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Valuation of Assets and Liabilities in Marshal's Offices: Current Status and Prospects by the Integrated Reporting

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ABSTRACT

Objective: The article aims to analyse and evaluate the parameters of asset and liability valuation used in the marshal's offices of local government units and evaluate how they are reported in terms of the developing idea of integrated reporting. In the empirical research, the authors drew attention to the orders of the voivodeship marshals on accounting policies and additional information from the marshal's offices for the years 2020–2022. Directions for further research were also indicated.

Research Design & Methods: A systematic literature review was used as the methodology. Literature studies were used to identify the current state of knowledge in the context of the problems studied. The Scopus and Web of Science databases were selected as data sources. The regulatory sphere concerning asset and liability valuation methods and reporting by local government budgetary units was analysed. In addition, a comparative and descriptive analysis of the collected empirical materials was carried out. A synthesis of the analysed results was created.

Findings: The article presents the results of the analysis of accounting policies and additional information on Polish marshal's offices in asset and liability valuation and assessment of their reporting in light of the developing idea of integrated reporting. This area is very sensitive because it should be disclosed every year in the first part of the additional information and thus published on the Public Information Bulletin (BIP) pages of these offices. Polish accounting law specifies the principles and methods of asset and liability valuation, leaving managers of accounting entities, including offices serving provincial and local government units, with many areas containing different possibilities for selecting valuation parameters.
Implications/Recommendations: The considerations presented in the article indicate that the discretion allowed by the Polish accounting law directly shapes the property and financial image of the entity and its financial results, impacting the presentation of the entity's performance. However, these entities' selected models and methods of asset and liability valuation do not determine the direction of sustainable reporting because the accounting of typical public finance sector entities is mainly oriented toward fulfilling legal obligations for control and statistical purposes.
Contribution: The issues that have been undertaken bridge the research and methodological gap in the studies on the possibility of sustainable reporting by marshal's offices in Poland.

Article type: original article.

Keywords: assets, liabilities, valuation, local government budgetary units, local government units, integrated reporting.

JEL Classification: M40, M41, M48, H70, K20.

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1. Introduction

Public sector accounting is becoming increasingly important, especially in times of globalisation and an unstable institutional environment. Therefore, the current shape of the budget accounting model is determined by many internal and external factors. Users of financial statements of public finance sector entities, including local government budgetary units, expect reliable and valuable financial and other information from these entities, enabling them to assess how efficient the management of these entities is. As a result, legal regulations evolve, causing changes in the public finance sector entities' principles and financial reporting models. However, a significant step toward the harmonisation of accounting in the Polish public finance sector was taken by introducing changes to specific accounting principles in 2006, requiring local government budgetary units to extend the scope of financial statements prepared to include a profit and loss account, a statement of changes in the entity's fund and additional information (Adamek-Hyska, 2011, pp. 83–84). This resulted in these entities' financial reporting resembling financial reporting in the private sector. The accounting of public finance sector entities still focuses mainly on fulfilling legal obligations, fully satisfying only the needs of other government agencies for control and statistical purposes. It is also worth adding that foreign scientific research into the accounting of public sector entities is currently primarily focused on the harmonisation of accounting principles of these entities on an international scale, i.e., IPSAS and EPSAS projects (Al-Zubi, 2015; Grossi & Steccolini, 2015; Laswad & Redmayne, 2015; Legenkova, 2016).

Correct valuation in accounting should provide a true and fair view of the reporting entity, which, through data from the financial statements and other reports, provides financial information to various users of this information. In the accounting of local government organisational units, there are different legal regulations regarding general-purpose financial statements and individual budget reports, which means, among others, that the reporting system of local government units and local government organisational units (i.e., local government budgetary units and local government budgetary establishments) is internally inconsistent. Its various components provide diversified, yet systematised, data on these entities' financial and property situation, budget implementation, and the condition of the property, considering all possible property relations with other entities (Adamek-Hyska, 2015, p. 210).

Local government budgetary units report data mainly of a financial nature, considering the applied valuation principles reflected in their accounting policies. However, they are not required to report non-financial data, e.g., in the context of corporate social responsibility. As a member of the EU, Poland is obliged, among other things, to achieve the EU sustainable development goals, including environmental goals, of which climate and energy goals are priority ones. Therefore, local government units' interest in reporting these issues is also gaining importance.

The article aims to review and evaluate the parameters of asset and liability valuation used in selected provincial offices of local government units and evaluate their mandatory reporting in light of the developing idea of integrated reporting. The empirical research focused on 16 marshal's offices in Poland because they constitute a closed group of units of significant regional importance.

We employed appropriate research methods to achieve the study objective and verify the adopted theses. These included literature studies to preliminarily identify the current knowledge on the problems under study. The regulatory domain regarding the valuation methods of assets and liabilities and reporting by local government budget units was analysed. Subsequently, a comparative and descriptive analysis of the collected empirical materials was conducted. The study ends with synthetic conclusions drawn against the adopted research theses.

2. Valuation Parameters of Assets and Liabilities in Local Government Budgetary Units – Theoretical and Legal Aspects

Valuation of assets and liabilities is a process aimed at determining the monetary amounts in which all assets and their sources of financing are to be recognised in the accounting books and disclosed in the financial statements. This value is determined by the adopted valuation models and methods (Buk, 2013, p. 52).

The determining valuation factor is the moment at which it is made. Valuation of assets and liabilities means determining their value primarily at the moment of (Walińska, 2014, p. 75):

– initial recording in the accounting books (so-called initial valuation),

– ending of the financial year, i.e., as of the balance sheet date (so-called balance sheet valuation).

The choice of the appropriate parameter for the initial valuation of assets and liabilities directly depends on how the accounting entity obtained the asset or liability component. In cases where it is possible to select the valuation parameter, and thus the accounting principles (policy), each local government budget unit should determine which parameters it adopts for a given asset and liability component valuation. The adopted price categories should not change as of the balance sheet date. However, it is necessary to verify the level of these prices to comply with the prudence principle (applies to historical costs) or to take into account the current level of market prices or fair value treated equally with them (applies to current prices) (Fedak, 2020, p. 95).

On the other hand, balance sheet valuation is a process of determining the value of individual items in financial statements. The balance sheet valuation of assets and liabilities differs from the initial valuation in that, under the prudent valuation principle, the valuation of tangible assets should be based on the actual acquisition price or purchase price, net book value, or real purchase value adjusted for impairment down-offs. The consequences of changes in the value of assets and liabilities in the reporting period and at the balance sheet date are recognised because they either affect the value of assets or the amount of the financial result.

Table 1 shows the basic valuation parameters and examples of their applications.

Selecting a specific model for the balance sheet valuation of assets and liabilities affects the representation of the entity's asset and property situation and its financial result. In national accounting regulations – the Accounting Act, chapter 4 – the dominant valuation models are based on historical cost. In the Accounting Act, fair value is treated on an equal footing with other valuation parameters, and apart from the valuation of financial instruments, the hierarchy of input data used to determine fair value is not detailed. There are no guidelines on the use of data other than market value (Hońko, 2012, p. 62).

Table 1. Parameters for the Valuation of Assets and Liabilities under Chapter 4 of the Accounting Act

Valuation Parameters	Description	Applications	Valuation Time
Nominal value	This is the issue amount of cash, securities (e.g., shares, bonds), and capital (funds) specified in the memoranda or articles of association of capital companies, cooperatives, and entities operating in other organisational and legal forms.	– cash in hand and bank accounts – checks – own funds	A parameter used for both initial valuation (in the case of receivables and liabilities) and balance sheet valuation
Purchase price	This is the amount due to the seller, net of deductible value-added tax and excise duty (in the case of imports, increased by public law levy), and reduced by rebates, discounts, and other similar reductions and recoveries. Suppose the purchase price is expressed in a foreign currency. In that case, it is converted into Polish złoty using the average NBP exchange rate from the business day preceding the invoice issue date.	– tangible current assets	A parameter most often used for initial valuation. However, the choice of this parameter, in light of the Accounting Act, depends on the materiality of the purchase costs incurred
Acquisition price	This is the purchase price of an asset plus the costs directly related to the purchase and adaptation of an asset to a condition suitable for use or bringing it to trade, including the costs of transport and loading, unloading, storage, or bringing it to trade.	– tangible current assets – financial and non-financial fixed assets	A parameter most often used for initial valuation
Manufacture cost of the finished product	This includes costs directly related to a given product and a reasonable part of the costs indirectly related to the manufacture of this product. Direct costs include the value of direct materials used, acquisition and processing costs directly associated with production, and other costs incurred in bringing the product to the form and location at which it is located on the valuation date. The justified portion of indirect costs, appropriate to the period of product manufacture, includes variable indirect production costs and that portion of fixed, indirect production costs that correspond to the level of these costs at the normal utilisation of production capacity (article 28(3) of the Accounting Act).	– tangible current assets	A parameter most often used for initial valuation

Table 1 cnt'd

Valuation Parameters	Description	Applications	Valuation Time
	Product manufacture costs do not include costs resulting from unutilised production capacity and production losses, general management (i.e., those unrelated to bringing the product to the form and place at which it is on the valuation date), storage of finished products and semi-finished products (unless it is necessary to incur them in the production process) and the costs of selling products.		
Selling price	It is the market value of assets at which sellers offer them for sale on the open market.	– assets	A parameter most often used for initial valuation
Net selling price	It is the sales price of an asset that can be obtained as of the balance sheet date, net of value-added tax and excise duty, less rebates, discounts, and other similar items, as well as costs related to adapting the asset for sale and making this sale, and increased by the amount of subsidy due (article 28(5) of the Accounting Act).	– assets, commonly obtained without consideration	A parameter most often used for balance sheet valuation
Fair value	This is the amount for which a given asset could be exchanged and the liability settled under the terms of a market transaction between interested and well-informed, unrelated parties. The fair value of financial instruments traded on an active market is the market price less the costs associated with the transaction if their amount is significant. The market price of financial assets held by the entity and the financial liabilities that the entity intends to incur is the current purchase offer submitted to the market. In contrast, the market price of the financial assets the entity plans to purchase and the financial liabilities incurred is the current sales offer submitted to the market (article 28(6) of the Accounting Act).	– financial fixed and current assets traded on an active market – non-financial fixed assets received without consideration or by way of donation when there is no active market for the obtained item – valuation of assets and liabilities in the settlement of business combinations	A parameter most often used for initial and balance sheet valuation
Amount to be received	This is a receivable from the debtor, which they have undertaken to pay under a contract or in another form for the services (supplies, services) provided to them, together with legally due interest for delay in payment or compensation legally due to the entity, or for any other reason.	– long- and short-term receivables	A parameter most often used for balance sheet valuation

Table 1 cnt'd

Valuation Parameters	Description	Applications	Valuation Time
Amount to be paid	This is the amount of the liability toward the creditor to whom the entity is obliged to pay, under the terms of the contract and legal provisions, determined as of the balance sheet date or another date in the current or subsequent years, together with the interest due for delay in payment.	– long- and short-term liabilities	A parameter most often used for balance sheet valuation
Adjusted acquisition price	This is the acquisition price (value) at which a financial asset or financial liability was first entered into the accounting books (historical price), less the repayment of the nominal value, appropriately adjusted for the accumulated amount of the discounted difference between the initial value of the asset and its value at the maturity date, calculated using the effective interest rate and reduced by impairment write-downs (article 28(8a) of the Accounting Act). The effective interest rate is the rate at which future cash flows related to a given financial asset or liability expected to occur in the period to maturity are discounted to the current value as of the balance sheet date. It reflects the internal rate of return resulting from the contract with the seller or buyer of a given financial asset or liability. The adjusted acquisition price may be used to value assets and liabilities when: – the right to receive economic benefits from them (e.g., interest) is established in a fixed or realisable amount, – there is a maturity date (payment), – the entity intends and can hold the financial asset or liability until maturity.	– financial assets and liabilities, including loans granted, debt securities held to maturity but whose fair value cannot be determined, and credits and loans taken	A parameter most often used for balance sheet valuation
Standard price	Components of tangible current assets may be recognised in the accounting books on the date of acquisition or manufacture at the prices entered in the records, considering the differences between these prices and the actual prices of their acquisition or purchase, or production costs. As of the balance sheet date, the value of these components, expressed in standard prices, is brought to the level specified in article 34, section 1 or article 28, section 1, point 6 of the Accounting Act.	– tangible current assets	A parameter used for initial valuation

Source: The Accounting Act of 29 September 1994 (consolidated text, Journal of Laws of 2023, item 120, as amended), chapter 4; Adamek-Hyska *et al*. (2021, pp. 50–60).

However, the International Public Sector Accounting Standards (IPSAS) assign a dominant role to fair value models, which is a desire to promote the measurement of economic value. IPSAS are a result of the drive to standardise accounting in the public sector but are not currently widely used. In various countries, they are used selectively, usually in selected sections of the public finance sector or even only in selected entities (Nguyen & Dinh Khoi Nguyen, 2012; Brusca, Montesinos & Chow, 2013; Deaconu & Nistor, 2014; Hepworth, 2017; Turyna & Koeppl-Turyna, 2018; Chow & Aggestam Pontoppidan, 2019; Abdulkarim, Umlai & Al-Saudi, 2020; Amiri & Hamza, 2020; Mattei, Jorge & Grandis, 2020; Polzer, Grossi & Reichard, 2021; Schmidthuber, Hilgers & Hofmann, 2022; IPSASB, 2024). IPSAS became the basis for creating European Public Sector Accounting Standards (EPSAS). IPSAS are not currently used in Poland, and the Ministry of Finance is assessing the benefits of implementing EPSAS and developing an appropriate legal framework that will allow for their possible use in the future (Biondi, 2017; Dabbicco & Steccolini, 2019; Sforza, Cimini & Fanti, 2023; Eurostat, 2024). It is worth noting that models based on fair value, although strongly promoted in international accounting standards (IPSAS and EPSAS), indicate that fair value is not an unambiguous, easy-to-use category in practice and may be determined slightly differently depending on the standard (Jorge, Caruana & Caperchione, 2019; Adamek-Hyska *et al*., 2021; Dalwadi, 2023; Petrović, Radosavac & Mashovic, 2023, Smoleń-Bojańczyk, 2023).

Chapter 4 of the Accounting Act often causes considerable problems in the practice of local government budgetary units because these entities must also comply with the specific rules for valuation and determining the financial result contained in the public finance law,[1] which concerns, among others:

– records of the budget implementation of a local government unit,
– records of fixed assets owned by the State Treasury or local government units,
– valuation of individual assets and liabilities expressed in foreign currencies,
– application of legally defined charts of accounts,
– preparation of financial statements and other reports and the recipients of these reports.

The specific principles of asset valuation thus laid down take into account the nature of typical public finance sector units, the specific principles of their operation, and the legally defined principles of financial management.

[1] See: Regulation of the Minister of Development and Finance of 13 September 2017, on accounting and charts of accounts for the state budget, budgets of local government units, budgetary units, local government budgetary establishments, state earmarked funds, and state budgetary units based outside the borders of the Republic of Poland (Journal of Laws of 2020, item 342 as amended).

3. Review of Asset and Liability Valuation Parameters Used in Marshal's Offices – Methodology and Research Results

Marshal's offices are an auxiliary apparatus of the voivodeship board. In Poland, the Act of 5 June 1998 on voivodeship self-government (Journal of Laws of 2024, item 566) defines a voivodeship as a regional self-government community established for a three-level division of the territory of Poland.[2] The main fields of activity for the regional authority are the economy, economics, and civilisational development, as well as international economic cooperation, promotion of the region, and spatial planning (Dolnicki, 2009). The voivodeship boards perform their tasks with the help of marshal's offices, which provide a full service (personnel, legal, technical, organisational, and expert) to the committees of executive bodies (voivodeship board and voivodeship marshal) and legislative bodies (voivodeship assembly). These offices operate based on the provisions of the Act on voivodeship self-government, as well as based on the voivodeship statute. Marshal's offices are treated as local government budget units in the context of keeping accounts and preparing financial and budget reports.

The study puts forward three research theses, which are tied to the aim stated in the introduction:

T.1: Marshal's offices do not have a comprehensive accounting policy on the valuation of assets and liabilities.

T.2: Marshal's offices mainly use the historical value model for the valuation of assets and liabilities.

T.3: Local government units in EU countries and worldwide must develop coherent patterns of integrated reporting, particularly in implementing sustainable development goals.

In the first step of the research, to achieve the stated primary objective of the article and verify the research hypotheses, a review and analysis of the regulations of the voivodeship marshals on accounting policies concerning the valuation of assets and liabilities were conducted. Sections of accounting policy regulations were obtained through requests for public information via e-mail.

In addition, in the second stage of empirical research, additional information for the years 2020–2022 was obtained from the Public Information Bulletin (BIP) websites of the marshal's offices because, in this part of the financial statements, the audited entities should obligatorily disclose the methods used to value assets

[2] The territorial system of Poland was decided in the 1997 Constitution of the Republic of Poland. It was built in two stages (municipal reform in 1990 and county-voivodeship reform in 1998) with the adoption – as one of the most critical assumptions and a guarantee of the implementation of the principle of decentralisation – of the corporate nature of each of the local government units. Currently, there are 16 regions-voivodeships in Poland.

and liabilities. This part of the annual financial statements was also reviewed in terms of the use of non-financial performance measures. A comparative and descriptive analysis of the collected empirical materials was carried out in the following research stage. The study ends with synthetic conclusions drawn upon the adopted research theses.

Table 2 presents the parameters for the asset and liability valuation used in marshal's offices. The valuation parameters provided were either indicated in the analysed segments of the accounting policies of the marshal's offices or in their additional information. In places where "no records" are indicated, the marshal's offices did not provide the parameters of the indicated elements of assets and liabilities either in the accounting policies or in the additional information. However, what should be noted when analysing the full scope of additional information on these entities, even though they did not provide valuation principles, e.g., in the scope of intangible assets or own funds, changes in these components of assets or liabilities in the period under review are noted.

Table 2. Parameters for the Valuation of Assets and Liabilities in Marshal's Offices

Balance Sheet Components	Valuation in Accounting Books	Balance Sheet Valuation
Intangible assets	– 12 offices – acquisition price, manufacture cost, or value specified in the administrative decision – depending on the method of acquisition – 4 offices – no records	– 7 offices – initial value less depreciation and amortisation write-downs and write-offs for impairment – 6 offices – initial value less depreciation and amortisation write-offs – 3 offices – no records
Fixed assets	– 12 offices – acquisition price, manufacture cost, revaluation amount, or value specified in an administrative decision – depending on the fixed asset acquisition method – 4 offices – no records	– 7 offices – initial value less depreciation and amortisation write-downs and impairment write-offs – 6 offices – initial value less depreciation and amortisation write-downs – 3 offices – no records
Fixed assets under construction	– 10 offices – in the amount of costs incurred in connection with their acquisition or manufacture – 6 offices – no records	– 8 offices – in the amount of costs incurred in connection with their acquisition or manufacture less impairment write-offs – 1 office – in the amount of costs incurred in connection with their acquisition or manufacture – 7 offices – no records

Table 2 cnt'd

Balance Sheet Components	Valuation in Accounting Books	Balance Sheet Valuation
Long-term receivables	– 10 offices – nominal value – 6 offices – no records	– 10 offices – the amount of payment required, observing the prudence principle – 6 offices – no records
Long-term investment	– 10 offices – acquisition price (including 2 offices also provided fair value) – 6 offices – no records	– 10 offices – acquisition price adjusted for impairment write-offs (including 2 offices also provided fair value) – 6 offices – no records
Inventory	– 6 offices – acquisition price or manufacture cost – 4 offices – acquisition price – 2 offices – purchase price (assuming that the office does not keep inventory records of materials) – 1 office – only the entry on the valuation of the outflow of materials from the warehouse by the FIFO method – 3 offices – no records	– 6 offices – acquisition price or manufacture cost not higher than inventory net selling price – 10 offices – no records
Short-term receivables	– 13 offices – nominal value – 3 offices – no records	– 13 offices – the amount of payment required, observing the prudence principle – 3 offices – no records
Short-term investment	– 7 offices – nominal value for the valuation of cash, including 2 offices that indicated the valuation of shares at the acquisition price – 2 offices – market price – 1 office – acquisition price or market price, whichever is lower – 1 office – fair value – 5 offices – no records	– 6 offices – nominal value used for the balance sheet valuation of cash, including 2 offices which determined that stocks and shares were valued as of the balance sheet date at the acquisition price less impairment write-offs – 2 offices – acquisition price less impairment write-offs (although the principles of initial valuation were not specified) – 8 offices – no records
Deferrals	– 2 offices – "not occur" entry only – 14 offices – no records	– 2 offices – "not occur" entry only – 14 offices – no records
Own funds	– 5 offices – nominal value – 11 offices – no records	– 5 offices – nominal value – 11 offices – no records
Provisions for liabilities	– 5 offices – reliably estimated value – 11 offices – no records	– 5 offices – reliably estimated value – 11 offices – no records

Table 2 cnt'd

Balance Sheet Components	Valuation in Accounting Books	Balance Sheet Valuation
Long-term liabilities	– 11 offices – nominal value, including: • 1 office also determines the selling price for debt securities • 1 office also determines the issue value increased by the accrued interest rates for financial liabilities, – 5 offices – no records	– 11 offices – the amount due – 1 office – adjusted acquisition price (to the valuation of loans and credits) – 4 offices – no records
Short-term liabilities	– 11 offices – nominal value, including: • 1 office also determines the selling price for debt securities • 1 office also determines the issue value increased by the accrued interest rates for financial liabilities – 5 offices – no records	– 11 offices – the amount due – 1 office – adjusted acquisition price (to the valuation of loans and credits) – 4 offices – no records
Accrued expenses	– 5 offices – "not occur" entry only – 11 offices – no records	– 5 offices – "not occur" entry only – 11 offices – no records
Deferred income	– 2 offices – nominal value – 14 offices – no records	– 2 offices – nominal value – 14 offices – no records

Source: the authors.

A detailed comparative analysis of the accounting policy provisions and additional information from marshal's offices in Poland allows us to identify the following fundamental phenomena:

– in terms of valuation in the accounting books, the most precise entries concern the valuation of non-financial fixed assets, financial assets, and settlements. The vast majority of offices did not include valuation entries in the accounting books for deferred income and expenses, provisions for liabilities, and the entity's fund, which did not mean that these elements of assets and liabilities did not change;

– regarding balance sheet valuation, most offices did not include entries regarding the valuation of fixed assets under construction, inventories, deferred income, expenses, liabilities provisions, and the entity's fund, which did not mean that on the balance sheet date, the audited entities did not report the status of these assets and liabilities.

In marshal's offices, selected valuation parameters are based primarily on the historical cost model in the accounting books and the balance sheet. The core idea of this model is that at the moment of balance sheet valuation, it takes into account the initial value of assets and liabilities, i.e., the so-called historical cost, which may be the purchase price, acquisition price, manufacturing cost, or nominal value. Within these valuation models, we can distinguish sub-models based on the acquisition price (including amortised purchase price or non-amortised purchase price) and the adjusted purchase price (amortised cost) (Poniatowska, 2009, pp. 166–167).

On the other hand, models based on fair value, which take into account parameters such as net sales price, current value, or otherwise defined fair value, occur in marshal's offices in only two cases:

– valuation of fixed assets received without consideration or by way of donation,

– valuation of long-term and short-term investments.

The asset and liability valuation method in the marshal's offices is crucially influenced by the principle that these entities perform their tasks indefinitely, assuming their continuity of operations. Moreover, under the Polish public finance law, to limit subjectivity in valuation, but above all, to maintain comparability of reports over time and between public sector entities, these entities are required to apply uniform valuation methods, which is justified by the methodology of calculating macroeconomic indicators, including the size of the budget surplus (deficit), public debt, and the ability to service this debt. The assumption of the going concern is also justified by the application in the provincial government of the asset valuation method at historical cost, i.e., at the purchase price or production cost, and in areas not regulated in specific regulations, the application of the prudent valuation method specified in the Accounting Act.

Unfortunately, there are numerous gaps in accounting policies and in the additional information regarding the valuation of assets and liabilities. This is a very negative phenomenon, which may indicate a low awareness of the essence of accounting policy, especially in selecting methods for valuing assets and liabilities. This automatically has direct consequences in inconsistent and incomplete data in the additional information.

Under Directive 2014/95/EU on the disclosure of non-financial information and information regarding diversity, which is still applicable only until the financial year 2023, after examining the reports available in marshal's offices during the analysed period, no rules for reporting non-financial data were found (Directive 2014/95/EU). These entities are not obliged, and do not optionally use non-financial measures to assess their performance.

4. Discussion

Integrated reporting is evolving worldwide, and its dynamic development has been observed since 2013 when the International Integrated Reporting Framework was created and published by the International Integrated Reporting Council (IIRC, 2013). The emergence of integrated reporting as a new reporting form has sparked worldwide discussions on its validity and informativeness (Bek-Gaik, 2017, p. 11; Siemienova, 2023).

According to the framework structure, the purpose of an integrated report is to enable the organisation to better communicate its proposals for creating value in the short, medium, and long term by providing a concise message as to how the company's strategy, management system, operational results, and prospects, in the context of its external environment (vicinity), lead to value creation in the short, medium, and long term (IIRC, 2013, p. 7).

Integrated reporting of accounting agents is the subject of many scientific studies that concern:

– theoretical concept of integrated reporting, including the concept, nature, and function of integrated reporting; factors influencing the development of integrated reporting; framework structure of such reporting, as well as comparing integrated reporting with sustainability reports and CSR reports (e.g., Krasodomska, 2012; Berndt, Bilolo & Müller, 2014; Flower, 2015; Walińska, 2015; Walińska *et al*., 2015; Świderska & Bek-Gaik, 2016; Serpeninova, 2022),

– integrated reporting in practice, including analysis of the content of integrated reports and the perception of integrated reports by management staff and stakeholders (e.g., Jensen & Berg, 2012; Eccles & Krzus, 2014; Bek-Gaik & Rymkiewicz, 2015, 2016; Perego, Kennedy & Whiteman, 2016).

While integrated reporting has become widely accepted in the corporate sector, its implementation in local government is still evolving. Integrated reporting in local government in Poland and the EU reflects the growing trend toward transparency and accountability in public administration. This approach combines financial and non-financial information, strengthening communication about value creation and sustainable development efforts. There is a lack of a standardised integrated reporting framework for public sector entities in the EU and globally. This results in significant differences in the application of integrated reporting across countries (Nistor *et al*., 2019; Williams & Lodhia, 2021; Siemienova, 2023). There is significant variability in how integrated reporting is adopted in scope and form, with national regulations shaping practices and standards.

Based on the literature review (Zuchewicz, 2013) and analyses conducted by the authors, the following barriers to the development of integrated reporting in Polish local government units should be highlighted:

– lack of data in accounting policies and detailed and supplementary information to financial statements on the method of presenting intangible factors, such as intellectual capital, relations with stakeholders, or those related to location and impact on the natural environment,

– the valuation of assets and their sources based mainly on historical values causes an increasing discrepancy between the balance sheet value of assets and their market value,

– insufficient awareness of the consequences of the adopted solutions by people developing accounting policies,

– it is impossible to determine, based on the analysed content of accounting policies and detailed data contained in the additional information, all the significant conditions of operation of these entities, including, for example, the main risk factors,

– lack of prospective data enabling the estimation of the course of events in the future.

The disclosure and integration of financial and non-financial information requires technical expertise and significant investment in data collection and analysis systems. In addition, the lack of a clear regulatory framework for integrated public sector reporting makes it difficult for regional governments to implement best practices consistently.

Although there is no mandatory legal framework for integrated reporting in Polish local governments, some local governments in Poland have started experimenting with voluntary integrated reporting. For example, selected municipalities in Poland, such as Warsaw and Krakow, have begun publishing reports that combine traditional financial reports with sustainability indicators, such as environmental impact, social welfare initiatives, and management practices. These pilot projects aim to increase the visibility of local government's contribution to sustainable development and improve communication with citizens. In 2018, Manes-Rossi (2018) conducted case studies from different locations around the world, including Poland – using the city of Warsaw as an example, and confirmed differences in the levels of maturity and approach to integrated reporting in these entities. In the context of integrated reporting, researchers previously examined Warsaw in 2016, where the municipality was presented as an example of the slow implementation of integrated reporting in the public sector (Oprişor, Tiron-Tudor & Nistor, 2016).

With the growing importance of sustainable development and responsibility in public sector management, the authors believe there will be increasing pressure on Polish local governments to adopt the concept of integrated reporting. Integrated reporting promotes better communication with citizens, responding to their information needs regarding the sustainable development of public services (Bartocci & Picciaia, 2013; Lodhia, Kaur & Williams, 2020; Agliata *et al*., 2022).

5. Conclusions

The review of the parameters for the valuation of assets and liabilities included in the accounting policies and additional information of marshal's offices indicates significant deficiencies in the provisions of these documents regarding the valuation of assets and liabilities. Moreover, marshal's offices mainly use the historical value model to value assets and liabilities, which may constitute a significant barrier to implementing an integrated reporting system focused on sustainable development. Risks and opportunities are not limited to the definition and valuation of assets and liabilities for the financial statements. They are also not limited by the historical cost convention and the financial planning horizon (Wojturska, 2023, p. 19). Currently, the accounting of local government units in Poland (including voivodeships) mainly generates financial information; however, the importance of non-financial information, including social responsibility and the sustainable development of these entities, is increasingly recognised.

Introducing integrated reporting in these entities in the time frame of even the next few years is desirable, but may prove to be very difficult. The reason lies in the perception of integrated reporting as a laborious, demanding, and even complex process, and taking into account the impact of human factors (terms in office of authorities, employees) on the development of integrated reporting in all entities of the public finance sector, or the lack of the obligation to report non-financial, integrated reporting would not replace the previous reports, but would only potentially enrich the existing diverse forms of reporting. The authors believe that in the future, there will be a need to verify and unify legal solutions regarding reporting issues related to sustainable development in the integrated reports of these entities.

Authors' Contribution

The authors' individual contribution is as follows: Each contributed 50%.

Conflict of Interest

The authors declare no conflict of interest.

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