

THE ROLE OF MANAGEMENT IN PUBLIC SECTOR ACCOUNTING

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Abstract: *Management has a crucial role in the public sector in terms of ensuring efficiency and control in accounting, budgeting and planning, towards positive financial results. Public sector accounting has undergone many significant changes in the last decades, of which the most important are related to the modernization of the accounting system and the harmonization with the private sector accounting.*

Over the last 30 years, strategic management has shaped the public sector, new reforms have been implemented and new control mechanisms have been adopted. The implementation of the information systems in the public sector accounting was an appropriate measure to increase efficiency in the public administration.

Keywords: *management, accounting, control*

JEL Classification: *M48; H0; I30*

1. Introduction

The paper aims at presenting ideas and mechanisms of management in the public sector accounting and new challenges for public servants in the last decades. All European countries have implemented the new public management, related to the modernization of the public system all over the world and important changes in public management have emerged (Todericiu, R., Stanit, A., 2016). The reforms in the public sector accounting have been implemented over the past decades due to the enlargement of the European Union and the process of globalization. The role of management in the public sector accounting is to focus on the enforcement of the fiscal and financial discipline, on providing the public managers accurate information and making

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available timely, reliable and transparent financial reporting for all public institutions.

Recently, the managerial science has experienced an unrivalled growth (Petrescu, I., 2016), but public management is a new and modern instrument to improve the activity in public administration (Androniceanu, A., 2007). The statistical information at the central European level depends on the quality of the accounting and public finance information (Feschiyan, D., 2013), but there is also an urgent public demand of accountable public servants in the local and central administration (Khan, M.A., 2004). This is the reason why the role of management in the public sector accounting became more important then ever, contributing to the reduction of corruption and bureaucracy in the public sector (Ionescu, L., 2012). The financial reports must be timely and accurate in order to be centralized at the national and European levels.

New management in public sector accounting was successfully implemented in most of the public administration units, because it had become useful and attractive in terms of developing the strategy and the procedures in all departments. Implementing internal control was one of the most important functions of the new management in the public sector, followed by the modernization of the information systems and the adoption of the electronic platforms in order to ensure a better transmission of the financial information to the public servants, managers and citizens. Moreover, the Romanian government announced new measures to develop the business environment, which impact positively the local administration (Panzaru, S., 2016).

2. The Modernization of the Romanian Public Sector Accounting and the Public Management

The public sector accounting is organized within the Ministry of Public Finance and its subordinate departments and includes: operations related to the cash execution of the state budget, of the local budgets, of the state social insurance budget; the setting up and utilization of the extra-budgetary means and destination funds; the administration of the internal and external public debts as well as other financial operations on behalf of the central public administration bodies (Ionescu, L., 2005).

The ministries, the departments and the other central public administration bodies whose managers have the quality of main credit holders, as well as the subordinated public entities organize and manage the bookkeeping of the collected income and of the expenses made according to the

approved budget, of the extra-budgetary means and of the special destination funds.

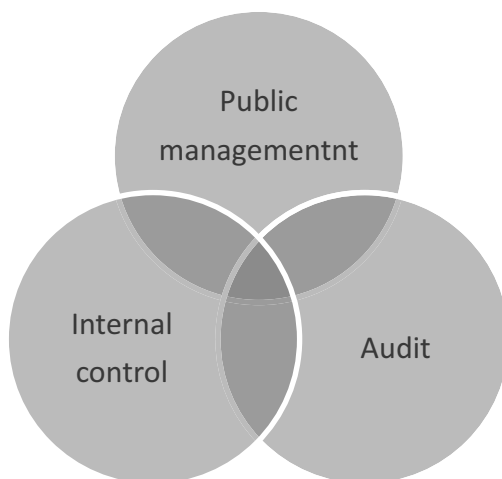
The reform was initiated in 2002 and expanded in 2005 to cover all the public entities, because the Romanian public sector accounting was based on the cash-accounting system, and the money was registered upon payment, irrespective of the period of time or destination. Under the cash-accounting system, revenues and expenses are recognized as follows: revenues are recognized when cash is received and expenses are recognized when cash is paid. Many European countries understood and changed this cash basis accounting decades ago, but the Romanian public entities continued to follow the system, despite its negative impact on the financial reporting and the public management. Thus, at the beginning of 2003, Romania was developing a new public accounting system, mixed cash-accounting and accrual-accounting; at the same time, public servants strove to learn the new and modern accounting procedures.

Therefore, at the beginning of 2010, all the public entities in Romania implemented the accrual-accounting system, with good results for the public management. The Public Sector Committee (PSC) from International Federation of Accountants (IFAC) has commented many times extensively on the benefits of accrual accounting for governments and individual public sector entities, such as transparency, relevance and comparability. The accounting information produced by accrual-basis can make public information more comprehensive, transparent, consistent and sustainable for the public management. Consequently, according to PSC, financial reports prepared on an accrual basis allow public managers and directors to:

- assess the accountability for all the resources the entity controls and the deployment of those resources;
- assess the performance, financial position and cash flows of the entity; and
- make decisions about providing resources to, or doing business with the entities.

In the last 27 years, the government has tried to implement reforms into the public sector accounting and to develop the fiscal and financial public system at the national level. Generally, accrual accounting has been a standard practice employed in the private sector for decades, with well-known benefits for financial reporting. But, the accrual accounting system is experiencing a fast-paced growth at the European level, in order to facilitate a better

management of the public funds and the harmonization with the European directives and International Public Sector Accounting Standards (IPSAS). However, better results in the public administration require full and real transparency of the financial reporting under the new public management. For this reason, public management should be prepared to encourage the independent audit of financial statements and to develop the internal control at all levels in the public administration (fig. 1).



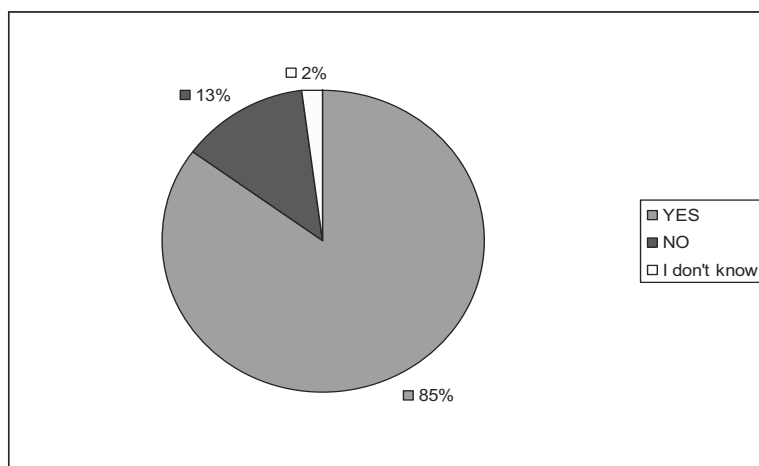
Source: Authors' own work

Figure 1: Public Management, Internal Control, Independent Audit

At the end of 2016, the public accounting system is producing accurate information in order to provide an analysis of the cost-effective and efficient public management because the objective of a public institution is to provide the service for the citizens (Dragomir, C., 2014). The last step in the process of modernization of the public sector accounting covered the development of the information systems under the new public management, the adoption of the electronic transmission of documents, such as: management reports, financial statements, cash-flow reports and fiscal statements to the taxpayers.

3. The Perception of the Role of Management in the Public Sector Accounting

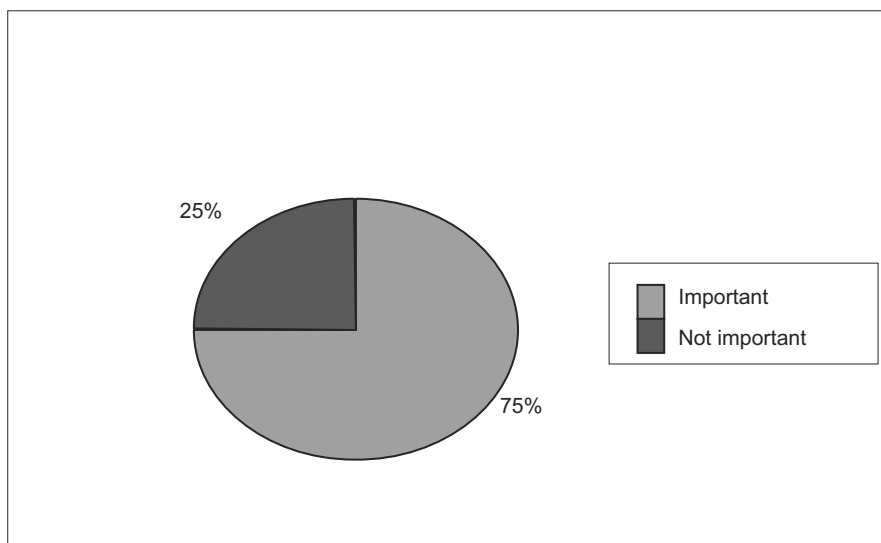
In order to understand better the perception of the role of management in the public sector accounting, we developed this research based on the survey participated by over 100 managers and public servants from the local and central administration. The questions were referring to the modernization of the public sector accounting and to the positive role of public management on the accounting sector (if appropriate). About 50% of the participants were working in the local administration and the other 50% in the central administration. Thus, the first question asked the respondents whether they thought the public sector accounting in Romania underwent modernization and was answered as follows: 85% of the respondents said YES (there is a modern accounting system), 13% of them said NO (there is not a modern accounting system), while the remaining said they did not know. We present the results in the figure below:



Source: Data collated by author

Figure 2: The Perception on the Modernization of the Public Sector Accounting

The second question asked the participants how did they see the role of management in the public sector accounting in the near future.



Source: Data collated by author

Figure 3: The Role of Management in the Public Sector Accounting

The results are presented in figure 3: 75% of the respondents said the role of the public management would grow, while the remaining 25% said that other computer specialists and human resources would be more important in the public sector accounting. If we observe the data presented above, we notice that the role of management in the public sector accounting is significant and most of the public servants are positive about its importance and good results in the present and the near future.

4. Conclusions

The role and importance of management in the public sector has increased in the last decades due to the government's desire to obtain the best results in the public administration, to better control public expenditure, to optimally use the public resources and to analyze the accurate and reliable information collected from the accounting departments. The implementation of permanent monitoring and accounting reforms has created the prerequisites for a better public management and a good information basis to adopt managerial decisions at central level.

Management and public sector accounting in the central and local administration are strongly connected. Accounting techniques are important as an efficient instrument for public management and for fighting corruption in the public sector (Zaman G, Ionescu, L., 2016). Under the new public management, many control mechanisms were implemented and financial reports were elaborated in due time, while spending less time and other resources in this respect. In a complex and dynamic environment, managers widely appeal to modern methods and techniques in order to improve the results (Androniceanu A., 2017).

Analyzing the perception of the public servants on the role of management, we notice that performance management is implemented within public institutions and most of the employees are aware of the benefits of management in the public administration.

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