



INTEGRATED REPORTING - PERSPECTIVES IN PUBLIC HEALTH INSTITUTIONS IN SELF-FINANCING

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Abstract

There are currently continuous metamorphoses of the accounting system within the public sanitary institutions for self-financing by changing the emphasis from the control function to the communication function, creating new requests for interested parties' information, new accounting objects and evaluation methods of these ones, which has led to integrated reporting. Thus, in order to meet the needs of information users, a new reporting model is needed, which takes into account the relationship between environmental and social factors, the quality of management, reflecting the impact of long-term decisions on the sustainable development of entity and the economy as a whole. The need for complete information on external reporting of Public Health Care Institutions (PHCI), at least at this time, has led to the expansion of traditional financial reporting by including social and environmental aspects within the traditional reporting. This concept (integrated reporting) is a mix between the classical financial reporting and the concept of sustainability (also known as sustainable development). The integrated reporting highlights the relevant information to valuing value from a long-term perspective for decision-makers and encouraging the allocation of financial resources to support long-term value creation in the sense of societal expectations.

Key words: *integrated reporting, MSPI, capital, financial reports, statistical reports, medical services*

JEL Classification: M 41

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I. Introduction

The integrated reporting has been developed for private sector entities, although recent developments show a clear intention to introduce this type of reporting in the public sector as well as the non-profit sector. Additionally, the emergence of the integrated reporting system is evidence that organizations are receptive to paradigm shift, accepting that a higher degree of transparency with stakeholders may result in discharging accountability [1, p.4].

The current financial statements do not cover the full range of information needs of users because they do not contain information about the entity's development prospects, the effectiveness of competition methods and business strategies, the correlation with the environment in which the entity operates, the opportunities and potential risks, the quality of the management.

The Financial and statistical reporting are in a mutual relationship that ensures the decision-making process, facilitates the rational organization of the medical institution's activity, contributes to the increase of the quality of the medical services and creates the possibility of constant accumulation of the information regarding the management of the institution's activity. An important role is represented by the statistical reports by which the management of the medical institution accumulates information on the volume and nature of medical services, appreciates the efficiency of the use of medical equipment, devices, materials and other material and technical resources, analyzes the quality of medical services, periodically elaborates reports on the cases of illness with distribution on subdivisions, doctors, sources of funding, reports on visits (discharges) to MSPI (*Medical Sanitary Public Institutions*) detailed by type of illness, by types of medical services.

In the context of the above mentioned, the information system of an MSPI is an integrated system, consisting of organizational and functional linked subsystems. The idea of the integrated report was designed by International Integrated Report Council (IIRC), in 2010, at the initiative of three organizations - IFAC (International Federation of Accountants), the Global Reporting Initiative (GRI) și Prince's Accounting for Sustainability Project – the International Intelligence Reporting Council was created (*International Integrated Reporting Committee - IIRC*), in order to develop comprehensive integrated reporting standards and guides for their application.[1, p.26]



The information base for medical institution management for economic analysis and decision-making is heterogeneous in content and form, consisting of accounting and statistical data, as well as information from internal managerial reports.

Integrated reporting requires sustainability, social responsibility, environmental responsibility, and financial reports in a single, integrated, annual. [2, p. 60].

Factors influencing integrated reporting are:

1. External factors such as economic conditions, technological change, social issues and environmental challenges),
2. Relationships with employees, partners, networks, suppliers and customers.
3. Availability, accessibility, quality and management of different resources. [3]

II. Methodology and Research Result

Analyzing internal reports as well as comparing the results with the budget indicators allow the assessment of their dynamics, the efficiency of the medical institution's activity and the assessment of the use of certain types of resources. However, the MSPI management has insufficient economic analysis skills, based on statistical and accounting data, which makes the process of evaluating the effectiveness of the medical institution complicated, and the annual reports do not serve as a basis for decision-making. As a result of the researches carried out, the main deficiencies of the reporting system in MSPI were identified:

- ✚ the existence of discrepancies between the information needs of the users concerned and the information provided by the financial statements;
- ✚ limited access to MSPI reports for a wide range of users;
- ✚ the lack of systematic financial information on the main processes of MSPI, which makes it difficult to carry out economic analysis at different levels of management;
- ✚ the presence of a large number of forms of statistical reporting, involving resure and enormous time for analytical elaboration and processing;
- ✚ the insufficiency in the existing reports of the indicators on the results of the economic activity of the MSPI (most of them are dedicated to a statistical evaluation of the population's health status).



- ✚ the large number of forms of reporting on the state of health of citizens and fewer reports on the main indicators characterizing the economic activity of the medical institution.

An important issue in the accounting and reporting system of an MSPI is the lack of detailed accounting data for internal decision making and the lack of aggregation of indicators for external users. In this respect, the management of the medical institution and its supervisory bodies have no accounting information on several significant factors that directly affect the financial situation as a whole. Solving this problem should not be found in providing non-financial information in the form of additional reports, eg adding value to the environmental activities of employee training and development, security and health, interaction with society, etc., because a new problem is created - the systematization of dispersed information. Thus, integrated reporting is a very effective communication tool for MSPI. The dissemination of information on sustainable development is supported and recommended by many international bodies and institutions through different standards: the International Intelligence Reporting Council (IIRC) through the publication of the Integrated Reporting Framework, the European Directive 94/15, the GRI G4, AA1000, ISO2600 standards.

When we say integrated reporting, we generally refer to two principles: connectivity and holistic character of the information we provide both internally and externally [4].

Based on the research carried out, it has been confirmed that integrated reporting within the MSPI may have the following additional functions:

- **monitoring the implementation of the concept of sustainable development by MSPI.** Currently, the government has not set up mechanisms to monitor its implementation by economic entities, particularly public sector organizations. The mechanism for the application of state policy in the field of ecology is not formed and applied, there is no emphasis on increasing the transparency of the entities regarding their negative impact on the environment and the measures taken to reduce such impact, as well as the development of mechanisms responsibility for the environment. Under these circumstances, one of these mechanisms could be to introduce integrated reports as an information base to assess the extent to which sustainable development indicators are expressed in financial and non-financial indicators.



- **control over the efficiency of the use of public sector organizations' budget financing, including the MSPI.** Under the conditions of MSPI participation in innovative projects, integrated reporting can become an information base for auditing the efficiency of using public funds for all levels of budgets, based on a "three E" policy (economy, efficiency, effectiveness). It contains not only financial but also non-financial indicators that characterize the impact of public sector organizations of all types of capital, provides an evaluation of management efficiency, reveals the reasons for the discrepancies between the estimated and the actual results.
- **monitoring the achievement of strategic planning.** Integrated reporting can become an information base for monitoring and controlling strategic planning documents to monitor and control the consistency of plans and results of the implementation of the country's social and economic development concept.

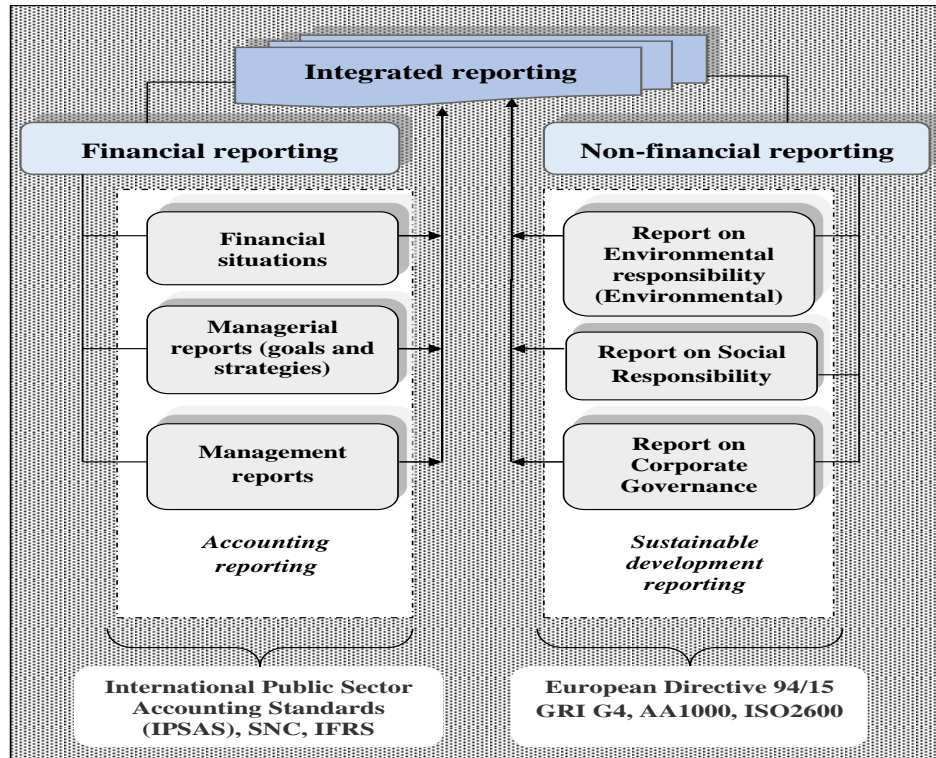
The Integrated reporting is a set of processes and activities that result in visible and concise reporting on how the organization's strategy, management, performance and forecasts allow the creation and maintenance of long-term value [5, p.25]. The practical importance of the integrated MSPI reports is to increase transparency of information, to justify the attractiveness of investments, to link to best international reporting practices. In essence, the concept of corporate reporting is equivalent to the notion of public reporting. The advantage of using it is that it allows us to include the reporting entities and the MSPI as corporate entities. The pattern of the relation between the types of reporting included in the public report is shown in Figure 1.

The conceptual approach of Integrated Reporting is based on three key elements: capital, business model, and the process of creating and maintaining value.

The business model is defined as a system of inputs, value adding activities and outputs that aim to create and maintain value in a short, medium and long term. The value for Integrated Reporting is the value created for investors, particularly for long-term investors. It is stored in equity and is created or lost as a result of the internal capital play caused by the organization's activities. In this respect, the value is determined by reference to a broad network of interactions, activities, relationships and causes and effects in addition to those directly associated with financial income or increased financial capital. The value, in the sense of Integrated Reporting, is thus more than the financial value.



Figure no. 1 - Concept of Integrated Reporting to MSPI



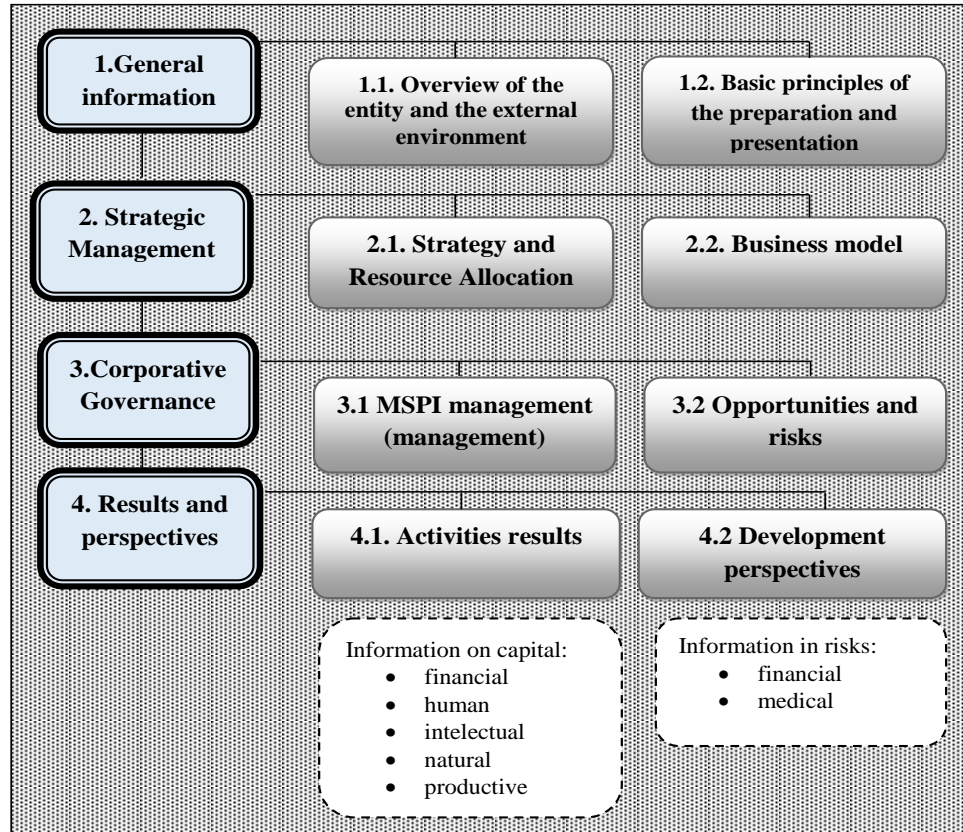
Source: drawn up by the author

As our research shows, the MSPI in the Republic of Moldova does not prepare environmental reports and sustainable development. Information on environmental activities is presented in accounting (financial) and statistical reporting by environmental indicators. Among these asymmetries, it is mentioned the legitimate desire to obtain as much profit as possible and the need to allocate significant resources to environmental protection [6].

From the above, we believe that the Integrated Report of the MSPI must additionally include: Economic component, social component and ecological component. In the context of the above mentioned, the author proposes the following structure of the Integrated Report for MSPI.



Figure no. 2 - Integrated report structure recommended by MSPI



Source: drawn up by the author

As mentioned in the point 4.1 of the Integrated Report (Figure 2), in disclosing business model information in integrated reporting, it is sufficient to provide information on the internal and final resources of the business model. Information on the resources that MSPI used in its activity is presented in the integrated report through six types of capital. For the disclosure of information on the results of medical institutions as a result of the impact on capital, it is proposed to use the indicators presented in the Schedule 1.



Table no. 1. - Disclosure of information on the results of MSPI in the integrated reporting

Type of capital	Conținutul informației dezvăluite
Financial Capital	Created (economic) added value Net assets increase Profitability of medical services Position on the medical services market (weight)
Productive Capital	Volume of allocated resources for investment purposes, Rate of renewal of medical equipment, Share of high technology equipment, The degree of computerization of working places.
Human Capital	Increase (decrease) of average wages, the ratio between the average wage level in the institution and the average wage level in the labor market, The level of growth in the number of qualified specialists, Degree of achievement of doctors / general practitioners report, The rate of increase (decrease) in labor productivity, the coefficient of occupational diseases, increase (decrease) in staff training costs, the increase (decrease) of scientific publications.
Intellectual Capital	Number of received patents, Number of developed regulations (instructions), The share of high-tech medical care in the total volume of healthcare, Number of modern technologies and methods of treatment.
Natural Capital	Decrease (increase) in energy consumption, water consumption, heat consumption, volume of waste generated by the hazard class, Introducing new technologies for disinfection of medical waste
Social capital	The level of patient satisfaction with the quality of medical services, Satisfaction level of employees on done work The number of additional jobs created, Place in the ranking of medical institutions, Stability of relationships with suppliers and partners in the delivery of medical services, The share of services by outsourcing in the activity of the medical institution, The amount of medical services offered free of charge, Participation of specialists in the educational process (education)

Source: drawn up by the author

When disclosing information about "Financial Capital", the MSPI must include the following data.



sources of financing of activities, including:

- subsidies for the fulfillment of state duties from the corresponding budget of the budgetary system of the Republic of Moldova;
- compulsory medical insurance means;
- revenue from income-generating activities (provision of paid services, voluntary health insurance, asset leasing, etc.);
- subsidies for the purpose of capital investments in state-owned (municipal) capital construction projects or acquisition of real estate in state-owned (municipal) property;
- donations;
- other.

1) *structure of funding sources*

2) *sufficiency of fundings*

At the "**Productive Capital**" section, the Integrated Report of the MSPI (Medical Sanitary Public Institution) provides information on:

1) *the structure of medical equipment;*

2) *the introduction of information and communication networks that improve the efficiency of medical staff with faster access to professional information;*

3) *the importance of the external infrastructure and its impact on the long-term success of the MSPI.* This information can be revealed, for example, by influencing the construction of a new bridge or a new public transport route near institutions to increase the participation of outpatient clinic patients;

4) *efficiency of fixed assets sanitary institutions, by calculating the rate of renewal of medical equipment, etc.*

In the MSPI (Medical Sanitary Public Institution), "**Human Capital**", in particular specialists, is one of its main competitive advantages, the main factor that enables, through their knowledge, skills, qualifications and professionalism the provision of high quality medical assistance. Medical staff is a costly resource that requires high costs to increase its qualification. Unlike other types of capital whose value decreases over time, the value of human resources increases with the accumulation of professionalism and experience.

Information on the Intellectual Capital of MSPI (Medical Sanitary Public Institution) in the integrated report includes copyright, patents and other forms of intellectual property, as well as intangible assets embodying the concept of development,



a special organizational architecture, business process configuration, etc.) , the number of patents for treating various diseases, the number of applications for patents and inventions; information on implemented IT systems, implemented management technologies, etc.

In the "**Natural Capital**" element, medical institutions provide information on the natural resources used in the delivery of medical services (fuel, energy, water and oxygen.

When disclosing information on "**Social Capital**", MSPI describes how partnership relationships with resource providers, staff relationships, patients, insurance companies, research institutions are used to be successful, indicating programs for developing and expanding these relationships . It also provides information on the degree of informational transparency on medical services (the level of information for healthcare consumers), the completeness and authenticity of information on staff qualifications (doctors and nurses) that influence the level of trust of patients.

The Integrated Report is a combination of information that is currently dispersed in various areas: financial reports, statistical reports, newsletters and expenses, and more. So it is a unitary one and it is of particular importance because, first of all, it relates the relationship between the aforementioned domains and explains how they affect the ability of the entity. [7, p.11]

III. Conclusions

As a result of the analysis of the practice of primary documents and their structure to local IMSP (Medical Sanitary Public Institution) circulation, we found the following shortcomings: the existence of discrepancies between the information needs of the interested users and the information provided by the financial statements; limited access to MSPI reports for a wide range of users; lack of systematic financial information on the main processes of the MSPI, which makes it difficult to carry out economic analysis at different levels of management; the presence of a large number of forms of statistical reporting, involving resure and enormous time for analytical elaboration and processing; the insufficiency in the existing reports of the indicators of the results of the MSPI's economic activity (the majority are dedicated to a statistical assessment of the population's health status), the large number of reporting forms on health status of the citizens and fewer reports on the main indicators characterizing the economic activity of the medical institution.



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