



FINAC

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in public administration

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THE FOURTH PROJECT STUDY VISIT AT MASARYK UNIVERSITY, BRNO

The fourth FINAC study visit was hosted by project partner Masaryk University in Brno, Czech Republic, from 11th to 15th February, 2018. The Study visit meetings were chaired by Slađana BENKOVIĆ, Project coordinator, and Project leader at MU, Gabriela VACEKOVÁ. The first day of the visit was opened with the welcome note by the Assoc. Prof. JUDr. Ivan Malý, CSc. Vice-Rector for Internationalization, Masaryk University. He wished the pleasant stay to the participants and pointed out the benefits of being a consortia member of the project FINAC and encouraged the participants to use the advantage of networking and further deepening of professional relations on both individual and institutional level.



Mgr. Bc. David Póč, Head of the Office for Strategy and Project Management, Faculty of Economics and Administration, Masaryk University presented the key contributions and benefits of FINAC project to the institution he represents. He talked about public projects as possibility of higher efficiency while allocating the public finance and explained advantages of “the project approach”. Mr. Póč described the most important public projects in Czech Republic and their key sources. He also stressed out specifics of these project solved by higher education institutions in Czech Republic.

Assoc. Prof. RNDr. Tomáš Pitner, Ph.D. & Mgr. Václav Stupka from Faculty of Informatics, Masaryk University held the lecture on Security and privacy in public administration in light of EU Regulations. The lecture gave a deeper insight into information society where the creation, distribution, use, integration and manipulation of information is a significant economic, political, and cultural activity. The lecturers explained the influence of data security and privacy issues on public administration. After introduction of GDPR methodology to the audience, Mr. Pitner and Mr. Stupka put the focus on specifics of preparation, cultivation and transparency of the process of applying GDPR in public administration. The audience had the opportunity to hear more about the Czech approach to data security and privacy.



Ing. Michal Struk from Faculty of Economics and Administration, Masaryk University, gave his observation of auditing in public sector. The participants have been familiarized with key aspect of audit, with special focus on this complex process in public sector. The presentation also dealt with specifics of public sector in Czech Republic and added values of auditing process in this context. Assoc. Prof. Gabriela Vaceková, PhD and Ing. Viktorie Klímová, Ph.D. presented their experience in creating research oriented postgraduate study program Regional Economics. The lecturers described project timeline and key steps in project preparation and submission of project proposal. The main objective of the project is to prepare a new postgraduate programme Regional Economics using the knowledge and experience of FEA MU internal staff and experts from practice and abroad. The programme will be is focused primarily on the theoretical and methodological bases for creation of development measures, policies and programmes, and evaluation of public and private projects. The presentation showed detailed project timetable and explanation of each phase of implementation, providing the participants with very valuable guidelines for creating research-oriented study programmes on their own.

The second working day of this study visit began with presentation of Prof. Ing. Juraj Nemec, CSc. Faculty of Economics and Administration, MU & NISPA CEE president. Prof. Nemec contributed to the fourth study visit with his extensive research experience in public administration. He introduced the audience to the key features of accreditation processes in public administration context, with special focus on the work of EAPAA - European Association for Public Administration Accreditation.



Ing. Michal Plaček, Ph.D., M.Sc. from Faculty of Social Sciences, Charles University, Prague, held an interesting presentation on hot topic of public procurement overpricing. He presented their unique comparative study of the factors affecting overpricing in public procurement in 11 EU Member States. Interesting concluding remarks of Mr. Plaček gave the overview of factors affecting overpricing as the difference between the expected price and the price actually awarded.

Ing. Filip Hruza, Head of the Public Administration Institute, Faculty of Economics and Administration, Masaryk University, spoke about the role of institutes for public administrations in filling the gap between universities and public administration. Mr. Hruza talked about Institute for Public Administration FEA MU that was established in 2003 and the main purpose was public servants' education. The core activities of the Institute deal with expertise and analysis, education of public servants, transfer of knowledge and information, cooperation with relevant stakeholders, research or applicative projects.



This session began with presentation of Jana Nesvadbova, Head of the Office for International Relations at MU. She introduced the key facts and figures about MU and its Faculty of Economics and Administration, with special focus on international cooperation and marketing tools used for increasing MU's and FEA's visibility in international context. Mr. Robert Jahoda, academic guarantee of the DDP talked about MU's current study programmes in cooperation with other European Universities. He also shared with the audience what has to be done before student exchange can start and introduced the further steps in improving the current DDM in Public Economics and Public Finance. Lucia Makýšová shared her experience about the functioning of DDP from student's perspective. She talked about the course organization and curriculum, financial perspective of studying abroad, and main contributions this program made to her further education. Mr. Eduard Bakoš from Sustainability and Circularity Institute (SCI) gave the overview of fragmented structure of public administration in the Czech Republic. After explaining quantitative data regarding size of municipalities and structure of government's revenues and expenditures, Mr. Bakoš presented case study of the Liberec municipality.



The third and last working day of study visit to Masaryk University was reserved for study visit at the Ministry of Finance of the Czech Republic in Prague. All participants had opportunity to join a guided tour of the splendid building of the Ministry and to hear presentations of the representatives of the Ministry. Mgr. Stanislav Bureš gave some explanations regarding Auditing Sector, Mgr. Valdemar Adamiš and Nikolaj Terzijev held lectures on the topics of public sector accounting system reform, accounting consolidation of the state and consolidated financial statements in the Czech Republic. It must be noted that all participants enjoyed very interesting program of social activities, which became inseparable part of each FINAC study visit.



INTERVIEWS WITH LECTURERS



Mgr. Bc. David Poč

Head of the Office for Strategy and Project Management

Faculty of Economics and Administration, Masaryk University.

What are your impressions - how are you satisfied with a study visit? What were your expectations while you were in the process of preparation?

Honestly this answer is quite simple. The Brno Study Visit, from my point of view, went great. Since I have been with the FINAC team for a while, not to mess around from the early beginning, I would like to say that there are many great people in the team and it has always been pleasure to work together on the FINAC goal. I hope that the participants felt good in Brno and the program that we had had prepared prior to departure fulfilled their expectations. In the general my expectations were based on simple assumptions - the FINAC goals are quite clear, thus it would be great to combine the lectures with the Masaryk University and Brno hospitality and hopefully we managed to do so.

Have you had the valuable experiences of other colleagues from this project who organized before your study visit, as well as your visits to them?

Indeed, I did get a lot of experiences regarding the organization of this event by visiting the other FINAC Study visits. Our team had several consultations with managing team from the Belgrade where we received several great advices and impulses. Also, we had a consultation with the colleagues from the Matej Bel University in Banska Bystrica about how the program should be shaped etc. But the most important thing is that our team, led by the principal investigator associate prof. Gabriela Vacekova, had worked together for several weeks to arrange all the details including networking part of the program.

How are you satisfied with this project and would you point out some of the benefits that have been made to you?

I have to say that the project itself has had several important things that makes it unique for me - it is a great team where is the pleasure to work within in the strongly international environment, also there is a strong possibility to work further on together on several other issues/projects, including the research targeting the PA area. Project also has brought unique opportunity to bring together experts from the different fields as well as from several geographical areas thus enabling very interesting change of information about teaching PA. I would like to say that I do see potential in this team to work on together on more projects in the future.



Assoc. Prof. RNDr. Tomáš Pitner, Ph.D. and Mgr. Václav Stupka

Faculty of Informatics, Masaryk University

Presentation was dedicated to Security and Privacy in Public Administration in Light of EU Regulations – Czech approach with issues of the European level.

What are the possibilities to improve data security in Public administration?

Very important is to explain to Public administration why is so important to protect personal data, and how to effectively protect. Idea is to provide the solutions – they do not need to do that – but they will pay that. Regarding the data protection is so strict – focused on big providers, requirements are strict and problematic, and expensive to be compliant.

How is the process of introducing security taking place? Are there centers of excellence?

The system was established 5 years ago. Creating of cyber security from technical point of view. There is a huge need for money, and focus is on the research related to legal solutions and measuring strategies. For the national security cyber security trainings are organized – which are not created only from the technical point of view – able to report to their authorities and recognize criminal acts. We would like to point out research with Czech provider – security of smart grids with United Nations, EUROPOL, ENISA. There is a program for acquiring master degree of cyber defense with NATO, also project motivating NGO's with information system and cooperation with lot of private and public institutions.

Can you give us some examples of good practice?

Providers of critical infrastructures and computer networks need reports from any individuals, which have to response to providers, to find adequate measure to implement expertise. Technological solutions should beelectronically shared – automatically, dealing with data protection in these cases, with other bodies, or institutions. Extremely important is purpose limitation, personal data identifying purpose in legal grounds for collecting data for purpose of compliance of legal rules, collecting data of their citizens. Important is to find how to specify their processes in interest for public authorities.

What about implementation of this system in EU and the countries which are not yet in?

How GDPR initiates will affect international business?

It's very good that this system is extraterritorial, and there are legal rules to applying to business environment outside of the EU. The only condition is that country which is not in EU need to have representative from EU.

Please share with us the digitalization experience in the Czech Republic in the last two decades.

From 1995 changes have permanently led to prosperity. We can even underline that is growth extremely rapid from 2013. We hope that for future we have great cooperative environment for security breach which apostrophize data protection, cyber security and electronic community directed towards authorities – government bodies (low enforcement authority). Some specific data could be very complicated for processing for business. It is important to find the methodology how to communicate to authorities. Cyber security is connected with National security incident team for private sector and Government cyber security team. For the public-sector infrastructure is critical, because of a lot of obligations to secure the system, which is extremely important, and amount of threats are really growing.



Ing. Michal Struk

Faculty of Economics and Administration, Masaryk University.

Your main topic was Auditing in the Public Sector, so what would you point out about the development of this area in the Czech Republic?

Situation changed a lot since 1990s, after we have switched to the market economy, as there was no auditing in the todays sense. Nevertheless, the core of the auditing is the same – to check the compliance of entity's accounting with the specified accounting principles. But, unlike in many other precisely specified areas, there is not one size fits all way how to perform the audits. A lot of elements are up to the auditor, what kind of client is being audited, what are the specifics of the area where client is operating, current legislation, previous experience of the auditor and so on. Depending on the individual auditors, audit performed in the same company might look from the perspective of the client significantly different, even though the result is the same. There is naturally growing level of standardization with growing size of the auditing company, noticeable especially in the Big four auditing companies that developed their standards, while small auditing companies rely more on the decisions and experience of the responsible auditor and apply relevant procedures as needed. Nevertheless, the quality of

auditing has to meet certain levels as the performed procedures are regularly reviewed by the supervising committee of auditing chamber. But to mention one significant change in auditing procedures, it must be increasing role of IT and procedures relying on it. Especially in case of large clients, the scope of test that the auditor is able to perform using modern IT equipment is incomparable with situation a decade ago and some procedures that could took day can be now finished in almost no time, sometimes even without the necessity to be physically with the client.

To comment on the main clients of an auditor, the Field of auditing is much more dedicated to the private sector, however, recent changes in the legislation provide new opportunities for private auditors also in the public sector, specifically in the field of municipal audits. Currently, municipalities have an option to contract private auditor or ask superordinate public entity to provide financial control. While external auditor might cost additional money, he also brings experience from private sector and could provide a valuable help while performing the audit and even help to improve the internal processes in the organization. This is often a problem in the public sector, where salaries tend to be lower and hiring an external auditor can in fact be a cost-effective way how to improve processes and possibly even avoid fines and other problems. On the other hand, A lot can be improved by the organization itself by paying relevant attention to the staff hiring. For example, auditor can assist during the process of hiring a new chief accountant and if the organization is willing to spend some extra resources on qualified and skilled personnel, there can be immediate positive changes in how the organization is operating and such choice, in fact, can become again an efficient choice.

Also, with increasing electrification it is also necessary to pay attention to how processes are set up, as more and more action is being made automatically by the computers. If the procedure is set correctly it could be of a great help, however, if there are some mistakes, it might cause great deal of problem, especially if it is hidden somewhere and does not show up straight away. In past much more actions were made manually by the people, and while there was higher level of control over the whole process, it was also much more prone to the individual mistakes. The computers, on the other hand, typically do not make mistakes – they do what they have been programmed to do and it depends on the one who designed the processes, whether they are doing what they are supposed to do and not something else.

What is your opinion about importance and value of auditing in public sector?

In my opinion, the primary value of auditing in the public sector is provision of experience from public sector and their appropriate utilization in internal process improvement. Another value of an external auditing can be seen in the improved image of the public-sector organization that basically can get something like a certification of quality, if it gets successfully audited by a renowned auditor. Improved image of such organization can then also prove to be useful when dealing with other entities. External audit can be from this perspective sometimes maybe even seen as a certain kind of long-term investment for the public-sector organization, even though might cost some additional money at the beginning.



Ing. Viktorie Klímová, Ph.D. and Assoc. Prof. Gabriela Vaceková, Ph.D,
Faculty of Economics and Administration, Masaryk University.

Your main topic was creation of research oriented postgraduate study programme Regional Economics, can you tell us few words about that process?

We wanted to found a new research oriented postgraduate study programme, as we had missed this study field for a long time. The creation of this programme is based on a close cooperation with foreign experts and experts from practice. Our project has been supported also by European Structural and Investment Funds through the Operational Programme Research, Development and Education. Now, we are in the middle of the preparation process. Within these weeks we are finishing the Intention of Establishing a New Degree Programme, which is a necessary precondition for the accreditation process. Subsequently, this document will be assessed by the Masaryk University Internal Evaluation Board. Our programme will be designated for the best students, so we expect to enrol only two to five students per year. This study programme is not intended for large groups. Graduates of this programme will be well qualified to work at specialised positions in prestigious institutions, such as universities, research organizations, planning agencies, central public administrative institutions, municipalities as well as European authorities and foreign affiliates of Czech institutions.

What about centralisation, capital cities and political situation maybe comparing with neighboring country Slovakia?

Our study programme will also focus on analysis of disparities among regions. We can say that the Czech Republic and Slovakia have similar features with respect to differences between the capital cities and the remaining regions. In other words, Prague and Bratislava reach higher economic performance than other regions. However, Brno, the host city of this study visit, represents a special case of regional development. This city grows very fast and becomes an innovation leader. It is a University City that attracts well-qualified people, including IT experts. On the other hand, it brings some negative effects as well, such as growing prices of real estates.



Ing. Michal Plaček, Ph.D., M.Sc.,
Faculty of Social Sciences, Charles University, Prague

Your topic at FINAC study visit was Overpricing of Public Procurement, so can you tell us something about corruption environment?

There are some researches which are analyzing administrative decentralization of effectiveness of public procurement in Czech Republic. Limited centralization with competition can solve the problem, with smaller elements, which is topic of comparative studies. We can, for example, make comparison with Czech Republic and Bulgaria, which focuses on specific problem of public delays. Influence of competition could be estimated in some point. If we look bigger problems it is general of behavior of public sector. Making policies which is not able to fulfill their goal efficiently. Unfortunately, problem is connected with „n“ factors. Maybe the main problem is communist history, how to solve it, or how to deal with that problem. We must start from the society, not to lose possibility to change or correct corruptive behavior. We have to deliver some good policy, educate people. One of the problems is very frequent changes of people in the public sector. In Great Britain better system is prepared. They made link

between public procurement contracts, which depends of relation with suppliers, and make smaller transaction costs. This politics must be fulfilled of society awareness and the will of anti-corruption.



Ing. Filip Hruza

Head of the Public Administration Institute, Faculty of Economics and Administration, Masaryk University

You have both side of experiences, theoretical and practical, and your topic also was creating bridge between universities and public administration by Institutes for Public Administration – tell us how it is possible, and how difficult it is.

Last ten years I cooperate with city council by city district with aproximately 16.000 inhabitants, and for seven years I work also in education process. Also, I have experience from private company – outsourcing of controlling processes. That knowledge and experience helps me for doing a lot of sector activities and pressures to be more efficient in public administration with work, using more evidence-based policies approached.

Usually political decisions are based on representatives of some parties, based on enough evidence-based approach with relevant tools. Biggest challenges are: open data, big data, it's not a problem for generating data. To provide financial information about any government organization, budget of government/municipality. For all financial documents application is functioning from 2010 and works very well. But some statistical presentation of data for every year doesn't work with that in proper manner.

You can outsource some services, in bigger corporations with public sector bodies. You can also hire researchers in public sector institution. That could be very vivid in this sense. People can acquire their knowledge at departments of public servant, civil service law, take to consideration public servants. Work in public administration is big challenge, you need expertise, skills, preparing solutions, recommendation, action etc. Problem is that system did not carry much reforms in public administration. For example, don't deep reforms are made for pensions. Good reform has to go in direction that you have to have good data evidence, and you can use that with quantitative methods in micro and macro level. And qualitative data connected with the culture of public administration.

What is your photo and attitude of changes in your country?

From 1989 it looks that everything changed, but some tail is left. Older people which are on some positions still think in the sense of the last decades. Potential of this country is not still used (maximally). I think that in reforms priorities are missing. Country doesn't have strategy how to be leader in Europe, like Ireland had, to became a tiger in the West Europe. That is big compromise in growth. We are small country, but we are comparable with other successful small countries (Denmark, Finland...). We need to work very much with education, supporting innovative industries (startups, think about of costs of policies, founding companies and developing worldwide. I can underline that Czech Republic don't use its potentials. Education system is vivid, supporting of renewal and development is slow, or not so fast and intensive as can be. There are lot of parts of industry, which is just based on manufacturing and not associated with added value. And consequences can be very long term.

Public administration can help to improve the changes, and at least not to stop it. Digitalization can go much faster. Setting up new businesses, new companies last too many days, in comparison to others it is very bad. But number of new start up's and new businesses is growing. Public administration has to be more innovative and to see environment and changes around. That should be priority to government, which is now not priority to each minister. We can see only small positive changes in local government.

Threats directed to Czech Republic is nowadays on maximal level. We have to look on success of Germans, experience of sharing economies. It is necessary to implement properly the sharing service, for example taxi and

UBER, which is out of the law, and LIFTAGO which is formed/combined with real taxi drivers. In UBER everybody can be taxi driver. Also, Airbnb are very frequent in Prague, in many other places also. Problem is that in some parts of center we can see empty houses, which are sometimes or often full of tourists. That pushing up the prices of the rents in the city. For example, for flat of 50 or 60 square meters you have to pay 500 or 600 euro per month. By Airbnb you can earn monthly income for a week, a that pushes the prices for normal residence.



Mgr. Jana Nesvadbová

Head of the Office for International Relations

Faculty of Economics and Administration, Masaryk University

We can see that international cooperation at your faculty is very developed. As you mentioned Brno is located conveniently in the heart of Europe, has five public universities, 6th safest town in the world, top 5 student city. How this fact helps you, and which direction goes your huge effort, which is definitely recognized? What about international programs?

Master programme Public Economics and Public Finance recorded growth two years ago, since the promotion turned out very much successfully sufficiently. It is not that easy. I travel a lot and can see which issues and problems in business are general. Answer on struggling with the number of students is direct promotion. Financing high education fairs is the way to strengthen position in society of the field of study in high education. Also, we can promote this programmes at fairs of public institutes. These days we are occupied with reaccreditation. Our main reason is to make degrees more accessible to international students, to make programmes more general. Truth is that business courses are more attractive. Using my experience much more is difficult attract the students for courses of public administration. Today, we can see slowly growing trend up. Some students take decision to come in Czech Republic in Masaryk University, to get new experience of their lives, because that period of age represents good changing time for personal life. I can say that we have very good education and tradition of education. Degrees are recognizable in the whole world. Majority of the students come to live here, we supported that with international marketing, with answering on needs of students. It is important for students to find part time job during the study period. And work market is developed here.

IBM, KPMG, Siemens, for example, is looking for experts, with good English and international knowledge in touch with practice. That elements could be proof that future worker will be good and successful.

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