

Potentials for Improving Financial Management Capacities in Serbian Public Administration

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Abstract In the process of joining the European Union the Republic of Serbia is expected to meet the requirements that are deemed to be universally accepted norms of social and government systems of member states. As part of that process, Serbia's public administration, much less efficient than that of member states, is being transformed with a view to attaining the expected efficiency level. The aim of this paper is to give an overview of the existing capacities of civil servants in the Republic of Serbia in the area of financial management and the potentials for their improvement. The paper is based on the results of a research conducted under the CBHE ERAMSUS+ project, on a sample of 231 civil servants in the Serbian public administration engaged on budgeting, financial control and internal audit in the period March – May 2017. Authors of the paper were actively involved in the project.

Keywords: • public administration • financial management • financial control • program budgeting

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[https://doi.org/10.4335/17.3.435-451\(2019\)](https://doi.org/10.4335/17.3.435-451(2019))
ISSN 1581-5374 Print/1855-363X Online © 2019 Lex localis
Available online at <http://journal.lex-localis.press>.

1 Introduction

An efficient public administration serves the function of pursuing public policies and objectives and improving the overall economic welfare of all citizens, thus representing the precondition for democratic governance. Public administration reform, in all its segments, became an important topic on the political and economic agenda of the Republic of Serbia after its strategic orientation toward the EU accession. While the EU does not yet have direct, legally grounded and mandatory mechanisms for influencing public administration of member states and candidate countries, it does exert a strong indirect influence through requirements and standards defined in the *acquis communautaire*, transfer of best practices under EU-funded projects, promotion of best management practices applied in EU institutions etc.

Historically speaking, the first public administration in Serbia, characteristically for early XX century, was modelled after German, Austrian and French bureaucracy [Eriksen S., 2005]. Such approach is not surprising, bearing in mind that Weber's principles of bureaucracy based on strict rules, hierarchy, written documents and monocracy were widely accepted. Although critiqued by numerous authors, Weber's model remains relevant to this day, since no other comprehensive model for organising public administration has been developed that could fully replace the organisational structure and principles proposed by Weber. The importance of Weber's public administration concept is also confirmed by the fact that majority of public servants are guided by the traditional bureaucracy model in the performance of everyday tasks [van der Steen, van Twist and Bressers, 2018]. In brief, the traditional bureaucracy model assumes defining of public objectives in political processes, while public policies and strategies translate these objectives into concrete work tasks performed by civil servants. Owing to its proven universality, Weber-type bureaucracy remains in force and the focus is placed on the reform of individual aspects of its functioning.

In the early stage of intensive reform processes, the New Public Management concept, which lies at the core of EU directives and SIGMA principles, served as the basis for modernisation and development of public administration in Slovenia [Kovač, 2011], Croatia [I. Koprić], Romania [Matei and Chesaru, 2014] and other post-socialist countries. In order to underscore the importance of a well-functioning public administration, the European Commission defined six most important reform aspects, integrated these aspects into the EU enlargement process through special public administration reform groups and explicitly connected (conditioned) reforms in these areas with the progress in accession negotiations. This way, EU accession candidates were given no leeway to ignore and postpone the public administration reform.

SIGMA (Support for Improvement in Governance and Management) is a joint OECD and EU project which articulated expectations of public administration quality required of EU accession candidates. The fulfilment of these requirements is a reliable indicator that a country has reached a satisfactory level of public administration efficiency. Government attention to specific principles from the defined set may vary from country to country, depending on the country's governance structure, administrative culture, historical heritage and similar. On the other hand, in order to exactly measure the progress achieved in meeting the set requirements, a methodological framework was developed with a series of qualitative and quantitative indicators for rating the progress in individual areas, from 0 (lowest) to 5 (highest). SIGMA is focused on: Strategic Framework of Public Administration Reform, Policy Development and Co-ordination, Public Service and Human Resource Management, Accountability, Service Delivery, Public Financial Management [SIGMA, 2017].

The first comprehensive public administration strategy of the Republic of Serbia in recent history was adopted in 2004. Its importance may be illustrated by the fact that it is the first document which purports to systemically approach the public administration reform and to establish a clear link between reform processes and principles of the New Public Management. The key reform areas highlighted by the strategy are organisational decentralisation, fiscal decentralisation, cost rationalisation, technological modernisation and setting up of control mechanisms [Public Administration Reform Strategy, 2004]. This reform direction resulted from Serbia's strategic commitment toward EU membership, with the first formal steps taken in April 2008 (signing of the Stabilisation and Association Agreement between Serbia and the EU) and December 2009, when the Republic of Serbia applied for EU membership.

The objectives proclaimed by the first reform strategy, implemented via two action plans covering the periods 2004-2008 and 2009-2012, saw little success. When asked to describe the general situation in the Serbian public administration during period 2008-2013, as part of COCOPS project, 17% of respondents said that it deteriorated and 27.4% stated that the situation improved. However, the majority of respondents believe that the situation has not changed at all – 55% of all respondents [Štimac and Lazarević, 2013].

According to the latest Annual Progress Report of the European Commission for Serbia [European Commission, 2018], Serbia is moderately prepared with the reform of its public administration. Some progress has been achieved in the area of service delivery and with the adoption of several new reform laws, including the law on the national training academy for professional development of civil servants. However, the Commission recommendations from 2016 have not been fully addressed. In particular, political influence on senior managerial appointments remains an issue of concern, with an estimated 60% of senior managers in acting

positions, many for an extended period of time. Also, the implementation of the public administration reform action plan has experienced delays.

Starting from the current level of efficiency of public administration in the Republic of Serbia and taking into account previous Annual Progress Reports of the European Commission for Serbia and experiences of neighbouring countries in the EU accession process, in this paper we set two research hypotheses:

H₀: Employees in the public administration of the Republic of Serbia tend to narrow the scope of their activities relative to the scope of duties that may be considered standard for the given position;

H₁: There is high need for training and professional development of employees in the areas of budgeting, financial control and internal audit.

The main source of empirical data used for verifying the set hypotheses were the results of the research conducted within CBHE ERASMUS+ project implemented in the period March – May 2017. The main objective of the research was mapping of existing capacities, i.e. knowledge of public administration employees engaged on budgeting, financial control and internal audit. The research is a starting point in building employee capacities and improving public administration efficiency on the EU accession path. The research results presented in this paper are the primary data collected by the questionnaire and survey on a sample of 231 civil servants employed in the public administration of the Republic of Serbia.

2 Literature overview

A comprehensive, exact measurement of public sector performance (in terms of the results of the public functions performed by the government apparatus) and efficiency (as the ratio between the results achieved and the resources employed) is still limited. Although the research of public sector efficiency is generally focused on comparative cross-country analysis based on empirical data, it is still difficult to overcome the problem of data incomparability (due to differences in legal systems and public accounts systems) and to establish an impartial link between government expenditures and the results achieved in a particular area since these results are generally impacted by numerous factors, not only public activities aimed at the realisation of a concrete objective.

Improvement of public administration quality is a universally accepted objective of the modern society. The EU advocates for public administration reform with a view to improving managerial accountability and budget management efficiency. Implementation of an efficient financial control and adherence to its principles safeguard financial interests of the EU and protect the common currency – the euro, from counterfeiting [European Commission, 2018]. Countries with “small” public sectors on average report the highest scores for overall performance, especially for public administration and public financial management [Afonso, Schuknecht and

Tanzi, 2003]. On the other hand, there is room for improvement in all countries. Optimisation of public sector efficiency could save up to 45% of government resources, with the delivery of the same results [Afonso, Schuknecht and Tanzi, 2006]. One more reason for continuous public administration reform can be found in the fact that on average in OECD countries, less than half of citizens (42%) reported having confidence in their national government, which is a decline by three percentage points compared to 2007 [OECD, 2017].

Human resource management in public administration has been researched from different aspects: the manner of organisation of human resource activities and/or the position of the human resource department in an organisation [Boon and Verhoest, 2018; Sheehan, 2009], professional orientation and public service motivation [Ballart and Rico 2018; Tepe and Vanhuyse, 2017], staff selection and promotion [Baekgaard and George, 2018], managerial autonomy [Bezes and Jeannot, 2018] etc. Country practices in different aspects of human resource management vary, but the researches show that OECD countries pay significant attention to all the above aspects [OECD, 2017, pp.137-148].

Promotion of adequate human resource management in public administration is also an integral part of the previously mentioned SIGMA principles, with a view to ensuring not only adequate recruitment, but also long-term retention and motivation of staff toward achieving government's reform goals. A special emphasis is placed on professional development of public servants, including regular and appropriate training, fair performance appraisal and mobility and promotion based on transparent criteria. Professional training is recognised as a right and duty of public servants, established in law and consistently applied in practice. SIGMA principles propose the development of annual/bi-annual training plans [SIGMA, 2017].

Examination of the relationship between training (professional development) of public servants and their work performance is an important research topic in this area. However, despite the confirmed positive relationship between employee training and the quality of the work performed [Albrecht, Bakker, Gruman, Macey and Saks, 2015; Sakis and Belcourt, 2006; Elnaga and Imran, 2013], the budget for public servants training was one of the earliest hit by austerity measures. Only eight OECD countries did not cut down their budgets for training of public servants [OECD, 2016]. On the other hand, efficient human resource management assumes the maintenance of a satisfactory level of development and training even during the downsizing of HR budgets. According to Gandolfi F. (2009), staff training and development is the most important segment of human resource management at times of staff downsizing. The quality of human capital may be maintained by a more rational use of resources intended for staff training and development, through efficient identification of priority training needs.

At the EU-level, the quality of public administration varies considerably by member state, viewed from different aspects. The professionalism index¹, one of the numerous general indices of the quality of public administration employees indicates to which extent professionalism outweighs politics in public administration. Looking at the period 2012-2015, positive developments were recorded in Germany, Greece, Lithuania, Poland, Romania and Slovenia, while Bulgaria, Hungary and Slovakia saw negative trends. Denmark, Finland and Sweden are best performers in terms of the overall public administration capacity, while significant quality improvements are needed in Bulgaria, Croatia, Greece, Romania, Slovakia, Hungary, Italy and Cyprus [European Commission, 2017].

Political (party) influence on recruitment, particularly the appointment of senior civil servants, significantly limits the impartiality of selection and undermines the quality of public administration employment. Without adequate qualifications and training for the performance of public office to which an individual is appointed, it is unrealistic to expect high-quality public administration. This simple and universally accepted premise underlines the importance of raising the quality of public servants.

The research at the level of organisational parts shows that public servants put on the first place their department role (i.e. primarily direct their role perceptions inwards toward their unit and subunit), secondarily toward the organization as a whole (a supranational role), and third toward their own expertise and professional group (an epistemic role) [Trondal J., Murdoch Z., Greys B., 2018]. Bearing this in mind, placing the research focus on the level of individuals employed in a specific organisational unit of the public administration is fully justified, especially when they are tasked with implementation of concrete reform objectives that must be achieved. Employee capacities, their understanding of the terms of reference and relevance of specific activities become the key factors determining the quality of the results achieved.

3 Research

The conducted research was aimed at reviewing the existing capacities of public servants in five closely connected and related areas: Financial Management and Control, Internal Audit, Programme Budgeting, Budget Implementation and Accounting and Public Policy Management. These are areas whose improvement is explicitly required under Chapter 32 in the EU accession process.

Data were collected using a questionnaire as the main research tool prepared in the form of a "Likert Item", i.e. a statement that the respondent is asked to evaluate in a survey. The Likert scale was set balanced, which implies that respondents were realistic in self-evaluation and answering questions, since according to the research results, they would attend tailor-made trainings and a master's program in order to

improve their knowledge and skills. Questionnaire, as a research tool, was used because the population on which the research was conducted was not precisely defined (there is no exact number of persons engaged on positions such as managers, financial managers and auditors in the Republic of Serbia government). The aim was to cover by the research as broad population as possible and get a more representative quantitative sample insight into general trends and frequency of some phenomena. The sample was limited to government employees in public administration at the central level and covered four types of employees: ministers, employees on certain positions in ministries, employees in special organisations and government employees.

The questionnaire was developed by the representatives of the Centre for Educational Policies (CEP), in cooperation with partners from the Ministry of Public Administration and Local Self-Government, Ministry of Finance, Human Resources Management Service of the Republic of Serbia, University of Belgrade and other partner institutions. Based on the above, it is obvious that there was significant support from official authorities within government institutions, and it could be said that ERASMUS+ project and its research is the result of the initiative of officials from the Ministry of Public Administration and Local Self-Government. This research is one of a kind, because it was not motivated by researches conducted in EU member states, but by the needs of the Ministry of Finance and Ministry of Public Administration and Local Self-Government. The idea behind the survey was to appraise own capacities in order to enhance them and raise them to a higher level [Belardinelli P., Bellé N., Sicillia M., and Steccolini I., 2018]. The survey was conducted from April 15 until May 31 2017 in two calls and it represents a baseline for the process of current status review, taking corrective actions and giving recommendations for further improvement of public employees' services. The sample covered 231 respondents in an on-line survey and 15 interviews. The qualitative part of the research (involving interviews) to a large extent confirmed the responses obtained in the on-line survey, which is an additional confirmation of validity of the research results.

In each of the areas covered by the questionnaire, a respondent was asked to answer the following questions:

1. Do you take part in each of the practices listed? The available answers were: Yes, to a greater extent; Yes, to a lesser extent, No or This is not relevant for my job position.
2. To what extent do you need further professional development in order to perform each of the practices more effectively? The available answers were: High level of need; Moderate level of need; Low level of need; No need at all; This is not relevant for my job position.

The respondent sample included 152 executives, 58 finance executives and 21 internal auditors and the average age of each group was 48.7 years, 43.3 years and

49.8 years, respectively. In terms of work experience, most experienced were executives (19.3 years of service, on average), followed by internal auditors (16.6 years on average, of which 6.3 years in public administration) while finance executives had the shortest average work experience (11.6 years). The qualifications structure of all three groups of respondents was satisfactory, given that over 90% of executives and finance executives have university education, while all internal auditors are also university-educated. The respondents were mainly educated in Serbia, graduated from economics faculties, and few of them from the faculty of law.

Financial management and control: The questions were formulated in accordance with the INTOSAI Guidelines for Internal Control Standards for the Public Sector, including the Internal Control Integrated Framework defined by the Committee of Sponsoring Organisations of the Tradeway Commission (COSO framework). INTOSAI and COSO are widely accepted standards for establishing, implementing and overseeing internal control activities. This helped to ensure, a priori, the relevance of the area of activity which respondents selected in the above described manner (whether they are involved in each of the listed activities and whether they need additional training). For research purposes, respondents were divided in two groups: executives and finance executives.

Research results indicated that executives are intensively involved in processes related to human resource management. This is not surprising, given that managing people, in terms of assigning work tasks, assessing work abilities and identifying training needs, informing the staff about the plans etc., is one of the basic managerial activities. However, as regards the activities related to other aspects of the control environment – risk management, assessing the quality of the internal controls system, executives are much less involved and they rationalise this by saying that these activities are not relevant for their position. This percent is particularly high in the risk management segment – over 40% of respondents deem that identification of financial risks, risk mapping by means of simple instruments such as risk exposure matrix, developing and keeping the risk register and contingency planning are not relevant for their position. Such results are a cause for concern, because these activities by all means belong to senior executives' terms of reference.

Regarding professional advancement, the respondents showed a relatively high interest in professional development. In the area of human resource management, cca 50% of executives who view a certain activity as relevant for their position, deem that they need a high or moderate level of professional development in order to improve the performance of that activity. As regards other activities, especially in the area or risk management, the respondents who view these activities as relevant for their position, declare high level of need for professional development (over 40% per individual activity). For some activities, over 55% of respondents declared high/moderate need for further development: identification of reputational

risk, defining risk management strategy and assessment of risk relevance in terms of its probability and the expected negative effects.

Finance executives gave similar answers in the area of human resource management (the lowest percent of involvement is 37.5% for individual activity), declaring a somewhat higher need for professional development (overall, for all activities in this area, 45%–76% of respondents declared high/moderate need for further development). There is an interesting difference between financial control and risk management-related activities. Involvement of finance executives is 39% to 67% and 35% to 58%, respectively. This is considerably higher involvement than previously stated results for executives. Also, this group of respondents declared high need for professional development in almost all activities in these areas (60% to 70% of respondents are interested in professional development).

The general impression based on the conducted interviews is that there is no full understanding of the meaning and importance of financial management and control in public administration. Activities are reduced to *ad hoc* fulfilment of formal requirements, instead of being carried out as a continuous process leading to sustainable realisation of the set objectives. Though many processes are formalised on paper, various procedures, requirements and directives have little bearing on everyday work.

Programme budgeting: The programme budget is a relatively new tool in the public budgeting practice which became mandatory for majority of budget units in the Republic of Serbia as of 2015, in accordance with the Budget System Law² [Budget system law]. The questionnaire included 28 questions in this area and the respondents were divided in two groups, same as for the previous set of questions.

The first part of the questionnaire was dedicated to activities of setting up the programme structure, programmes themselves, programme activities, projects and objectives. The majority of managers (44%–51%) perceived these activities as irrelevant for their position. This can be explained by the fact that decisions on the contents of the programme budget are made by the most senior executives in organisations, frequently at the government level, and they did not represent a significant part of the sample. The executives who do take part in these activities mostly deem that they do not need additional training or that they have low need for training (57%–67% of respondents).

The second part of the questionnaire included definition of indicators for measuring the achievement of objectives defined by the programme budget, monitoring and analysis of the results achieved and comparison of what was achieved against what was planned. Similarly as in the previous segment, a high percent of executives do not perceive these activities as relevant for their position (39%–57%).

The final, third part of the questionnaire primarily concerned the financial aspect of programme budgeting: analysis of expenditures and inefficient spending of funds earmarked for the programme budget, prioritisation of expenditures, distinguishing between direct costs (pertaining to a single programme activity) and indirect costs (shared by several programme activities), allocation of joint costs etc. Over 70% of respondents were not involved in these activities or regarded them as irrelevant for their position, thus declaring low training needs.

Finance executives gave similar answers, except to the first group of questions. Namely, 20% to 37% respondents declared they were involved in programme budgeting, which is significantly higher percent compared to executives (from 8% to maximum 18%). Among respondents involved in individual activities, the need for further professional development was generally high or moderate – 45% to 60% of respondents need high/moderate level of training for the first group of activities, 43% to 58% need it for the second group of activities and on average 40% of respondents need it for the third group of activities.

The interviews showed that respondents have rather positive views of programme budgeting, because of its contribution to transparency and efficiency in public administration. Given that this is a new practice in public administration, significant efforts need to be invested in its development, starting from preparation of the programme budget and setting indicators for measuring the realisation of objectives to monitoring the results and comparison between actual and planned results. A particularly underdeveloped aspect of programme budgeting is defining of performance measures and monitoring the degree of results achievement.

Budget implementation and accounting: This part of the questionnaire gave emphasis to processes of budget implementation, accounting and implementing procedures of financial management of EU and co-financing funds. The first set of activities is related to budget preparation and execution, while the second set pertains to accounting and preparation of financial statements. As expected, respondents said they were intensively involved in these activities and that they had a moderate need for professional development. More precisely, 24% to 55% of respondents have high/moderate need for development regarding the first group of activities, and 36% to 53% of respondents regarding the second group of activities. The need for additional knowledge is higher in case of more complex activities (preparation of periodical and closing financial statements; preparation of cash flow statements), and lower in case of simpler activities.

The third part of the questionnaire examined respondents' ability to systematise activities in preparing analytical reports for management purposes. Essentially, this concerned management accounting. Respondents perceived majority of activities as irrelevant or declared they were not involved in them (70% of answers on average for each activity), which is why they have low interest in gaining additional

knowledge, except about the techniques of cost-benefit analysis and cost-effectiveness analysis.

The fourth, final part of the questionnaire was focused on implementing procedures of financial management of EU and co-financing funds. The majority of respondents deemed that these activities were not relevant for their position (40%–45%) or that they were not involved in them (28%–40%) i.e. on average around 70% of respondents have nothing to do with these activities. Consequently, they did not see any significant need for professional development in this area.

The interviews confirmed the above findings, i.e. that budget preparation and execution are technical, formalised activities which are carried out routinely, which is why generally there is no need to improve knowledge in this area. Management accounting is poorly developed, which results in infrequent use of analytical reports in the public administration. The role of finance departments in implementation of EU-funded projects is marginalised and purely technical, because the implementation of these projects is centralised at the ministry level.

Managing public policy: Questions in this area were posed only to senior executives. Three sets of activities were defined and the results showed that executives, generally, are not heavily involved in their implementation and do not view them as relevant for their scope of work. The first set of questions pertained to activities focused on identification of relevant impact factors and use of different methodologies and tools when defining objectives that are intended to be achieved by a certain public policy. The second set of questions concerned activities related to defining objectives of public policies, performance measures and methodological framework for ex-ante evaluation of public policy impact. The last, third part of the questionnaire concerned activities aimed at assessing the probability of success of a certain public policy and the analysis of available alternatives for the realisation of desired objectives. Although some of the activities from the above groups of questions were included in respondents' terms of reference, the general impression is that the entire area of public policy management is underdeveloped and insufficiently covered. This is not surprising in the context of the previous results, given that these are not technical activities that may be routinely carried out on a daily basis, but their successful implementation requires higher level of knowledge in different areas. Taking into account their low involvement in these tasks, respondents thought that there was a rather low need for professional development in this area.

Expectedly, the interviews confirmed the above results. According to the respondents' opinion and experience, there are no formal requests that civil servants be involved in these important activities. Also, public policy formulation and management has to a large extent been outsourced to external consultants which is why there is limited need for development of civil servants' skills in this area.

Internal audit: This group of respondents consisted solely of internal auditors who, as opposed to the above respondents, answered only the question about professional development needs in concrete areas. Namely, the starting assumption was that the activities covered by the questionnaire belong to the standard internal auditor's terms of reference, so the questionnaire did not examine the respondents' involvement in the performance of these activities. This is a logical and justified approach, because the activities were defined in accordance with the International Standards for the Professional Practice of Internal Auditing (The Institute of Internal Auditors, 2016). The questionnaire covered 74 activities divided in 10 areas.

The first set of questions concerned preparation (planning) of internal audit, drawing up annual plans and checking whether the organisation's IT capacities can support the set objectives. Over 50% of respondents deem they need further training and development in these areas, especially when it comes to assessing the organisation's IT capacities and their compliance with the set objectives.

The second set of questions concerned risk management in various areas, i.e. whether the relevant risks were identified and whether the assumed level of risk corresponds to the risk appetite. Over 50% of respondents declare high need for further development and at least 70% of respondents have high or moderate need for professional development in this area. The percentage is high even for activities that are relatively technical, such as verifying legal compliance.

The third set of activities included checking adequacy and efficiency of the established control mechanisms which serve to manage the identified risks. Similarly as for the previous two sets of activities, 70% to 80% of respondents have high/moderate need for development in this area, which confirms that risk management practice in public administration is insufficiently developed.

The next section of the questionnaire pertained to internal audit planning and implementation in case of each employee (i.e. at individual level). Bearing in mind that the questionnaire did not examine the quality of the work done, but only identified professional development needs in particular areas, as expected, internal auditors reported lower training needs compared to the previous activities – on average, 50% of respondents have high/moderate need for further development while the second half of respondents deem they do not need any training or that they could use some limited training.

A special set of activities was dedicated to preparation of audit report, issuing auditor's opinion and recommendations, including proposing follow-up activities in order to remove the identified irregularities. Over 50% of respondents say they need further education in this area, which is very worrying, because these activities are at the core of an internal auditor's job. Also worrying is that 70% of respondents

say they need further training in the area of follow-up audit and implementation of corrective measures.

The situation is similar as regards recognised training needs in specific audit areas, such as compliance audit, audit of spending of available funds, audit of information systems, financial audit and audit of EU-funded projects. Almost 90% of respondents declare high/moderate need for further professional development in these areas, except for compliance audit (50% of respondents) and financial audit (75% of respondents). The results of the conducted interviews confirmed the previous results and also revealed some disconcerting facts, e.g. that the audit of spending of available funds and audit of IT systems have never been carried out in respondents' organisational units.

Based on the above answers it can be concluded that in the public administration of the Republic of Serbia, internal audit is understood rather traditionally and narrowly, which is why it is primarily focused on financial audit. This is the main reason why respondents have high need for professional development in all areas outside the conventional internal audit. Speaking about the activities in the area of financial audit, more than 50% of respondents declare high/moderate need for professional development regarding the performance of individual activities. The analysis of liquidity management efficiency is the only activity for which over 30% of respondents recognised high need for knowledge improvement. It is interesting to note that between 11% and 18% of respondents perceive some activities as irrelevant for their position.

The last two sets of questions pertained to audit of human resources and ability to use different techniques, methods and tools of internal audit. In both these areas significant professional development needs were identified, which is particularly surprising as regards the ability to use standard internal audit methods and tools. Also, no respondent denied the need for training in the area of human resource audit.

4 Discussion

Several important conclusions can be drawn from the presented research results. First, public servants are not adequately familiarised with their terms of reference, which is why they fail to perceive numerous important activities as a relevant part of their scope of work. Second, there are no developed systems for identifying, measuring and managing risks. Risk management has become increasingly important in conditions of market globalisation and intensive interconnectedness of financial systems of different countries. Third, public servants declare a relatively high need for professional development even in case of activities that are traditionally considered a basic part of their job. Fourth, the more complex and less routine an activity is, the higher degree of analytical skills and multi-sector knowledge it entails, the more training is required for its successful completion.

Also, the employees try to avoid more complex activities, dismissing them as irrelevant for their current position.

Observed in the context of the set research hypotheses, the research results have confirmed that civil servants in the Serbian public administration do not perceive as relevant all activities that standardly belong to the terms of reference for a given position. This result could stem from the traditional understanding of the analysed areas in public finance management (they are mostly formalised and reduced to legal requirements) and also from the fact that public administration reform is still underway. On the other hand, employees declared a relatively high need for professional development in almost all areas, which may be considered positive, as an indicator of their willingness to learn and develop, but may also be a cause for concern, since they declared moderate or high need for professional development even for activities that belong to their basic terms of reference.

The research results confirm the conclusions from the latest Annual Progress Report of the European Commission for Serbia. Although the general tone of the report is positive, a more detailed analysis detects numerous weaknesses in the current public administration system. Almost all aspects of human resource management have come under serious criticism in the report: employee selection and recruitment, promotion and dismissal [European Commission, 2018]. Particularly worrying is high staff turnover which prevents quality transfer of knowledge and work commitment. A further problem is non-transparent promotion and dismissal or executives – they may be dismissed after one negative evaluation that is “confirmed” by another negative evaluation within one month. Low quality of human resource management hinders employee education, undermines their motivation and overall human capital development.

5 Conclusions

These results very much resemble those from a similar research conducted in Croatia in 2005, seven years prior to its joining the EU. The results of this research show that respondents do not understand the process of internal control and particularly the difference between internal control and audit. The development of an integrated system of financial control was traditionally focused on internal audit while internal control was left aside. The most important preconditions for development of the financial control system are the change of style and philosophy of management, clear division of responsibilities and staff education [Vašiček, Dragajja, Hladika, 2010]. Bearing in mind that the majority of reform processes in public administration are implemented by the strategy of incremental improvement, it is clear that there is an intensive and relatively long reform process ahead of Serbia. It is not surprising that the earliest accession date announced is year 2025.

A logical continuation of this work based on the primary research would be to measure the performance of civil servants in the Republic of Serbia, in order to analyse the existing practice and recommend improvements. An adequate performance measurement system serves as the basis for a transparent and fair remuneration system for rewarding and promoting employees who deliver results in accordance with the set objectives. Also, a developed performance measurement system is a tool for monitoring the relationship between professional development of employees, rise in the quality of the results achieved and continuous, systematic identification of training and development needs.

Acknowledgment:

The findings of the research presented in this paper are supported by ERASMUS+ CBHE project: *Financial Management, Accounting and Controlling curricula development for capacity building of public administration – FINAC*, supported by the European Union.

Notes:

¹ Used in University of Gothenburg's Quality of Government Institute Expert Survey which is an on-line survey of more than 1,000 public experts. The index, as one of three indices, is used to rank EU countries in terms of overall human resource management capacity.

² In the period 2008-2009 programme budgeting was used for the first time to prepare budgets of the ministries of education, health, public administration and local self-government, religion and trade and services, after which this practice was gradually introduced in other budget units.

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