



Management Control in Public Sector

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Management Control

The concept of management control in the public finance sector

according to which there are the measures taken to ensure that the objectives and tasks are realized:

- in accordance with the law
- effectively
- economically
- timely



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- From the perspective of management science, pathology of the organization can be considered as a relatively permanent failure of the organization, which results in the waste of resources, exceeding the limits of social tolerance
- An organizational pathology can be defined as the situation, that negatively affecting on relations between stakeholders and it does not allows an organization as well as most of stakeholders achieving their goals

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it has a ex ante, current and ex post nature

- Initial control allows to check and assess planned activities.
- The current control allows evaluation of the transformation of inputs into outputs.
- Ex post control allows to check and evaluate the steps already made.

Who is responsible?

Ensuring adequate functioning, efficient and effective management control is the responsibility of:

- **the minister in the case of organizations led by him/her**
- **mayor, city president, chairman of the board of the local government unit**
- **head of the unit.**



Management Control



Level II

Level I

The Goal of Management Control



The purpose of management control is to ensure in particular:

- 1) compliance of the laws and procedures;
- 2) the effectiveness of action;
- 3) reliability of reporting;
- 4) conservation of resources;
- 5) **follow and promote the principles of ethical conduct;**
- 6) The effectiveness of the flow of information;
- 7) The risk management.

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- ✓ It serves the economization of the public sector - postulate in the concept of new public management
- ✓ It serves the postulate of the concept of governance, where not only the final result of action taken is evaluated, but also the same mode of action is evaluated

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Management control system should be subject to ongoing monitoring and evaluation.

At least once a year, perform a self-assessment system of management control by the management and employees of the unit.

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The head of units should use a self-assessment system, as well as the results of monitoring, internal and external audits as the source of information about.

It is recommended, that an annual confirmation of the correctness of management control system within the organization should be signed by the head of unit.

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Statement No 23 of the Minister of Finance dated 16 December 2009 On management control standards for the public finance sector(Dz. Urz. MF Nr 15, poz. 84)



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S

- **Specific**: State exactly what you want to accomplish (Who, What, Where, Why)

M

- **Measurable**: How will you demonstrate and evaluate the extent to which the goal has been met?

A

- **Achievable**: stretch and challenging goals within ability to achieve outcome. What is the action-oriented verb?

R

- **Relevant**: How does the goal tie into your key responsibilities? How is it aligned to objectives?

T

- **Time-bound**: Set 1 or more target dates, the “by when” to guide your goal to successful and timely completion (include deadlines, dates and frequency)



The Goal?

provide residents access to technical infrastructure

Is it proper goal?





The Goal?

provide residents access to technical infrastructure

Such a goal does not allow for unambiguous interpretation. It is not known what kind of infrastructure is taken into account



The Goal?

provide residents access to technical infrastructure

The concept of technical infrastructure includes both power connections, gas, heating, water supply and storm water drainage, telecommunications, cable trams, roads and parking lots.

As discussed above, the objective was not well defined in time and is imprecise in terms of the measurability

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the effectiveness and efficiency of public organizations is affected by various factors, and these factors can be assessed from the perspective of internal or external

On the effectiveness and efficiency affects, for example, how to adapt the organizational structure for the purpose, resources and environment.

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Ethical Behavior

Acting in ways consistent with what society and individuals typically think are good values.

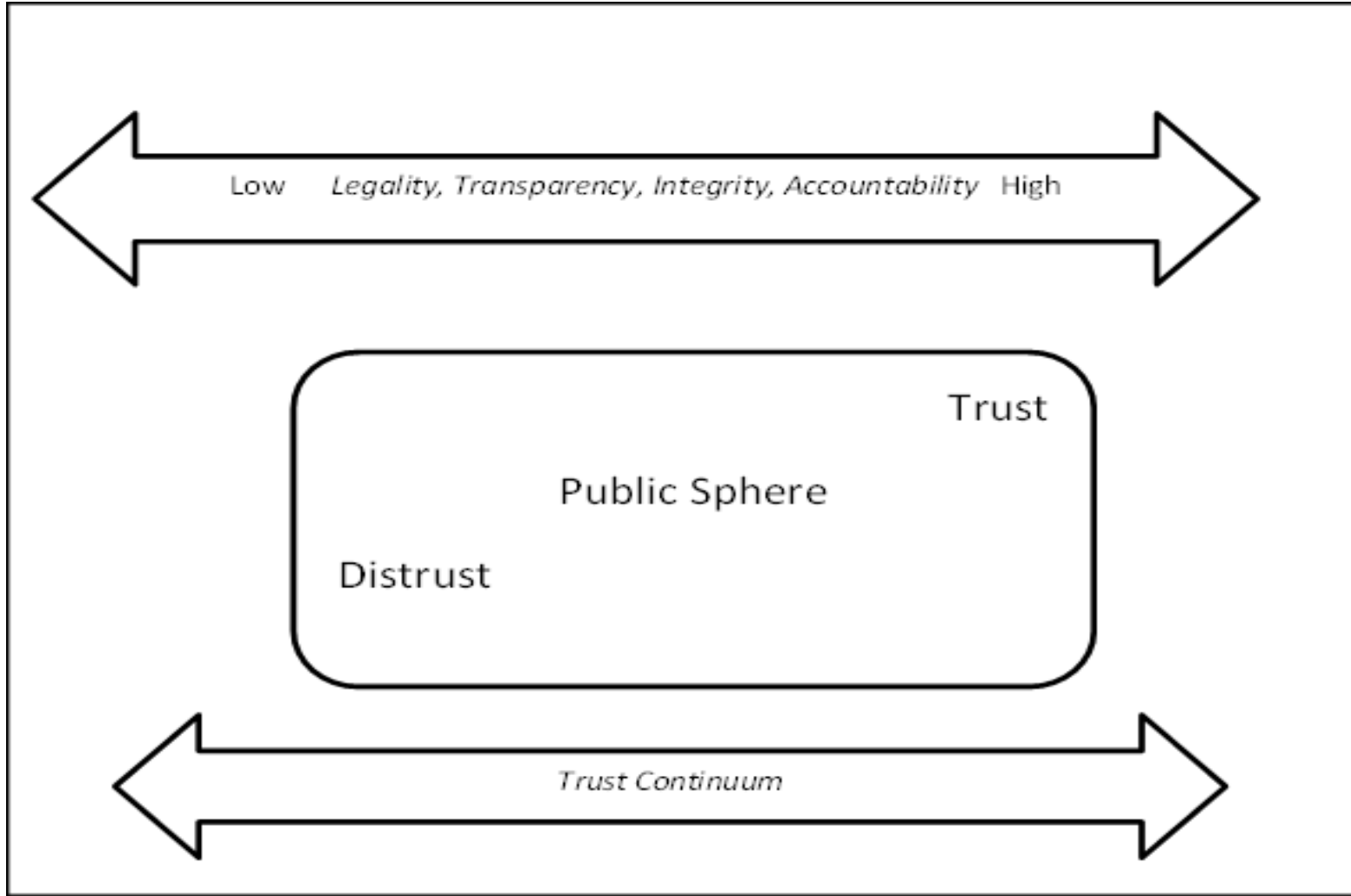
Ethical behavior tends to be good for business and involves demonstrating respect for key moral principles that include honesty, fairness, equality, diversity and individual rights.

Read more: <http://www.businessdictionary.com/definition/ethical-behavior.html#ixzz3nDBgoUjz>

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Managers and employees should be aware of the ethical values adopted in the unit and follow these values during the performance of their tasks.

Managers should support and promote respect for ethical values, giving a good example by daily conduct and the decisions taken.

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The Professional Competence

Ensure that managers and employees have the knowledge, skills and experience to effectively and efficiently carry out assigned tasks.

The employment process should be conducted to ensure selection of the best candidate for the position.

It should ensure the development of professional competence of their personnel and managers.

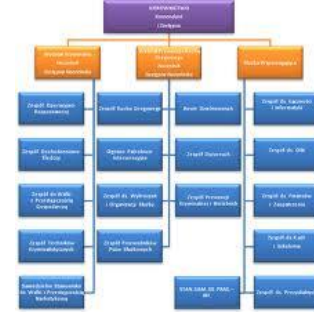
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The Professional Competence. Polish Example

Independence: Staff must be independent of any personal, external or organizational factor that would impair her/his independence in connection with an assignment.

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The Organizational Structure

The organizational structure of the unit should be adjusted to the current goals and objectives.

The range of tasks, powers and responsibilities of individuals, individual organizational units and the extent of subordination of the individual employees should be specified in writing in a clear and consistent manner.

Current responsibilities, powers and responsibilities should be specified for each employee

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the delegation of tasks and power

It must be precisely defined the scope of authority delegated to managers or individual employees.

The scope of the powers delegated should be appropriate to the gravity of the decisions, the degree of their complexity and risks associated with them.

It is recommended to delegate decision-making powers, especially those of the current character.

The adoption of delegated powers should be attested by the signature.

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So in the field of internal environment

- **Compliance with ethical values**
- **Professional competence**
- **Organizational structure**
- **Delegation of tasks and power**



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Mission

Goals, tasks, monitoring and evaluation of their performance

Risk management: identification, analysis, response



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Mission and Risk

Clearly define the mission may favor establishing a hierarchy of objectives and tasks, and effective risk management.

Risk management aims to increase the likelihood of achieving the objectives and the tasks. The risk management process should be documented.

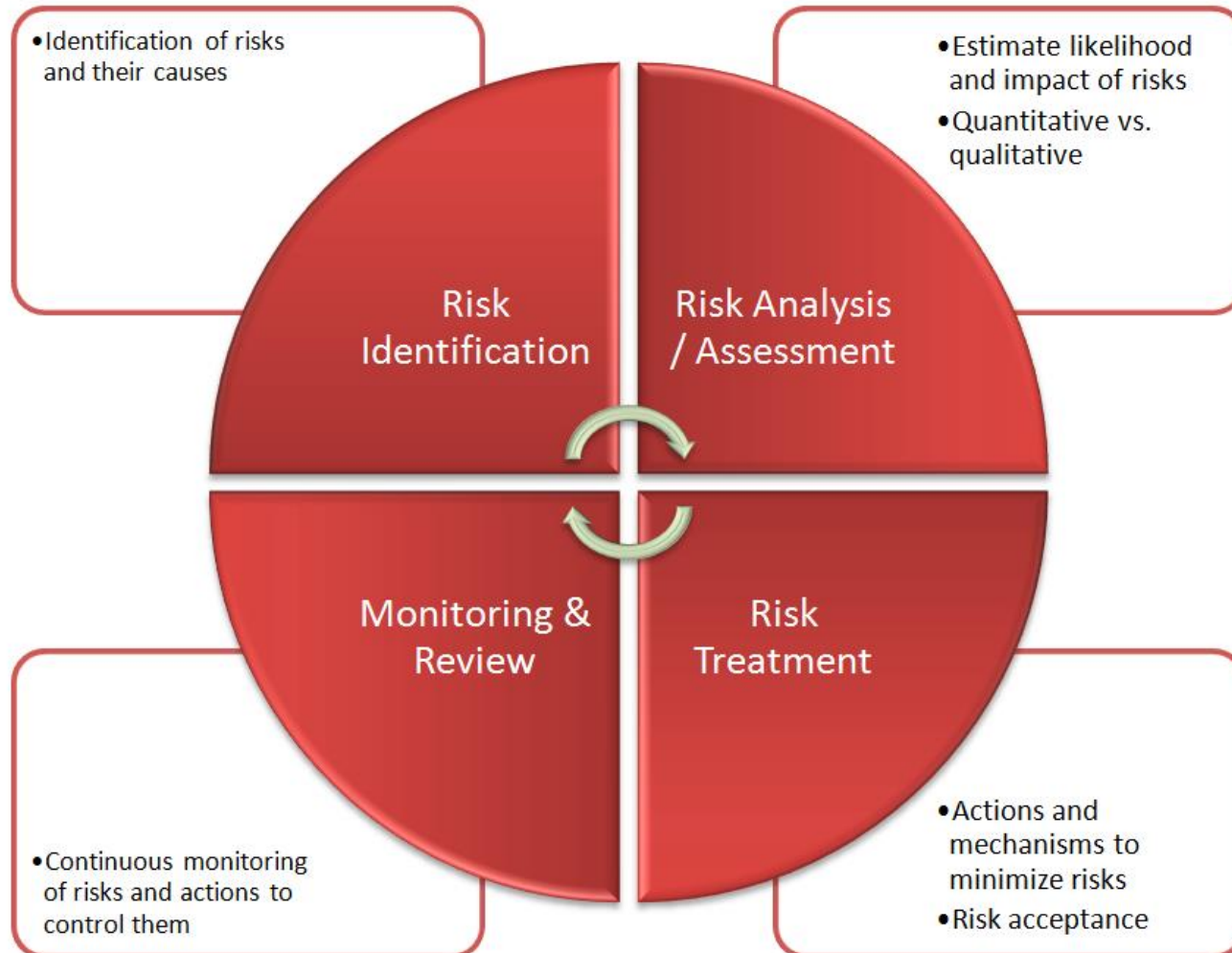
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Risk



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Examples of external and internal factors that may be included in the risk identification

External factors:

change of expectations and needs of citizens

changes in laws

natural hazards

economic changes

pressure on unit from the outside

changes in technology



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Examples of external and internal factors that may be included in the risk identification

Internal factors:

the nature of the business

culture of the organization

available funds

plans and strategies and communication

IT systems

number of employees and their qualifications

responsibility and attitude of top management

number, type and volume of financial operations

information processing

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Identifying risk it is advisable to describe the **reasons** for its occurrence and the possible **consequences**, because it is needed for further risk analysis, ie. to estimate the **significance** of risk.



How to Assess Management Control



What are the steps in evaluating management control?

Steps in Evaluating Management controls.

- **Identify management control objectives (policies)**
- **Identify key management control techniques**
- **Determine control effectiveness**
- **Assess control design**
- **Test control procedures**
- **Determine if transactions are properly documented**
- **Identify needed follow-on actions**

How to Assess Management Control



Some questions that should be answered while assessing the proper implementation of controls include:

- **Were they logically designed?**
- **Were they properly implemented?**
- **Are they working as expected?**

How to Assess Management Control



Regardless of their design, internal control systems can never provide a complete guarantee that faults will not occur or, if they do, that they are noticed and rectified in time. All control systems have inherent limitations:

- 1) Agency management itself can deliberately ignore internal controls.**
- 2) Internal control is often based on the ability of the individual to make assessment and decision and cannot therefore always offer protection against simple errors and mistakes.**
- 3) The cost of internal control must always be viewed in relation to an assessed benefit. This requires appraisals to be made of both the consequences and costs of any faults and the probability that they might arise.**



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Risk in HRM

Lack of a clearly-specified procedures for hiring, promotion, dismissal - **the risk of inadequate, unqualified staff,**

Reduction of employees with high qualifications (key) - **the risk of lack of continuity of the organizational unit or units,**

Lack of internal procedures related to the process of training of employees (training profile incompatible with the tasks performed at the workplace) - **irrational spending of public funds,**

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Risk in HRM

recruitment process for the posts of officials is improper. Failure to comply with the principle of transparency of recruitment (open and competitive procedure)

- legal risk
- the risk of loss of public trust
- the risk of recruitment of unskilled people

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the risk of ineffective self-assessment include the following:

- absence of visible, strong support from the entity's management,
- appointing a person with insufficient knowledge and skills to coordinate the self-assessment exercise,
- excessive restriction of the scope of self-assessment,
- staff misunderstanding the purpose of self-assessment,
- resources (time, people) inadequate for an efficient conduct and documentation of the self-assessment,
- the entity's organizational culture, including management style, that inclines the staff to provide expected rather than sincere answers.

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- **the entity's organizational culture, including management style, that inclines the staff to provide expected rather than sincere answers.**
- **Especially the last of the above-listed factors can be a symptom of the organisation's susceptibility to irregularities in its activities. What is also worth looking into in auditing the management control system is the way questionnaires are completed and delivered. For example, instances of staff members completing self-assessment surveys in the presence of their supervisor can suggest a "culture of distrust", an attempt to hide specific problems, with the appearance that staff members can freely express their opinion. It is also worth examining how completed surveys are delivered at the entity. Although sending them by electronic means cuts the costs of, e.g., consumption of paper or toner, this creates a risk that insincere answers are provided by staff members afraid of their answers being identified by establishing the ID of the computer/user sending the questionnaire.**

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Ethical collapses in public organization leads to serious wrongdoings, which was proven by SAI.

The examination found that public employees were not encouraged to communicate their concerns about ethical lapses.

They could not be sure that concerns they raised would be properly scrutinized or that retaliation would not be taken against them for raising the concern.

These two important components of governance and an ethical culture were missing in the ethically collapsed organizations.

In such organizations the examinations found that some employees tried to notify external auditors about wrongdoings in their organization in secret

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The examinations of public organizations identified several factors that can contribute to ethical collapse. These factors are :

- Pressure to meet the numbers for established or expected performance measures.
- Fear and silence.
- Lack of ethical climate in human resource management.
- Weak internal controls and weak external supervision
- A culture of conflicts

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self-assessment

Are employees informed about the principles of ethical conduct?

Do you know how to behave, when you will be the witnessed serious violations of ethical rules of your organization?

Do you think, that managers follow ethical rules in daily operations?

Thank you

