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THE IMPACT OF FINANCIAL MANAGEMENT AND CONTROL ON THE QUALITY OF FINANCIAL REPORTING IN THE PUBLIC SECTOR

Abstract: *Financial management and control represent a relatively new phenomenon in public sector entities. Specifically, to enhance the efficiency and effectiveness of public sector operations within internal financial controls, a system of financial management and control has been developed. This system aims to mitigate or eliminate risks by identifying them promptly and improving the efficiency of public sector entities. This is a crucial general objective because the resources used by the public sector are public property, and all citizens are interested stakeholders in their operations. A successfully integrated and implemented financial management and control system ensures compliance with positive legal regulations, which reflects through the responsible expenditure of entrusted public funds, contributing to efficient and effective financial reporting. The responsibility for the implementation and successful existence of the financial management and control system lies with the head of the public funds user, i.e., the highest managerial level. This paper aims to highlight the impact of financial management and control on the quality of data presented in financial reports. Inaccurate financial reports provide a misleading picture of the returns and financial situation of an enterprise. The methods used in the research include the descriptive method and a survey questionnaire. The paper aims to make a theoretical contribution, expand existing fundamental knowledge in the field, and demonstrate how financial management and control affect the quality of data presented in financial reports, which can have consequences for investors when making business decisions based on financial reports.*

Key words: *financial management, financial control, public sector, financial reports*

Jel Classification: *G32, H83, M40, M49*

INTRODUCTION

The European Union aims to steer all potential member countries towards developing internal controls in the use of their own resources, as well as establishing a control environment to ensure the purposeful spending of funds from EU grants. The public sector plays a significant role in the economic structures of most countries worldwide and directly influences the social and economic development of a state. It determines the success of every development plan. The development of the public sector began in the 18th and 19th centuries when the state took responsibility for meeting the needs of the broader social community that the private sector could not fulfill. The public sector can also be defined as a system of activities regulated by

laws, rules, and procedures through which constitutional freedoms and rights of citizens, as well as citizens' interests, are elaborated. According to the OECD Glossary of Statistical Terms, the public sector encompasses the general government sector plus all public enterprises, including central banks. The Public Internal Financial Control (PIFC) system focuses on improving transparency, financial discipline, and the purposeful spending of public funds, namely transparent, economical, efficient, and effective management of public resources, and the control of their use. The topic of this paper is "The Impact of Financial Management and Control on the Quality of Financial Reporting in the Public Sector," which aims to demonstrate, through conducted research, the influence of this system on the quality of financial reporting in the public sector.

With the development of the global market, there is a rapid increase in financial fraud, which reduces the objectivity and reliability of financial reporting. Through the establishment of a financial management and control system, conditions are created for the efficient achievement of the goals of public funds users, thereby influencing the improvement of the efficiency, effectiveness, and cost-effectiveness of the entire fiscal system. The financial management and control system represent a comprehensive entity that includes a range of financial and non-financial controls, incorporating organizational structure, methods, and procedures that cover not only financial aspects but also all operational and strategic units within public sector entities, creating conditions for public funds users to achieve defined goals, primarily related to meeting public needs (Romic et al. 2017, 79). Financial management and control comprise five components covering the control environment, risk management, control activities, information, communication, monitoring, and system assessment. By building such a system on stable foundations, conditions are created for the rational use of public funds and increasing the productivity of public sector entities because the involvement of the public sector in the overall economic system is significant, as significant resources are concentrated in this sector, making it the largest employer.

1. BASIC PRINCIPLES OF FINANCIAL MANAGEMENT AND CONTROL

Financial management and control in the public sector represent a comprehensive system of internal management of public finances, encompassing the control of revenues, expenditures, and other monetary transactions, rational asset management, and successful project management, preceded by a process-oriented approach to operations with continuous managerial risk management.

Financial management and control have two main reporting lines to the competent authorities, representing an additional form of control implementation. It is a system of internal controls determined and accountable to the entity's management, which, by managing risks, ensures reasonable assurance that budgetary and other funds will be used lawfully, economically, efficiently, and effectively in achieving the entity's objectives.

The main goal of financial management and control is to ensure:

1. Successful achievement of all institution's objectives and tasks;
2. Strategy for implementing internal financial control in institutions of Bosnia and Herzegovina and the Council of Ministers of Bosnia and Herzegovina;
3. Security, reliability, timeliness, and completeness of information, especially financial information;
4. Compliance of operations with laws, regulations, policies, plans, and procedures;
5. Protection of assets;
6. Economical, efficient, and effective use of resources.

For the objectives of the internal control system to be achieved, they need to be linked to the information circulating within the organization, related to the control of timely preparation of up-to-date, reliable, and relevant information presented through various reports, both to internal and external users.

Unlike operational and informational objectives, compliance objectives ensure that the internal control system must ensure that the organization's entire operations are in line with relevant legal regulations, regulations, decisions, and other applicable acts within the organization.

The purpose of introducing financial management and control in the public sector is reflected in the following:

- Conducting business in a proper, ethical, economical, and effective manner;
- Compliance of operations with laws, regulations, policies, plans, and procedures;
- Protection of assets and other resources from losses caused by poor management of public funds, unjustified and non-transparent spending, and protection against irregularities and fraud;
- Strengthening the accountability of managers for the successful achievement of business objectives;
- Timely and transparent financial reporting, as well as monitoring of business results.

The general approach to establishing, implementing, and developing financial management and control includes the following steps:

1. Organizing the process of establishing financial management and control, which involves:
 - Allocating responsibilities for achieving objectives and performing tasks (appointing a responsible person for financial management and control, establishing a working group for establishing financial management and control, heads of basic organizational units, line managers, employees);
 - Establishing an internal reporting system;
 - Determining processes for documentation.
2. Self-assessment of the five elements of financial management and control – assessing the current situation and reporting on the financial management and control system.
3. Preparation of an action plan for establishing and developing the financial management and control system.
4. Defining the mission, vision, and key business objectives.
5. Organizational segmentation – developing a book of business processes (listing, description, flow diagrams).
6. Risk assessment and risk management, developing a risk management strategy.

The responsibility for building and establishing the financial management and control system lies with the head of the public funds user. However, it would be incorrect to conclude that the implementation of the financial management and control system is solely the responsibility of the head of the public funds user. Rather, the financial management and control system are implemented by all employees and are integrated into all organizational processes. Only when such a system of financial management and control is established and grounded in this way can it achieve the goals set for it, which relate to the efficiency, effectiveness, and cost-effectiveness of public sector entities.

2. FINANCIAL MANAGEMENT AND CONTROL SYSTEM IN THE PUBLIC SECTOR OF REPUBLIC OF SRPSKA

Bosnia and Herzegovina, a candidate country for European Union membership, has initiated activities to establish and develop internal auditing in line with the concept of Public Internal Financial Control (PIFC) system developed by the European Commission. In recent years, there has been intense development of internal financial controls, and effective public administration plays a key role in the European integration process. One of the prerequisites for Bosnia and Herzegovina's accession to the European Union (EU) is fulfilling the obligations under the Stabilization and Association Agreement, which involves establishing a system of internal

financial controls based on internationally recognized standards of financial management and control (Chow and Pontoppidan 2019, 287).

In 2016, the Law on the System of Internal Financial Controls in the Public Sector of The Republic of Srpska came into force in the Republic of Srpska, published in the "Official Gazette of RS" No. 91/16. The law defined the system of internal financial controls in the public sector of The Republic of Srpska as a system of financial and other controls that encompasses organizational structure, methods, and procedures of internal controls established by a responsible person with the aim of successfully managing and accomplishing defined tasks in a transparent, lawful, economical, efficient, and effective manner (Rakonjac, Babic and Micic 2022, 208).

The following organizations are considered part of the public sector of Republic Srpska: entities that receive funds from Republic of Srpska, local self-government units and entities receiving funds from the budgets of local self-government units, extrabudgetary funds, agencies, and other institutions, public enterprises, institutions, and organizations in which The Republic of Srpska is the majority owner. The Institute of Internal Audit defines the public sector as one that "consists of governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that provide services, programs, goods, and/or services established through public policy and legislation - to serve the public good, which is their overarching purpose. The main characteristic that distinguishes organizations in the public sector is that they have a mandate to serve, protect, and promote the public good rather than generate profit as in the private sector (Novakovic, Milovanovic and Gligoric 2022, 57).

Establishing a financial management and control system is mandatory for all entities within the public sector, regardless of their size or number of employees, and at all levels within the entity. Activities related to the establishment and development of financial management and control in the public sector of Republic Srpska are carried out systematically, primarily through the drafting of relevant regulations defining the methodological framework and organizing training sessions by the Central Unit for Harmonization of Financial Management and Control.

The head of the entity establishes financial management and control through acts and procedures and is responsible for their proper and efficient functioning. The established system of financial management and control enables the entity's objectives to be met in an efficient, effective, and economical manner on the one hand, and ensures compliance with relevant legal, sub-legal regulations, and internal acts during the implementation of daily activities to achieve defined goals on the other hand.

With the increase in public awareness, the need for managing public goods also increases, making managerial responsibility more evident and significant. An efficient public administration plays a key role in the European integration process by facilitating successful negotiations with the EU. The heads of public funds user entities are directly responsible for defining objectives, implementing strategic plans, managing risks, ensuring compliance with legality and regularity, as well as for efficient and effective management of public funds, establishing conditions for lawful and ethical conduct of employees, issuing internal acts for establishing and developing financial management and control, etc. Managerial responsibility applies to the head of the entity, but by delegating authority, responsibility is also transferred to lower-level managers and employees. This is achieved by specifying tasks in defined processes, ensuring clarity regarding who should control what, based on what criteria and within which deadlines, and how the conducted controls are documented, etc.

The most important segment of financial management and control is business processes, as a crucial prerequisite for identifying the entity's risks and compiling a risk register. The process of establishing financial management and control begins with the inventorying (mapping) of business processes. Business processes are identified and listed primarily at the level of organizational units, and then the process flow is prepared with the employees involved in the processes. Business processes are already present within the entity's business system, as they drive daily activities, but they are invisible if not inventoried, meaning they operate according

to unwritten rules and are not always easy to recognize. When mapping processes, flowcharts are created to illustrate the sequence of inputs, tasks, and activities. Flowchart maps help make the business process visible and contribute to better understanding and communication among employees.

For managers in the public sector who are committed to achieving set goals, efficient resource utilization, ethical behavior, and heightened accountability, an environment is created in which the internal financial control system should undergo a change in the execution of activities. This change entails internal control managers transitioning from a conservative, inspection-oriented, and passive auditing approach to a new proactive approach focused on improving the entity's operations and assisting the entity in achieving its defined objectives (Mattei and Guthrie 2021).

3. SIGNIFICANCE OF INTERNAL FINANCIAL CONTROL SYSTEM

All European Union member states have established internal control systems in the public sector, implemented in accordance with their general legal acts, mutually harmonized with legislative authorities, executive authorities, and supreme audit institutions. The concept of internal control varies among EU member states, but what is common to all is the accepted opinion that this system contributes to improving operations and successful financial management, proper, economical, efficient, and effective use of budgetary and other public funds to protect the assets and resources of public sector entities. Public administration reform plays a crucial role in the European integration process, but besides that, the main reasons for public administration reform are also accountability and cost-effectiveness of the civil service. Government agencies support accounting systems compliant with conventional accountability principles aligned with jurisdiction-specific findings (Vivian and Maroun 2018).

Obligations for establishing internal financial control systems in all countries of the Western Balkans were assumed upon signing the Stabilization and Association Agreement with the European Union. Hence, Bosnia and Herzegovina are obligated to cooperate in the field of audit and financial control as defined in Article 90 of the Stabilization and Association Agreement. This cooperation is realized through the establishment of financial management and control systems and independent internal audit, as well as through the establishment and strengthening of central harmonization units and independent external audit systems.

The basic regulation for establishing financial management and control in the public sector consists of the International Standards for Internal Audit (Beke-Trivunac, 2023) and the five elements of the generally accepted COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). The elements are:

1. Control Environment
2. Risk Management
3. Control Activities
4. Information and Communication
5. Monitoring and Evaluation of the System.

The control environment is the standard of internal control and the foundation of the entire system. The internal control system will not be effective and efficient if the control environment is not established to respect integrity and ethical values, which the entity's management primarily applies through its actions. The entity's management establishes behavioral standards through a code of conduct and ethical values. The next element of the control environment is the professional expertise and competence of employees, as well as the organizational structure that ensures the achievement of business objectives while realizing the entity's mission and vision.

Risk management means anticipating potential events that may occur, taking timely measures to minimize risks, thereby reducing adverse effects or consequences that institutions may face in the future. It involves identifying, assessing, and monitoring risks while considering the strategic objectives of the entities defined in strategic documents.

Control activities are policies, procedures, and activities adopted by the entity's management to achieve the organization's goals with minimal business risks. All these policies are documented in the book of business processes, which is aligned with applicable legal regulations. Control activities are effective, economical, and functionally linked to strategic documents, aiming to protect the resources and assets of the public entity.

Information and communication, as the fourth element of the COSO model, represent one of the key elements because it is crucial for the realization of the goals of every business entity that information is transmitted smoothly, timely, with quality, accuracy, and availability, and that communication flows in both directions: from employees to managers and vice versa.

Monitoring and evaluation of the system entail activities aimed at assessing the quality of operations over a specific period and determining the effectiveness of internal control systems. All employees in the entity are responsible for this element of the COSO model, and if they identify weaknesses or deficiencies, they should inform their superiors about the identified irregularities or weaknesses.

The system of internal financial control in the public sector represents the overall system of all financial and non-financial controls established by the management of the public sector entity. The task of this system is to ensure a reasonable assurance that public funds are used and managed in accordance with laws, transparently, economically, efficiently, and effectively. This system consists of the following three elements:

1. Financial Management and Control
2. Internal Audit
3. Central Unit for Harmonization of Financial Management and Control and Internal Audit (Law on the System of Internal Financial Controls in the Public Sector of Republic of Srpska, 91/16, Article 3).

The Central Unit for Harmonization operates within the Ministry of Finance, and its primary role is the coordination and development of internal financial control systems in the public sector. Once this system is established, it forms the basis for the economical, efficient, and effective use of budgetary funds, and its specificity lies in its comprehensiveness, as all business processes and activities within an entity are documented through it.

Considering the system of internal financial controls, the fundamental principles underlying public sector management are responsibility and transparency.

In the future, even more proposals are expected for reducing, mitigating, or eliminating risks and assessing the functioning of the existing system of internal financial controls. The use of controls at the application and functional levels enhances the performance of internal financial control processes. (Li et al. 2018, 73).

4. MEASURES OF THE IMPACT OF FINANCIAL MANAGEMENT AND CONTROL ON THE QUALITY OF FINANCIAL REPORTS

The primary purpose of financial reporting is to create information useful for making financial decisions. This primarily includes the decisions of investors, creditors, and other external stakeholders of the company. They have different informational needs depending on the nature of the decisions they make based on the obtained information. Investors are interested in forming a portfolio composed of investments that direct capital towards areas of its most profitable use.

The goal of every company, or every legal entity, is to operate successfully. The success of the business can be best observed from the presented financial statements, provided that the financial statements represent a true and fair view of the company's financial position and assets. Business data will serve as a good basis for making economic decisions and taking appropriate actions for both internal and external users of information (Vukovic Perduv, Ceklic and Ceklic 2018, 110).

Users of financial statements must have financial reports that fairly present the financial position, financial performance, and cash flows of the observed economic entity, i.e., those financial statements that fairly present the effects of transactions and other events in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses defined by the Framework for the Preparation and Presentation of Financial Statements. With the development of the global market, there is a rapid increase in financial fraud, which reduces the objectivity and reliability of financial reporting (Vukovic Perduv, Trnavac and Ceklic 2022, 232). The key objective of meaningfully prepared financial statements is to make them comparable with the financial statements of other companies. This is even more important for solid and fair comparison of companies in the same industry. Meaningful comparison of companies in different industries requires that financial statements be prepared in accordance with local generally accepted accounting principles (Papik and Papikova 2020, 64).

The system of comprehensive, timely, and reliable reporting on the effectiveness of financial management and control systems should result in improving the quality of work in the public sector entities. By integrating financial management and control systems into public sector entities, significant strides can be made towards enhancing the quality of data presented in financial reports. Financial management and control are intended to ensure strict compliance with public regulations aimed at achieving a higher level of financial discipline. Financial management and control serve as internal "guardians" striving for the consistent implementation of all defined public rules and the reduction or mitigation of risks encountered by public sector entities in their operations. Through the introduction of financial management and control systems, public sector entities aim to contribute to strengthening financial stability through internal discipline, which has significant implications for enhancing the overall financial stability of the state. The real effects of financial management and control systems in improving the quality of data presented in financial reports and enhancing fiscal responsibility are best evidenced by the experiences of European countries. Through this system, significant savings have been achieved in the operation of the public sector, and a higher level of fiscal responsibility has been attained.

In the future period, professional, objective, and independent heads of internal audit and coordinators of financial management and control are expected to play a crucial role in the public sector of Republic Srpska. They should provide fair and objective support and assistance to the entity's management in detecting irregularities and unlawful actions, as well as in creating and maintaining a comprehensive system of internal financial controls in the public sector (Abernathy, Kubick and Masli 2019, 4).

5. RESULTS OF EMPIRICAL RESEARCH

The information resulting from the empirical research was obtained through a survey questionnaire among internal auditors, financial management and control coordinators, and officials in the public sector. Most of the questions were closed-ended: direct questions, enumeration questions with provided answer options, and intensity rating questions. Respondents were asked to express their opinions on the development and implementation of financial management and control in the public sector, as well as the impact of financial management and control on detecting occurrences of financial fraud in financial reports. The empirical research was conducted using a survey questionnaire designed as a segment of the impact assessment of financial management and control on the quality of financial reporting in the public sector.

To achieve the research objectives, data collection was carried out from both primary sources (field research) and secondary sources (desk research). Primary data collection was conducted through a survey questionnaire. The research included 46 respondents from an equal number of institutions:

1. internal auditors who filled out the survey questionnaire and whose views are the subject of the research;
2. financial management and control coordinators in the public sector who expressed their views, which are the subject of the research, by completing the survey questionnaire;
3. employees engaged in other positions.

The results of the survey conducted through questionnaires are presented in tabular form.

The gender structure of the respondents who completed the survey questionnaire is shown in Table No. 1.

Table 1. Gender of Respondents (Authors 2024)

Gender	Number of respondents	% respondents
Female	34	73,90 %
Male	12	26,10%
Total:	46	100,00 %

In the study, 34 women and 12 men participated, accounting for 73.90% and 26.10% of the total 46 respondents, respectively.

The responses to the question: "Do you have experience in performing tasks related to financial management and control?" are presented in Table 2, providing an overview of respondents' experience in performing tasks related to financial management and control based on the survey questionnaire.

Table 2. Experience in Performing Tasks Related to Financial Management and Control (Authors 2024)

Response	Number of respondents	% respondents
Yes	27	58,70 %
No	19	41,30%
Total:	46	100,00 %

Out of the total number of respondents, 58.70% have experience in the field of financial management and control, while 19 respondents, or 41.30%, do not have experience in financial management and control as they are engaged in other professional tasks.

Responding to the question: "Has your institution appointed a person for financial management and control?" the results of the survey questionnaire show the following:

Table 3. Number of Institutions that Have/Have Not Appointed a Person for Financial Management and Control (Authors 2024)

Response	Number of respondents	% respondents
Yes	38	82,60%
No	3	6,50%
I don't know	5	10,90%
Total:	46	100,00 %

The questionnaire results show that in the majority of institutions, individuals have been appointed for the area of financial management and control. 82.60% of respondents confirmed the presence of appointed personnel for financial management and control in their institution, 10.90% of respondents do not know whether personnel for financial management and control

have been appointed, and 6.50% of respondents answered that no personnel have been appointed for the area of financial management and control.

Regarding the question, "Has a financial management and control system been established in your institution in accordance with relevant regulations?" the respondents' answers are presented in Table 4.

Table 4. Overview of research results - "Has a financial management and control system been established in your institution in accordance with relevant regulations?" (Authors 2024)

Response	Number of respondents	% respondents
Yes	30	65,20 %
No	8	17,40%
I don't know	8	17,40%
Total:	46	100,00 %

Out of 46 respondents, 65.20% confirmed that a financial management and control system has been established in their institution. An equal number of respondents answered that no financial management and control system has been established in their institution or they do not know if such a system has been developed, as indicated by the data in the table.

The phase of development of the area of financial management and control is also indicated by respondents' answers to the following question: "Has a inventory of business processes, procedures been conducted at the level of the entire institution, and has a Book of business processes been created?" The respondents' answers to this question are presented in Table 5.

Table 5. Overview of research results - "Has an inventory of business processes, procedures been conducted at the level of the entire institution, and has a Book of business processes been created?" (Authors 2024)

Response	Number of respondents	% respondents
Yes	21	45,70%
No	10	21,74%
Only certain organizational units	7	15,20%
I'm not sure	8	17,40%
Total:	46	100,00%

Out of the total number of respondents who participated in the survey, 21 respondents, or 45.70% of respondents, confirmed that an inventory of business processes, procedures has been conducted in their institutions, and a Book of business processes has been created. The fact that an inventory of business processes, procedures has not been conducted in all institutions and a Book of business processes has not been created is confirmed by the responses of 21.74% of respondents, while 15.20% of respondents stated that an inventory of business processes, procedures, and a Book of business processes have been created only for certain organizational units. 17.40% of respondents are not sure whether an inventory of business processes, procedures has been conducted at the level of the entire institution, and a Book of business processes has been created.

Regarding the question, "Are documents produced at the institutional level covering self-assessment reports of financial management and control and risk register?" the survey results are presented in Table 6.

Table 6. Overview of research results - "Are documents produced at the institutional level covering self-assessment reports of financial management and control and risk register?" (Authors 2024)

Response	Number of respondents	% respondents
Self-assessment reports	24	52,30%
Risk register	3	6,50%
No	7	15,20%
I'm not sure	12	26,00%
Total:	46	100,00 %

The research results indicate that the document most commonly produced in the respondents' institutions relates to self-assessment reports, as confirmed by the responses of 52.30% of respondents. The risk register is adopted in a very small number of institutions. Only 3 respondents, or 6.50%, confirmed the adoption of the risk register. Additionally, the results show that 26.00% of respondents are not sure whether these documents are produced at the institutional level, indicating that they are not sufficiently involved in the area of financial management and control. Furthermore, 15.20% of respondents confirm that financial management and control documents are not adopted at the institutional level.

Conducting the research through a questionnaire, the opinions of respondents were gathered on the question: "Can the development and implementation of financial management and control affect the quality of the data presented in financial statements?" An overview of the data obtained from the research is presented in the following table.

Table 7. Overview of research results - "Can the development and implementation of financial management and control affect the quality of the data presented in financial statements?" (Authors 2024)

Response	Number of respondents	% respondents
Yes	29	63,00%
No	4	8,70%
I'm not sure	13	28,30%
Total:	46	100,00 %

The presented research results indicate that 63.00% of respondents agree that the development and implementation of financial management and control can affect the quality of the data presented in financial statements. 28.30% of respondents opted for the "I'm not sure" option, indicating that they are not sufficiently knowledgeable about the given area to provide a more precise opinion.

A very small number of respondents, 8.70%, disagree that the development and implementation of financial management and control can affect the quality of the data presented in financial statements.

CONCLUSION

Financial management and control represent a system aimed at enhancing the efficiency, effectiveness, and economy of operations in the public sector, achieved through efforts to eliminate or mitigate risks in business operations and increase the level of legality in the activities of public sector entities. The Ministry of Finance of Republic Srpska, including its component unit, the Central Harmonization Unit, has significantly contributed to the implementation of the financial management and control system through numerous seminars, workshops, and expert guidance provided to public sector entities for the implementation of financial management and control systems. Through the information and communication system within financial management and control, a stable foundation is established for effective communication, establishment, and creation of an information system for the users of public funds, as well as for the development of an efficient, reliable, and timely reporting system, which is precisely the focus of this element of financial management and control.

In addition to the usual challenges faced by enterprises such as market survival, business uncertainty, and accelerated economic changes, significant attention should also be given to preventing financial fraud and manipulation of financial statements. As important as detecting financial fraud in the public sector of The Republic of Srpska is, it is equally important to minimize or prevent fraud to the greatest extent possible.

In order for management to effectively address errors and manipulations that may arise in financial statements, it is necessary to ensure the efficient functioning of internal financial control systems, adequate human resources, a quality ethical code, continuous training of employees in the company regarding error and manipulation detection, establishment of clearly written codes of conduct, and suppression of misconduct. To achieve the full effects and benefits of implementing financial management and control systems, there must be a change in the awareness of employees in public sector entities towards recognizing the benefits that complete implementation of financial management and control systems brings to their work. What particularly needs to be considered in the future is that the implementation of financial management and control systems in public sector entities does not become a mere formality in terms of developing strategies and other documents related to financial management and control without their practical implementation. All of this indicates that financial management and control is a dynamic system that requires continuous work on its improvement and practical implementation and raising awareness among employees, as this system will produce real effects when applied from the highest managerial levels to the lowest executive levels, which will also reflect on the quality of data presented in financial statements. While it is impossible to completely eliminate the risk of errors and manipulations in the public sector, internal financial controls, and timely measures to prevent and detect irregularities and illegal actions can mitigate the risk.

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