be discussed and the applications of Ovacik municipality will be emphasized.

1. TRANSPARENCY CONCEPT AND IMPORTANT

Transparency is a new poem that emerges at every step of the economic, social and cultural life. Today, individuals and organizations around the world generally adopt transparency. Because in a world where money, capital, goods and services are globalizing, societies are adopting increasingly open, liberal and democratic structures. In this cultural structuring, no one, should not consider or wish to avoid, organizational structures, especially the state, which is a kind of organization, their activities and actions and concealing their results from their stakeholders or avoiding them. Because, as a result of a number of activities and practices done for reasons such as the secret of local government, organization, or state, it can be experienced financial, administrative, cultural and social scandals. From the European Union (EU) to the United Nations and the International Monetary Fund (IMF), having control and effective world-wide organizations and institutions adopt transparency and



work towards the implementation of transparency and bring a number of regulations. For example, the IMF links aid and loans to transparency levels and links governments' transparency to four key drivers. These are the clarity of roles and responsibilities, the production of information to explain to the public, the openness of the preparation, execution and reporting of the budget, and the guarantee of completeness (Oliver, 2004:2).

Transparency, generally expressed as the right to information, adds meaning and importance to accountability. The transparency that can be the antidote to the problematic issues that are imposed on the basis of immunity which is shaped by the cultural and social framework in personal, political and organizational life is an indispensable feature of organizational and political life today. Today, direct and indirect stakeholders in personal, organizational and political life can not be denied the right to obtain and easily access information on related issues that will help them make the right decision. In fact, with transparency, it will able to increase the quality and success of personal, organizational and political life (Oliver, 2004:2).

The subject of transparency is information about the financial and non-financial consequences of the organization activities. Transparency is a clear expression of what an organization, state as an organizational unit is, what it does, what resources it provides, and what it does with the funds it collects. Based on this information, transparency can be described as providing timely, accurate, complete, understandable, interpretable and easily accessible use at a low cost the information about the activities and results of the organization to help stakeholders make decisions (Gray, Bebinton and Collison, 2006: 337).

Transparency can be formal and informal. The important is, it is presentation of useful information in a clear way to be used in decision making. For example, it is a requirement of transparency that an activity or project for which a local government has planned has been communicated to the citizen in advance by means of suitable means for what purpose and where it is to be done. Similarly, it is a requirement of the transparency that communication to the stakeholders in advance of what the policy to be followed by the local government and the plans and programs to be implemented in this direction and what the goals and targets are and communication of their actual results with appropriate and understandable means to the stakeholders. Local governments should ensure that their stakeholders are informed about their activities and outcomes, or that stakeholders are informed in an easy and cost effective manner. So organizations must be transparent.

Organizational structure is a power structurally. Transparency is required wherever power is applied. Where power is abused, transparency is a double challenge. For this reason, transparency alone is not enough. For example, it can not be expected that a local government damaging the environment will be able to explain it. It can not be expected that a ruling political party will be able to explain for their mismanagement or failures. For this reason, transparency must be a key element of accountability. In other words, transparency should be assessed as a basic element of accountability. Otherwise, misunderstandings and inaccuracies will be inevitable. The financial, cultural, political and social scandals that have lived in different countries in recent years confirm this. For this reason, transparency should be considered and evaluated as the main element of accountability in this study.

Accountability in the public sector takes place in a cycle. In the framework of the authority and responsibilities provided, the audit body shall examine and report on the



relevant institution, submit this report to the parliament, examine the report by the parliament, explain the results of the parliamentary performance of the executive, recommend the parliament to the executive body and respond by the executive body.

In this framework, it is essential that the audit activity of the audit institution on behalf of the parliament be independent and produce objective information. However, transparency of the executive body and affiliated institutions is important in terms of access to information. In order for accountability to citizens to be realized, it is important that both meetings and interviews made at the commissions formed by the assembly are open and information about relevant performance results are open and appropriate for public access.

In this context, Turkey has defined accountability with the amendment made in the Law on Public Financial Management and Control No. 5018 in Turkey. In Article 8 of the related law; "Those responsible and authorized to obtain and use any public resource shall be responsible and accountable for the effective, economic, efficient and legal acquisition, use, accountability, reporting and abuse of resources.

In Article 8 of the related law, it is explained as "Those responsible and authorized to obtain and use all kinds of public resources shall be responsible and accountable for to ensure that the resources are obtained effectively, economically, efficiently and legally, are used, recorded, reported and taking effective measures not to be abused, and they have to give account to authorized authorities." Accountability is a model of management responsibility with political, administrative and financial dimensions.

As you can see from the definition, accountability is a responsibility to the authorized authorities, and therefore it is understood that the reporting will be carried out to competent authorities.

2. INSTITUTIONAL (CORPORATE) REPORTING

Institutional reporting consists of reporting financial and non-financial information together (Köse and Çetinel, 2017: 1). For local governments, institutional reporting requires reporting of not only financial information, but also the factors that cause these financial results.

It is necessary to report and disclose the factors and events that will affect the city life and the local people such as the projects and financial resources planned for the future, the contribution to the city's livability, the planned projects and activities, the completion or extent of these, the contribution these projects will make to the city's life, the contribution that the city will make to the economic and social structure, the projects and activities that are thought to be done but not done and its reasons.

Institutional reporting should be based on transparency and accountability. In other words, it requires disclosure of all the factors and situations that will affect the decision of the local people. The people who have chosen the rulers and organs of the local government have the right to know everything. Moreover, it is a democratic right to know where and how the financial resources obtained from local people are used.



3. LOCAL GOVERNMENTS, ITS ORGANS, INSPECTION AND REPORTING IN TURKEY

3.1. Local Governments and Organs in Turkey

In Turkey, local governments consist of village, municipality and special provincial government. These are established in the form of “local self-government” and they have organs selected by the local people, separate entities, and budgets. But they are not completely independent from the center. In the context of the principles in the Article 127 of the Constitution, the characteristics of Turkish local governments can be listed as follows:

- They have legal personality,
- They are autonomous organizations based on principles of self management,
- Their duties are specified by law,
- Decision organs come into with election,
- Supervision of their elected organs to gain or lose this position is done in by jurisdiction,
- There are separate budgets from the central government budget,
- They are able to establish unity among themselves with the consent of the Council of Ministers.

The special provincial administration in Turkey is a public legal entity with administrative and financial autonomy which is established to meet the requirements of local people in the province and decision-making bodies elected by voters.

Organs of special provincial administration are provincial council, provincial committee and governor. The governor is the representative of the head and legal entity of the provincial private administration. Organs of special provincial administration; provincial general council, provincial council and governor. The governor is the representative of the head and legal entity of the provincial private administration.

According to Law 5393, “Municipality is defined as a public legal entity with administrative and financial autonomy which is established to meet the local common needs of the residents of the municipality and elected by the decision-making body of the voters ". The municipality can be established in residential units with a population of 5,000 or more. Establishment of municipalities in provincial and district centers is obligatory. The organs of the municipalities are composed of municipal council, municipal committee and mayor.

A village is a local administrative unit distinguished from the city due to its social and economic characteristics or population, generally distinguished from the functions related to agricultural activity and having residential, legal personality, small and rural, as determined by its dwelling and life. Organs of the village; village association, elder delegation and village headmen.

In this study, municipalities will be emphasized because they are important.

Large cities, provinces, districts and town municipalities are established and operate in Turkey. The presidents and organs of the municipalities are selected by the people in the neighborhood. The bodies of the municipalities are the mayor, municipal council and municipal committee. The functions of these organs are briefly as follows:



The mayor is the executive organ and legal representative of the municipality. Although the mayor was elected as a candidate for a political party, he was not elected to the management and supervisory bodies of the political parties for the duration of his term of office, since he was elected as the representative of the local residents. In the same way, the president of professional sports clubs can not and can not be in management. The mayor implements the decisions accepted in the municipal council. The mayor may not perform any work or activities not covered by the municipal council.

The municipal council is the municipal decision-making body. In other words, it is the parliament of the municipality. The mayor discusses and decides on the agenda issues. The municipal council uses the authority of obtain information and audit through evaluation of activity's report, audit commission, question, general interview and no-confidence.

The municipal committee are consist of 7 people in places where the population is more than 100.000. The three members are elected by the municipal council every year from their members by secret ballot for one year. Municipality committee are composed of 5 in the other municipality. The main task of the Council committee is to submit to the municipality council their opinion by conducting financial audits. They also carry out some managerial activities.

3.2. Auditing in Municipalities

The municipalities shall carry out the duties specified in Law 5393 on the basis of the interests and benefits of the people. Local people also perform direct supervision by supervising the municipality. This position is gaining further effectiveness through political parties, trade unions, associations, city councils and other relevant non-governmental organizations. This is also indicated in the law.

According to Article 13 of Law No. 5393, the people in the neighborhood are entitled to "citizenship law". This right is stated as follows:

“Everyone is a citizen of the city where he lives. They has the right to participate in municipal decisions and services, to be informed about municipality activities and to benefit from the help of municipal administrations. It is imperative that the aids are presented on conditions that will not harm human dignity.”

The municipality conducts necessary work on the development of social and cultural relations among the citizens and the protection of cultural values. The municipality shall take measures to ensure the participation of universities, professional bodies, trade unions, non-governmental organizations and experts in the public institutions.

Any person who resides, has found or has a relationship with the municipal boundaries is obliged to pay the municipal taxes, duties, fees, contributions and participation fees in accordance with the laws, orders and notices of the municipality.”

However, in Article 76 of the same law, municipality provide help support for efficient implementation the activities of the city council, which is formed by the participation of municipalities, public institutions, trade unions, notaries, universities, relevant civil society organizations, political parties, public institutions and organizations and representatives of neighborhood headmen and other interested persons. City council, in urban life; acts the principles of the development of city vision and city-centered consciousness, protection of the city's rights and law, sustainable development, environmental awareness, social assistance and solidarity, transparency, accountability, participation and local self-management principles.



As noted in the law, the mayor and his or her organs elected by the locals have a responsibility to the local community and it also has an obligation to the local community. Therefore, the municipality should be carried out in a transparent and accountable manner its task and activities. Municipality is done this by informing the local people through communication tools and preparing various reports. In this frame, the public is actively done task of supervising by observing, the services performed by the municipality, benefiting and attending the services.

However, the lawmaker did not settle for it, and he was subject to the tutelary supervision of the central government. In the 5393 numbered law 54-58. this is shown under the heading of inspection of municipalities.

According to the law, internal and external audits are carried out in municipalities. Auditing covers legal compliance, financial and performance audit of task and transactions. Internal and external audit is carried out according to the provisions of the Public Financial Management and Control Law No. 5018. what expressed here is the audit of financial and performance. The internal audit of the municipalities is the audit of commission elected by the municipality council, the supervision of superior submissions, the inspection by the municipal council committee in the name of the municipality council.

Apart from financial supervision, the Ministry of Internal Affairs inspects the municipality in terms of other administrative procedures other than financial transactions, compliance with the law and the integrity of the administration. This is a tutelage supervision. Nevertheless, it was stipulated that an example of the activity report should be sent to the Ministry of Internal Affairs which is not responsible for the financial audit.

In addition, the governor and district governor were given the authority to take the mayor and his organs based on political appraisal by adding expressions such as municipal supervision and terror support. Within this scope, the Ministry of Internal Affairs was given the authority to take metropolitan and provincial municipalities from the Office, and governor and district governors were given the authority to take the district municipalities from Office. If it decides on political matters not related to the duties given to the Municipality, it will be dissolved with the decision of the Council of State upon notification of the Ministry of Internal Affairs.

The granting of this authority independently of the legal result has destroyed the democratic administrative function of local governments. However, it can be concluded that the unity of forces in Turkey is being formed, and that the legal review is subject to political evaluation. This forestall the transparency and accountability, carrying out that it is between voter and selected and ensuring that it is achieved through a legal oversight. They are also subject to the supervision of the Court of Accounts and the Ministry of Public Finance.

3.3. Reporting in municipalities

The main reports in the municipalities informing the local people and envisaged in the law are;

- Preparing the strategic plan in accordance with the regional plan and the annual performance program before the beginning of the year, if any, with the development plan and program,



- Summaries of finalized parliamentary decisions should be announced to the public by appropriate means within seven days,
- Preparing the budget. Preparation of the budget in accordance with the strategic plan and performance program. Detailed expenditure programs and financing programs are added to the budget.
- The definitive account of the budget. It will be presented to council committee by mayor in April after the end of the accounting period. The final account will be decided by discussing at the May meeting of the municipal council.
- Preparation of the Activity Report. The activities prepared according to the strategic plan and performance programs prepare the activity report explaining the reasons for deviations from the targets and realizations according to the determined performance criteria and the situation of the municipal debts.
- Other sources of information: The municipality can inform the local community through various means about the projects, plans, activities it undertakes or the activities it plans.

The official notices and reports stipulated in the legislation are generally prepared and presented in the technical structure. Their understanding requires expert knowledge. Reports and reports that are questionable by local people are also suspicious of transparency and accountability. Reports and reports issued and presented must be in the context of local people's decision-making.

The plans, projects and activities of the municipalities affect the economic, social and cultural life of the city. It is necessary to arrive the information to citizen at a timely, easy and cost-effective way to make decisions on relevant issues that affect the life of the city citizen and to demonstrate democratic behavior. For this, it is important that the reports and reports that the municipalities prepare and submit are prepared and presented on the basis of clear, transparent and accountability.

4. APPLICATIONS OF OVACIK MUNICIPALITY

Ovacik municipality is a small district municipality with 6,438 (2015) population. Ovacik is a city with limited business opportunities and therefore a constant migration. Agriculture and livestock are common in the district. However, produced agricultural products are generally consumed at the local level. Therefore, the locality can not provide business opportunity and economic contribution.

Fatih Mehmet Maçoğlu was elected mayor in 2014 local elections. He is known as the first communist mayor in Turkey. For this reason, the practices of the municipality are watched in the media of Turkey and news is being made.

The practices of the Ovacik municipality are remarkable practices in terms of their contributions to transparency, participation and localities, which are different from traditional structures and form an example from this point of view. These applications, which are obligatory in the democratic contemporary states, are applications that can be made, if desired. Some municipalities in Turkey are trying to apply it in part.



The different applications of Ovacik municipality can be listed under the following headings:

- **Democratic participation:** In the first two months popular assemblies were formed. The popular assemblies are a body that has the authority to determine the municipal administration. Decisions taken by popular assemblies are formalized by being brought to the municipal council. Municipal councils provide direct participation by setting priorities for the services and duties of the municipality.
- **Access to essential basic services and infrastructure:** The municipality has solved the infrastructure problem based on solidarity, muddy streets and streets paving and asphaltting works, according to the priorities set by the people's council. The water problem was solved by bringing water with municipality work and solidarity in the district with water problem. Water is provided for a very low price (m³ £ 0.50) for legal reasons. The municipality was made free of charge by cost-effective practices. Free private services for students were provided. This municipality carries out its work based on solidarity and commune. Despite these free services, the municipality has completed profitable projects in 2015 and 2016 with cost effective practices and support.
- **Economic development efforts:** Taking into account the constraints of the region, it was aimed to contribute to the economic development of the region by concentrating agricultural work in the short term. First of all, using local seeds, an organic agricultural production was made and an infrastructure was provided by delivering to the consumer. Then farmers were provided with seed and fuel support to start the production of organic products by farmers in the region. In this context, the municipality has introduced organic chickpeas and beans to treasury farms. Some of the products produced were given as seed and fuel to the farmers, some were given to the students as scholarships, and the other part was sold to different places in the country through internet marketing. In addition, the production of organic potatoes was encouraged.

30,000 kg of chickpeas, kidney beans and bean harvest were added to 150,000 kg in two years. Unmet demand is far above it. As a result of the promotional activities, Ovacik organic chickpeas, red beans and bean became a commercial brand. On the basis of the experience and sample obtained, agricultural activities were transferred to these cooperatives in order to establish the agricultural cooperatives related to the realization of the agricultural activities and breaking down the commercial chain between the producers and consumers.

The municipality has started livestock work in line with its medium-term plan. Firstly, due to the special flora of the region, it began to focus on pure and organic honey production. With mit of communist honey, municipality began to organize in 2016. In the year of 2017, during the honey harvest period, the honeys produced in a short time were sold and there were no products to be sold on the web page. In the following periods they will be to transferred to the cooperative to be established. In addition, other livestock work began to be done. The main objective is to establish the cooperatives for the development of organic meat and dairy products in line with experienced. In this period, studies are concentrated in this area.



With these studies, both producers were able to obtain job opportunities and employees were able to find jobs.

- **Tourism and cultural activities:** Ovacik has its own unique geography with river of munzur, tablelands, valleys and plains. It is known as the district without exit. For this reason, it has a tourism potential worth seeing. With the implementation of the long-term program of the municipality, a visit of 5.000-6000 visitors per week was provided in spring and summer of the year, in 2015-2016. A place where tourists are housed in the houses when the hotels is not enough. The municipality has establish a library of 10.000 books with 30.000 books stocked with the works. Readers can read in the library; if they want to take them to their homes. In addition, theater, folk dances, cinema activity courses and activities are organized. In this context, a theater and art events display sub-structure was created.
- **Training activities and supports:** Ovacik has a high education level. For this reason, it is lived immigration of education. n spite of limited resources, the municipality grants scholarships to students whose financial status is limited due to the income generated from the products produced. In addition, students were encouraged to use bicycles as long as they read books in the library. At this point, children's reading habits to come to the library have gained considerable prevalence.
- **Transparency and accountability:** The main motto of the mayor and his organs was chosen as not to lie to the public and to be transparent. The basic management approach is self-management and transparency. On this basis, if they did not fulfill their promises within three years, they were given authority and promises to be taken from the office through the people's council, not the ministry of internal affairs.

The municipality carries out planning activities by directly participating through popular assemblies. In the same way, the implementation programs are given priority by popular assembly decisions. For example, the tenders and recruitment are done in the same way. The final budget results of 2015-2016 that is, income and expenditures were shared on internet sites; as well as preparing a large cloth poster and being hung in the outer door of the municipality.

International transparency The Turkish branch, the mayor of Ovacik, received institutional transparency award due to the transparency of its work and practices and participatory management practices.

The Ovacik municipal administration created business opportunities and Ovacik brands by contributing to the economic development of the region by fulfilling its commitments in a period of nearly three years on the basis of participatory management understanding and transparency. In addition, the infrastructure of the city was created and access to basic needs such as water, transport, culture and education was made free.



CONCLUSION

The international transparency association has shown that the research conducted by the Turkish branch shows that people are perceived to be corruption mostly in local administrations (municipalities). It is also justified in the case of events reflected in the media.

This shows that municipalities are not generally operating on a transparent and accountable basis. Local governments carry out their activities under the supervision of the people on the basis of self-management. Therefore, people's observations and surveillance can raise a judgment on how the activities are carried out and how the resources obtained are used. The resources the municipalities acquire and the untransparency of where and how they are used also hurt the public's trust and political support of the local government.

It is not democratic for municipalities to be involved in reporting and reporting, acting in accordance with legislation, formal, unconventional and non-transparent, with a sense of central accountability and management, rather than the local people who choose them. The municipalities are places where democracy can be implemented in the most effective way, but not implemented, it also shakes democracy belief and trust. As a result, it causes the society to move away from democratic values.

Auditing in local governments is important and necessary. However, this audit should not be in the form of supervision by the central government. Audit activity should be provided by independent audit units to be established at the local level. Otherwise, it will not have the chance to implement and live, in particular, self-management and democracy in general. Ovacik municipality has been able to add value to the city economically, socially and culturally, on the basis of transparency and accountability, through popular assemblies and direct participation. This has been a viable model for by taking a sample by other municipalities.



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