

## Information System – The Basis of Successful Organization Management

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**Summary:** The current conditions for the successful functioning of organizations within the EU require quality and timely information of managers about its events and position in the area.

The basis is a good information system, the main part of which is accounting. The understanding of accounting has changed, because the need for compatibility within the EU requires better data reporting, mutual consistency of results. Financial analysis is also important, which is the basis for decision-making in the organization.

**Key words:** public sector, self - government, information system, financial analysis, balance sheet, revenues, expenditures, costs.

### Introduction

In the current period of rapid development of engineering and technology, thanks to modern information technologies, there are changes in the environment, in a broader sense. These changes have [Hussey, 2009 p. 35] even shorter execution intervals and even greater intensity.

Organizations cannot ignore this development, as it could provide an advantage to those who accept this development. The competition is globalizing and growing. [Hussey, p. 61] This process is putting pressure on countries and the organizations that exist in them. The attention needs to be paid to these changes, as the change is an initiating event that will affect not only the business environment, but also the public sector and its position.

### 1. Public sector from the point of view of the information system

With the accession of Slovakia to the EU, the method of keeping public sector accounting must meet the new criteria imposed on financial reporting. The transformation of accounting, which began with the adoption of the Act on Accounting no. 431/2002 Coll. and with the measure of the Ministry of Finance of the Slovak Republic no. 24501/2003 - 92 imposes new requirements in the area of providing a true and fair view of the state of assets and liabilities, as well as the financial situation and the use of public funds, but also the basic attributes for the competitiveness of this sphere. When we start from the fact that it is necessary to monitor the funds allocated from the budget, economic capacity is also important, which is expressed mainly by financial analysis, and the economic capacity is the basis for

creating competition between public administration entities, but also with the business sector.

We focus our attention on the municipality - self-government, which is part of the public sector. Territorial self-government is a representative of the community of citizens, their interests and preferences [Hamalová-Belajová, 2011, p.36], it is equipped with competencies, powers and responsibilities in providing tasks at the local level.

The system of securing public goods in the municipality should be implemented rationally, controllably, with monitoring of the economic relation of inputs and outputs, expenditures [Ochrana 2002, p. 180] except e.g. "3E" methodologies or input-output methods and other evaluations in the outputs that are the subject of the control process as a sequential control function. Important is the internal financial analysis, which informs about the management of the municipality, the overall financial situation, is an important management tool - also in terms of competitiveness to meet the requirements of clients in terms of quality of services provided.

The aim of financial analysis [Kraftová, 2002 p. 25] is:

- evaluation of the current financial situation,
- obtaining information for themselves and external entities,
- determining future developments.

Ultimately, the financial analysis of the municipality can identify the strengths and weaknesses of financial management. Information from the financial analysis is important, because public funds are mainly managed here. Financial analysis in the municipality is more problematic

and complicated and focuses mainly on the analysis of management.

**2. Information System of a self-governing Organization.**

In today's global economy, the ability to work with information is a competitive advantage. An organization that knows its internal situation creates suitable information sources and creates a strong knowledge base from them, which will show its own possibilities and strengthen its competitive position. One of the methods is financial analysis.

Financial analysis evaluates data from financial statements [Peková, 2004, p. 216] and is an important prerequisite for the use of returnable resources resp. it is the basis for decisions on the allocation of resources and gives real information about the position of the municipality. Financial analysis is based on specific data. Information and data are not the identical concepts. The knowledgeable user can extract information from the various data [Kraft, 2002 p.55]. The information contained in the data is covered by interferences, which can make the usage of these information more difficult or impossible. Information is only relevant if it is used. An information system is a set of activities that ensure the collection, processing, transmission, storage and submission of information

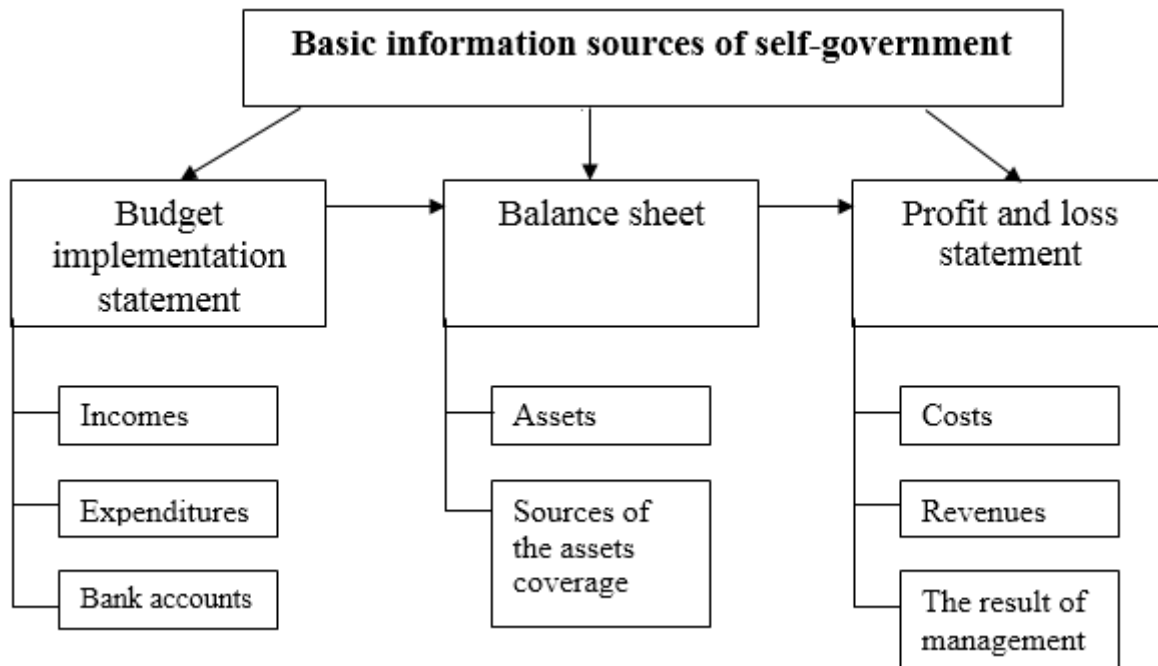
[Csikósová et al., 2004 p. 17]. The basic tasks of the information system (IS) are - document registration, decision preparation, comparison and control, activity management. The basic departments of IS can be divided into ex-post and ex-ante. EX-post departments are: accounting, final calculations, statistics, operational records, analyzes. EX-ante departments are: budgeting, planning, preliminary calculations.

At the level of self-government, financial analysis has certain specifics, because its subject is [Peková, 2004 p. 25] current management, investment activity and its financing and asset management. It is an important management tool, provided that the analysis should reveal the positive and negative factors that affect management, while identifying the directions for eliminating negative factors and promoting the impact of positive factors.

The financial analysis focuses on the evaluation of the strengths and weaknesses of the relevant self-government and at the same time is connected with the analysis of income and expenditure flows [Peková, 2004 p. 216], which determines the budget.

The basic information sources for the financial analysis of a self-governing organization can be indicated by Picture no.1 Basic information sources of the organization in self-government

Picture No.1



Source: Own processing

The basic structure of the statement of budget execution is based on the diction of the law on budgetary rules of local governments.

The budget includes:

- revenues and expenditures related to the activities of self-government [Mitařová, 2006 p. 60],
- financial relations to the general resp. regional public sector,

- financial relations with business entities,
- financial relations to the overall budget system (to the state budget, shares in taxes, subsidies for the delegated performance of state administration),
- financial relations with other entities (banks, insurance companies, etc.).

The balance sheet is a statement in which we monitor the state of assets and resources in local government accounting [Fabian, 2005 p. 81].

The amount of assets (assets) corresponds to the sources (liabilities) from which the municipality acquired these assets. According to the balance sheet intended for self-government, the asset side is divided into:

- non-current assets – the time of usage is > 1 year
- current assets - the time of usage is a maximum of 1 year

Liabilities include sources of coverage:

- own and other (commitments).

The profit and loss statement is a clear arrangement of income and expenses in monetary terms so that the economic result is obvious [Šlosárová, 2006 p. 242].

At the level of self-government, financial analysis has its specifics, because its subject is current management [Peková, 2004 p. 24], investment activity and its financing as well as property management. The analysis should reveal the positive and negative factors that influenced the management of the self-governing unit and at the same time identify directions that would prevent the impact of threats in the future and strengthen the influence of positive factors. An overview of financial management requires a comprehensive assessment of all aspects arising from reporting, accounting and budgeting. In addition to standard, statutory procedures and analyzes of financial management, there are other ways in which a self-governing unit can realize a picture of its financial position in order to obtain the best possible starting information for management with respect to competitiveness.

### 3. Abbreviated Financial Analysis In Model Self-Government.

For illustration, the ratio indicators of the analysis of the management of the organizational unit of self-government were selected, which are then applied in the specific conditions of the model self-government [Kraftová, 2002 p. 78]. The following set of indicators was selected as an example:

- autarchy indicator, which reflects the revenue-expenditure ratio:  
income / expenditure x 100
- an indicator of financial self-sufficiency, which indicates the degree of independence in the financial management of self-government, and can be expressed as:  
own revenues / total revenues x 100
- the financial dependency indicator expresses the ratio of foreign income revenue to total income revenue. Its value can also be determined by subtracting the value of financial self-sufficiency from the value of 100.  
foreign income / total income x 100
- due to the fact, that the decisive income of the municipality is tax revenues, especially the revenue share of personal income tax, the municipality may also be interested in the indicator of tax self-sufficiency, which expresses the ratio of tax revenues to current revenues: tax revenues / current revenues x 100

These indicators are only an example of the wide range of financial analysis options that the municipality can use to improve decision-making in the management process towards increasing competitiveness.

Table No.1 presents data that are calculated from the actually achieved revenues and expenditures of the model self-government for a period of 3 years (before taking into account the effects of the financial crisis).

**Table No.1** : Selected indicators from the financial analysis of a model self-governing organization

No.	indicator	measured value	term		
			1	2	3
1.	autarchy:	%			
	- common		102,26	115,68	113,37
	- capital		83,56	58,71	81,37
	- total		99,87	109,22	106,53
2.	financial self-sufficiency	%	41,70	65,75	72,82
3.	financial dependence	%	58,30	34,25	27,18
4.	tax self-sufficiency	%	33,55	60,10	61,67

**Source:** Internal materials of self-government

From the indicators presented in this way, using the trend approach, the municipality can obtain a lot of useful

information that will indicate its development in terms of allocating available resources to programs that will ensure

the functioning and development of the municipality and competitiveness in the provision of full quality services and reasonable costs. Ordinary autarchy has more favorable values than capital, which is, however, to some extent also caused by the fact that the local government is obliged to compile its current budget as balanced, resp. surplus. The indicator of financial self-sufficiency is growing, while the local government decides on the use of the volume of its own revenues relatively independently. However, the goal of this indicator logically cannot be 100% financial self-sufficiency, as this is not even possible in the model of combined financing of territorial self-government in the Slovak Republic. All three other indicators are interrelated and express additional financial or tax strength per capita. Their increase corresponds to the trend of growing responsibility of local self-government for an ever-widening range of public goods and services, but at the same time it also testifies to the responsibility in securing its own revenue base. The development of financial indicators is not only a reflection of the financial potential of the local government, but also a reflection of the expansion of output options.

### Conclusion

These facts testify to the need for a quality information system in self-government, which provides a basis for financial management, thus meeting the requirements of modern self-government, which has to withstand costs and performance in the current period of competition in all areas of services.

How will this be successful in practice, the future terms will show, these terms will be exposed to increasing evaluation pressure in the functioning of local government organizations in this area as well.

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