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Influence of New Public Management Philosophy on Risk Management, Fraud and Corruption Control and Internal Audit: Evidence from an Australian Public Sector Organization

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Abstract

Research Question: This study will explore how private sector financial management technologies (specifically, risk management system, fraud and corruption control system and internal audit) become embedded in a selected public sector organisation. ***Motivation:*** The motivation for this study is to explore how private sector financial management control tools contributed to and shaped new organisational culture within the public sector organisation. ***Idea:*** The idea was generated from the philosophy of New Public Management which was based on the premise that using the private sector tools, the public sector would be efficient and at the same time effectiveness would be improved (Chowdhury and Shil, 2017). ***Data:*** Qualitative research approach was adopted and data was collected in the case study tradition. Twenty top, mid and junior level executives from a selected Government Department in the Australian Capital Territory were interviewed (Chowdhury and Shil, 2016). ***Tools:*** The main data sources were interviews and archival official documents. Another tool used was direct observation which helped researchers to support the archival documents and interview data. Data were analyzed using the approach provided by Miles and Huberman (1994). ***Findings:*** Findings of the study revealed that strategic risk management is a part of the business planning life cycle of the researched Department and business units review their strategic risks as part of their business

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planning process. In the Department it is evident that fraud and corruption control system is a part of their cultural environment. The Department has established an independent Internal Audit and Review Unit, who provides service to management to meet all prescribed statutory responsibilities within a performance improvement environment. ***Contribution:*** The findings of the present study are expected to increase our understanding about the private sector control devices used in a public sector context and this study will be of value to the academic researchers and practitioners. The study may be useful to the policy makers also who are engaged in formulating new public sector policies. Moreover, the findings reported on this study would be useful to the public sector managers in their day to day decision-making process.

Keywords: new public management, risk management, fraud and corruption control, internal audit, public sector, Australia.

JEL Code: D73, G32, H83, M48

1. Introduction

Public sector are those organizations which are involve in providing utilities and services to the community and conventionally have been seen as a structure of the society (Chowdhury and Shil, 2017). It is argued that the public organizations are accountable to public at large and to individuals (Chowdhury and Shil, 2016). It has been observed that worldwide public sector reform processes have created a wide range of changes in many different areas of their service Chowdhury and Shil, 2017). Manning and Parison (2003) reviewed the status in public administration reform among selected 14 countries: The Russian Federation government, Australia, Brazil, Canada, Chile, China, Finland, Germany, Hungary, the Netherlands, New Zealand, Poland, the Republic of Korea, the United Kingdom, and the United States of America. Manning and Parison (2003) study summarized elements of reforms that were publicly stated by governments in the 14 countries. These are: *reducing government consumption; reducing patronage, developing flexibility in employment contracts, improving monetary incentives, improving service delivery, building public and private sector confidence, and improving operational inefficiency and poor service delivery*. These elements of reforms created a new orthodoxy in the public sector, namely ‘New Public Management’ (NPM) (Hood 1991, 1995; Dunleavy and Hood, 1994; Hoque, 2005; 2008; Alam and Nandan, 2008; Schillemans, 2015; Hood and Dixon, 2015; Chowdhury and Shil,2016; Parker et al., 2019). The NPM movement has emphasized the value of market efficiency in the public sector and stimulated various managerial reinventions (Moon, 2000; Tooley, 2001; Luke, 2008; Christiaens and Rommel, 2008, Hood and Dixon, 2016; Johansson, 2016; Liguori et al., 2017; Steccolini, 2019).

Hood (1991) contributed the term New Public Management (NPM). Hood (1991, 1995) explored changes in public sector financial management in a number of OECD countries over the 1980s linked to the NPM. Hood (1991, 1995) argued that NPM involved a different concept in public accountability, with different patterns of trust and distrust and hence a different style of accounting. Hood (1995) pointed out seven dimensions of change within this NPM and mentioned the doctrinal components of NPM which are: (*1) a shift towards corporatized units; (2) a shift towards greater competition both between public sector organisations and between public sector organisations and the private sector; (3) a move towards private corporate sector management practices; (4) greater stress on discipline and parsimony in resource use; (5) more emphasis on visible hands on top management; (6) a move towards more explicit and measurable (or at least checkable) standards of performance; (7) attempts towards output control.* In his doctrinal components on NPM, Hood (1995) also showed some possible accounting implications, for example: more cost centre units, identifying costs and understanding cost structures, private sector accounting norms, more stress on the bottom line, more use of financial data for management accountability, performance indicator and audit and broader cost-centre accounting.

Public sector in Australia incorporates organizations majority-owned and/or controlled by the Commonwealth, State or Local Governments. During the last three decades the Australian Government has been engaged and implemented a series of financial and administrative reforms (Chowdhury and Shil 2017, 2016). The major pressures for these reforms were Financial Management Improvement Program, the National Competition Policy, Managerialism, Commercialization and Corporatization principle which were associated with new public management. Therefore, the context for this research relates the changes in the public sector forced by the new public management initiatives towards the managerial orientation.

It is argued that public sector managers have to be ‘user friendly,’ but they also have to be tough. They are in position of authority and the authority that is relevant to controlling the organization’s performance is risk management, fraud prevention and internal audit (Corbett, 1996). Kapuscinska and Matejun (2014) argued that current changes of the market oriented approach to management in the public sector are the introduction of risk management. Risk management is a private-sector concept which deals all type of risks. However, the public sector has adopted this approach which is somewhat different from the private sector**.** Smith and Mccloskey (1998) pointed out that the public sector generates its risks in its own right and creates a set of problems within risk communication. Leung and Isaacs (2008) observed that risk management in public sector becomes more complex and challenging. Brown and Osborne (2011) identified that there is a gap in the public sector risk management literature. They (2011) commented that these literatures do not provide clear and comprehensive idea about the risk management system in the public sector.

Webb (2010) pointed out that fraud and corruption prevention measures in the NPM environment need intrinsically to be linked to the practices and culture of the public service. Huberts (1998) also argued that in the public sector corruption should be analyzed in terms of public structure, culture and behavior. Osei-Tutu et al. (2010) identified that to control corruption practices in the public sector, pro-social equity policies are needed which will enhance good governance, corporate social responsibility, transparency, accountability, judicious public expenditure and national progress. To prevent fraud and corruption, public sector organizations are working with internal audit functions in line of the new public management philosophy.

Drogalas et al. (2017) suggested increased importance of the relationship between the internal audit function and fraud detection. Istrate (2018) argued that, all state owned companies in the public sector as they manage public money, are subject to the general accounting and financial reporting and external and internal auditing requirements. Corbett (1996) defined internal audit as an essential public management control mechanism that draw attention to deficiencies, irregularities and inefficiencies. Guthrie, (1990); Parker et al., (2019) argued that public sector auditing was traditionally only associated with financial aspects of government. The role of this type of audit was to ensure the accuracy of accounts, and conformity with laws and regulations in the spending of funds (Sinem, 2018). It has been found that now greater changes have occurred in public sector budgeting, management information systems, financial reporting and internal audit and in other review functions. Shand (1990) argued that due to these changes governmental departments themselves must devolve responsibility within their organisation and put appropriate pressure on their own managers to perform. Shand (1990) claimed that these reforms were not simply a matter of the relationship between central agencies such as Finance and other departments, it must relate to the head office and their regional offices or line divisions also.

Against this background this study is an attempt to explore how these private sector financial management technologies (specifically, risk management system, fraud and corruption control system and internal audit) become embedded in a selected public sector organisation. A Government Department in the Australian Capital Territory (ACT) was selected for the purpose of the exploration.

2. Motivation of the Paper

It is noted that the Australian public sector has embarked on a massive reforms linked to new public management. The process of reforms forced the Australian public sector to move towards the managerial revolution (Parker et al. 2019). This revolution meant moving away from traditional administrative approach to the control of public sector utilities and services (Broadbent and Guthrie, 1992, Parker et al., 2019). The objective in implementing the control mechanisms was to ensure better implementation of accountability, better linkage of financial flexibility, better financial performance and better management information (Barrett et al., 1994). Financial Management literature shows that these management tools are defined and explained in the private sector context. In recent times public sector organisations have been increasingly adopting theses control tools. For this reason, a study of implications of these financial management technologies in the public sector have been chosen for this study and the context is the implementation of new public management ideals in the Australian public sector. By enhancing our understanding of financial management technologies within this public sector organisation, this research will provide a better understanding about the control mechanisms of the public sector organisation in the perspective of implementing new public management principles (Chowdhury and Shil, 2016).

3. Research Question

The study is an endeavor to identify the following research questions:
How has private sector financial management technologies (risk management system, fraud and corruption control system and internal audit) were implemented in the new financially and managerially oriented selected public sector organisation? Specifically,

(a) How has the researched organisation adopted these private sector oriented financial systems within their organisation?
(b) In what ways are these financial systems linked to the organisational actions of the researched organisation?
(c) How have these financial systems facilitated to and shaped new organisational culture within the researched organisation?

4. Research Method, Data Collection and Data Analysis

It is mentioned that this research explored in depth the evolution of financial management system, specifically, risk management, fraud and corruption control and internal audit technologies in the context of new public management initiatives in Australia. A Public Department in the ACT was selected for the purpose of the exploration. The qualitative research approach was adopted and data were collected in the case study tradition. By using qualitative research methodology, this study is something like naturalistic inquiry (Guba and Lincoln, 1981) which will provide a thick description (Geertz, 1973). The main data sources were interviews and archival official documents. The epistemological position influenced the researchers to conduct interviews. It was one of the reasons that allowed researchers to generate data by talking interactively with people. It also helped researchers to analyze their use of language and construction of discourse (Mason, 2002).

Any research involving human and animal subjects requires ethical clearance from the relevant institution (Hoque, 2006). The present research, was approved by the Committee for Ethics in Human research at the University of Canberra, Australia. It followed the general conditions determined by the university policy and the *National Statement on Ethical Conduct in research involving Humans* (National Health and Medical Research Council, 1999). To understand the purpose of the research project, each of the participants was provided with a *Participant Information Form* which included the project title, details of the researcher and the supervisors, project aim and benefits, general outline of the project, participant involvement, confidentiality, anonymity, data storage system, ethics committee clearance and queries and concerns about the research project. Each participant was also provided an *Informed Consent Form*. Before conducting the formal interview the participant was required to sign the *Consent Form* stating that the participant understood the information about the research. Both the *Participant Information Form* and the *Informed Consent Form* were approved by the Committee for Ethics in Human Research, University of Canberra, Australia. Participation in this research was voluntary.

The primary interview method used in this study was open-ended. In this study snowball sampling technique was used. Twenty top, mid and junior executives were interviewed. This technique identified respondents who were then used to refer researchers on to other respondents. The interview proceedings were tape recorded with the consent of the participant. For safety reasons, back-up notes were also taken and checked and compared when the transcriptions were made. The interview tapes were transcribed later word for word. Key interview transcripts were returned to the respective interviewees to establish the validity of the interview data. In addition, the researcher used direct observation to supplement and corroborate the archival documents and interview data. In qualitative inquiry, data collection is not an end. It requires analysis, interpretation and presentation of findings (Patton, 2002; Irvine and Gaffikin, 2006; Merriam, 2009; Nagy et al. 2010). In this study, the researchers analyzed data using the approach provided by Miles and Huberman (1994), by reducing data, displaying data and conclusion drawing (Chowdhury and Shil, 2016)

5. Theoretical Framework for the Study

The present study has adopted Giddens's *structuration theory* to understand how financial management system one of the important management control systems is implicated in their social setting. Here, it is assumed that multiple realities can exist in a given situation and for this reason the intention of the research was to promote a subjective research.

Giddens (1979, p. 64) claimed that every social system has structures. Structure refers to the structuring properties which are the 'rules and resource, recursively implicated in the reproduction of social systems' (Giddens, 1979, p. 64). Giddens et al. (2011) argued that social structure is not like a physical structure, such as building, which exists independently by human actions. Giddens et al. (2011) further argued that human societies are always in the process of structuration. They are reconstructed at every moment.

In a social setting, actors produce and reproduce structures but at the same time are also guided by them. Giddens (1976, 1979, and 1984) identified that structure in its conventional sense as referring to the structuring properties of any social system. Structures are the codes, rules, blueprints or formulas that shape social behaviour. Agency, in contrast, depicts social life as actively constituted by individuals who subjectively produce shared understandings which guide them in social setting.
Giddens (1979) suggested that within the processes of structuration there are three dimensions of social structure: signification (meaning), domination (power) and legitimation (morality). Signification is the *rules or aspects of rules*. These are *codes* or modes of coding. Domination involves *authorisation* and *allocation*. Legitimation is the modes of normative *regulation*. When people act, they draw from these structures. Agents in their actions constantly produce and reproduce the social constructs and Giddens mentioned that all human interaction is inextricably composed of structure of meaning, power and moral framework. These three dimensions are only analytically separable properties of structures (Giddens, 1979, p. 97) and are inextricably linked in reality. In every dimension there are modalities through which interactions are made and the main processes of human action during interaction are: communication, the exercising of power and sanctioning of conduct.

6. Findings of the Study

6.1 Risk Management System

The outcome of the research revealed that the researched Public Department classifies its risks into three broad categories which are different from the private sector. These are strategic risks, operational risks, and project risks. Strategic risks are set at the highest level within the Department. These types of risks are consistent with the Department's strategic and business plans and have significant impact on the Department and closely monitored. Operational risks are related to continuity and level of service delivery (DHCS, 2008). Major operational risks are included in the strategic risk profile. Project risks are related with Department's outcomes and outputs during the project planning process. These types of risks are transferred to delivery risk when a project is approved.

It is also evident that functional responsibilities of the selected researched Department require the management of a substantial level of risk. These risks include financial, contractual, goodwill and reputation in addition to services for clients and Government. Business units of the Department are responsible for managing all strategic and operational risks and embed them within their respective business plans. The Performance Audit and Review Unit of the Department work with the business units in managing these issues. From the financial year 2006-2007 the Performance Audit and Review Unit started to implement the new risk management profile within the Department.

The Department's strategic risk profile is mapped directly against the core strategic themes of the organization. The profile was further streamlined during the financial year 2006-2007. The risks were grouped against the clusters of Safety, Personnel, Finance and Resources, and Governance. Of these strategic risks, three were of significant priority to all business units and these are: **Personnel -** attracting and retaining employees. One of the major objectives of the human resource plan of the Department is to attract new and retain existing employees. However, there is a risk of leaving employees from the organisation. The Department identifies the risk of leaving and takes necessary training to solve the problem. To maintain this commitment, the Department created Learning and Community Education Unit. The responsibility of this unit is to integrate learning and development across the Department. In addition to this unit every business unit of the Department has established its own training group. The Department conducts training session with the help of Learning and Development Unit. This was evidenced in comments of a senior executive such as:

> *We have a very substantial training program. Part of our organisation is called Learning and Community Education and it runs the training program for the whole Department. But within the division we have training groups. All the staff in the division put their efforts into this area to develop the skills that we need and then we look at what the staff say and they need for training. We look at one of the organisational needs and then we identify a body of training that is needed to be done that meets both our business needs and staff needs and then working with Learning and Community Education we put together a program of training each year which is really successful.*

Finance and Resources- this type of risks are related with achieving and identifying savings; and **Governance-** which focuses on implementation of agreed actions against the compliance framework. During an interview, one of the mid-level executives in the Finance Division illustrated this point:

> *We have proper financial procedures and guidelines. We have financial delegations. These delegations are based on positions so it doesn't matter what your level is within the organisation. Financial delegation comes from the Chief Executive. So, we manage the whole process that has to be approved by the Chief Executive before it becomes valid. Every year when audit comes around some of the things to look at are the people on the right delegation or not. Financial delegation is part of our accountability framework and that delegation is authorized through legislation where decisions have to be made by people who are capable of making those decisions.*

Archival records states that controls have been put in place to ensure the remaining risks were embedded in business plans. Quarterly reports are presented to the Board of Management and the Audit and Review Committee, demonstrating transparency and accountability of the actions taken to mitigate the risks. It is evident that the key activities were the collation of quarterly risk management reports from all business units, six monthly reports of business as usual risks, and an annual program of audits and reviews which was based on the Department's strategic risk management profile. It is evident that this risk management and internal audit mechanism helps the Department to establish better governance which is a direct outcome of new public management initiative. Archival records also indicate that risk management is widely used in the researched Department and in its Framework it is mentioned:

> *Risk Management is a tool to assist the Department with informed decision making in planning, policy development, project management and service delivery. It achieves this by providing a framework to assist people identify, analyze, evaluate, treat, monitor, and effectively communicate risk. Our risks encompass those relating to clients, strategy, operations, reputation as well as those relating to compliance with laws, regulations and financial reporting (DHCS, 2007).*

It was evident that to some extent government is risk averse and it acts as an administrative constraint for the employees. This practice is different from the private sector which affects their performance also. For example one of the senior executives explained:

> *If the Government wasn't so risk averse I think we could be more entrepreneurial in our property developments and probably get higher return for Government But the Government would say the risk is too high for us to behave in that way. So this is a constraint and I understand the reason for it but I wouldn't have that constraint in the private sector.*

A review of organisational documents (DHCS, 2007) revealed that strategic risk management is part of the business planning life cycle of the selected Public Department and business units review their strategic risks as part of their business planning process (DHCS, 2007). In every business plan, a statement of key risks is included with key risk mitigation strategies and responsibility assigned together with timeframes. It involves the Chief Executive, Executive Directors, Directors and other key senior managers. Strategic risks are owned by Executive Directors. As part of quarterly reporting department's strategic risk profile is reviewed by Board of Management. Operational risk mitigation is an ongoing process. It requires periodic review which is directly related to the criticality of the activity in question. Senior managers and people who develop, implement and deliver services are involved with operational risk management. In project risk management, risk environment constantly changes because projects are dynamic. To cope with this type of risks project managers, project teams, project governance, project risk managers and subject specialists are involved with project risk management.

Documentary evidence also revealed that the *Risk Management Framework* allocates responsibilities for oversight and implementation of risk management throughout the Department. The Board of Management is responsible to know what the most significant risks are within the context of the Department's objectives. It is also their responsibility to regularly review the strategic risks to ensure that any emerging significant risks are identified and addressed. The Chief Executive is responsible to know what the most significant risks are facing the Department. The Chief Executive is also responsible for providing assurance that the risk management process is working effectively. Executives are responsible to implement integrated systems for identifying, assessing, and mitigating material risk throughout their area of responsibility. It is also their responsibility to monitor the effectiveness of the divisional approach to risk. In the Department there is an Audit Committee which is specifically responsible to assist the Chief Executive in satisfying risk management compliance obligations.

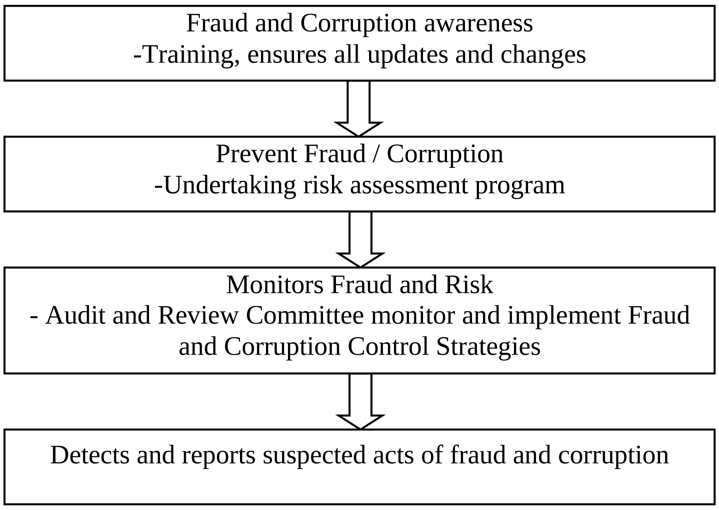
The Audit Committee is responsible for developing and maintaining an internal audit program based on the Department's risk profile. The Committee receives ongoing reports, collated by Performance Audit and Review Unit of the Department's internal and external reviews. In the Department there is a Performance Audit and Review Team who performs a wide range of responsibility. This Review Team is responsible to advise and analyze the effectiveness of the Department's risk management policies, frameworks and processes. They promote ownership and accountability for best practice approaches to risk management. It is also their responsibility to manage the Department's Risk Register and coordinate quarterly reports. They are also responsible to undertake ongoing risk review in the area of responsibility, accountability and control (DHCS, 2007). In addition to risk management the Department has developed fraud and corruption control system, which is discussed next.

6.2 Fraud and Corruption Control System

To implement control systems in the Department, the Department has adopted Fraud and Corruption Control system This system was developed to seek and raise awareness of potential fraud and corruption, risk exposure and Department's expectations of its staff, The Department sponsored Non-Government Organisations, Consultants and Contractors (DHCS, 2007). The Department is guided by the *ACT Public Sector Management ACT 1994 (*ACT Government, 2007) and has adopted the definition of fraud and corruption given by this Act. Under this Act, Fraud is 'taking or obtaining by deception, money or other benefit from the Government or attempting to do so' and Corruption is 'an improper act or omission, the use of improper influence or position and improper use of information'.

The Department holds the view that fraud can involve attempts to secure financial or non-financial benefits and the Department's position is that if it is unchecked, it has an impact upon the reputation and integrity of the Department. The Department has implemented a wide range of control systems in this regard and is committed to minimize the incidence of fraud/corruption through the identification of risk and the development, implementation and regular review of a range of prevention and detection strategies (DHCS, 2007). Documentary evidence suggests that this control strategy consists of four steps which are presented in the following Figure.

Figure: Fraud and Corruption Control System in the Department



Source: Developed from the Department's Risk Management Framework.

It is evident that the Department organizes regular fraud/corruption awareness and code of conduct training to ensure staff is aware of their responsibilities to the Department. The Audit and Review Committee monitors and implements fraud/corruption control strategies. To implement the fraud and corruption control system, the Department has allocated responsibilities to a wide range of persons and committees within the organisation. The Chief Financial Officer is responsible for updating procedural rules as necessary to reflect changes in the fraud risk profile as identified by the Director of Advocacy, Review and Policy. The Chief Executive is responsible to foster an environment where fraud/corruption control is responsibility of all staff. This practice is not seen in the private sector.

The Department has also implemented different procedures for reporting fraud and corruption. For its internal reporting, the Internal Performance Audit and Review Team investigate this fraud under the guidance of Senior Executive Responsibility for Business Integrity Risk (SERBIR). The SERBIR maintains an appropriate recording and tracking system to ensure that all suspicion is satisfactorily resolved. There are also external reporting systems. If it is evident that there is sufficient seriousness, it is required to refer it to ACT Policing for investigation.

Another reporting procedure is Threshold Reporting. If the monetary value of the fraud case exceeds $500 or a non-financial benefit results a significant loss to Department or undermines Department's credibility, it requires Threshold Reporting to ACT Policing. There are also annual reporting obligations which are not seen in the Australian private sector. In the annual report the Department certifies that appropriate fraud/corruption prevention, detection, investigation and reporting procedures are in place within the organisation. Therefore, in the Department it is evident that fraud and corruption control system is a part of their cultural environment. As a control tool, to prevent fraud and corruption the Department has strong internal audit functions which are presented next.

6.3 Internal Audit

According to Section 9 of *The ACT Public Sector Management Act 1994* (ACT Government, 2007) all public employees are required to exercise reasonable care and skill in performing their duties. It is expected that the public employees will act impartially and with probity and will avoid waste and extravagance in the use of Territory property. Section 31 of *The ACT Financial Management Act 1996* (ACT Government, 1996) outlined the responsibilities of the Chief Executive Officer of a governmental agency. The Chief Executive is responsible for effective and efficient financial management of the Department. It requires that all departmental operations are performed in accordance with requirements of the Legislative Assembly, proper accounts and records are maintained and adequate controls are established over assets and liabilities of the Department. Based on her experience one of the senior executives of the Department observed:

> *The financial accountability is probably the financial accounts that come out plus what we do with them. We have an annual report which*

gets tabled in the Assembly. In this annual report there are a whole heap of different things we are accountable for at different stages which are not present in the private sector.

In its financial reforms, the Department developed a results-oriented framework which is the central focus of financial administration of public sector resource management and accountability. In the NPM approach, accounting and finance is the major issue to achieve the best results. Based on his experience one of the senior executives in the Finance Division of the Department observed:

The control over the total resources of our Department was very hard as the accounting and finance area wasn't really a player. Accounting and finance was a background issue. But after the reforms, now it's right up there in the front. When I first joined the Public service we wouldn't get a financial report at all. It just tells us a little bit about our stationery, travel and our consultancy and that's all. So, these days what we get is our budget and managers of line areas are responsible for managing their resources in total. Basically the big issue of change that has occurred is implementing the accounting and other financial management framework in the public sector.

To perform these functions efficiently Departmental practice, procedures, and controls must be systematically reviewed. Internal audit is an important tool in this effective review process (DHCS, 2004). Internal audit of the Department includes verifying transactions with pre- or post expenditure and conducting regular audits of functions on behalf of senior management.

The Department has adopted the Internal Audit and Review Charter which was developed by the Chief Minister's Department. According to this Charter, the Department has established an independent Internal Audit and Review Unit, who provides service to management to meet all prescribed statutory responsibilities within a performance improvement environment.

Christopher et al. (2009) argued that internal audit function is a stepping stone to other positions having the Chief Executive Officer or the Chief Finance Officer approve the internal audit functions budget and provide input for the internal audit plan and considering the internal auditor to be a partner especially when combined with indirect threats. Under the direction of this Audit and Review Committee the Performance Audit and Review Unit is primarily responsible for the policy framework, coordination of risk management and annual internal audit program The Committee was established on 4 April 2003 and membership in the committee includes three independent members which are an independent chair, a deputy chair, an independent member, four departmental senior executives and representatives from the Chief Minister's Department and Department of Treasury. A representative of the ACT Auditor-General's Office and the Department's

Director of Finance and Budget attend as observers. The committee receives ongoing reports, collated by Performance Audit and Review of the Department's internal and external reviews and monitors the progress against the implementation of recommendations. This includes monitoring recommendations made by the Auditor-General in other reports for their applicability to the Department. Reports and presentations made by Directors provide a valuable insight into how the Department is addressing its strategic and emerging risks and in providing assurance to the Chief Executive.

In the Department internal audit and review function includes an Audit and Review Committee and a Performance Audit and Review Unit. The ACT Government's approved Internal Audit Framework guides these arrangements. In the Department, this audit and review committee is independent. The Chair, Deputy Chair and a member is appointed from outside of the Department. Internal auditors raise matters to the Audit and Review Committee. This attitude is consistent with the findings observed by Goodwin and Yeo (2001) that an effective audit committee can strengthen the internal audit function by acting as an independent forum in which internal auditors may raise matters affecting management. It has been observed that during the last five years the Department did not receive any qualified external audit report. Therefore, it can be claimed that their internal audit function of the Department is successful.

7. Analysis of Findings

The selected researched Department created and upgraded its financial management systems according to the ACT's Financial Management Framework. In order to respond to the approaches of new public management the Department redirected and expanded their efforts to the new needs and opportunities. New managerial philosophies influenced the Department to change their character to create a need for a unique set of management techniques. One of the senior executives commented:

> *We are involved in continuous reform process in the line of new public management. We put emphasis on flexibility, innovation, efficiency and productivity. We have adopted a number of control tools which are widely used in the private sector. However, we have implemented these tools not in a private sector manner as our goals, access to resource and the nature of the business are different from the private sector.*

It can be analyzed that the researched Public Department is not performing equivalent to the manner of production of goods and services in the private sector. Though the functions and activities of the Department are fundamentally different in some respects from private sector organisations, the Department has implemented private-sector style management control tools to achieve efficiency, effectiveness and economy (Chowdhury and Shil, 2016). Some of the control tools were unique to the Department and these constitute the innovative ideas in the public sector and some of the control tools they have come up which have been implemented on a tailored basis (Chowdhury and Shil, 2016).

It can also be analyzed that risk management system in the researched Department is different from the private sector and belongs within the culture of the organization. This behaviour is consistent with the findings observed by Baldry (1998) and Barett (1990) that in the public sector the risk exposure and the consequent risk impacts are a function of the cultural environmental framework. Organisational documents of the Department suggest that executive directors, managers, staff and suppliers are the part of risk management. Every steps of the risk process involves people, therefore, the Department communicates and consults with various people as part of the risk management process. However, the degree and nature of engagement differs across roles and context.

The new notion, ‘value for money’, has emerged in the public sector which established formal rational management, clear goals, corporate plans, internal and external accounting and auditing system and clear responsibility lines for output measurement. The change to structure of meaning and signification was seen in the Department also. In the Department a competing interpretive scheme of signification became apparent. New public management reforms brought a challenge to the signification structure of the Department and required to implement new interpretive schemes. To meet the demands of the NPM initiatives, the Department implemented risk management devices as interpretive schemes in their organisation. In the Department, this new interpretive scheme (Giddens, 1976, 1979, 1984) is the financial management control system which mediates between the signification structure and social interaction in the form of communication between managers and employees. The elements of the new interpretive schemes of the risk management system are strategic risk profile which incorporated personnel, finance and resources and governance mechanisms.

The researched Department’s fraud and corruption control systems is different from those in the private sector. The Department has adopted a range of processes and procedures and was designed to protect stake holder’s interest. When the Department implemented these devices, they ensured that it was cost-effective and at the same time consistent with the organization’s culture and operations also.

In the Department, fraud and corruption control systems are the power that management at all levels uses to coordinate and control other participants. Here, as per Giddens (1976, 1979, 1984) fraud and corruption control system are used as domination modalities. Management is capable to use their power to legitimate the employment of the organization’s authoritative resources in the interests of employees. These are the objective phenomena which the Department provides to its members to exercise power (Chowdhury and Shil, 2016).

The Department modified their internal audit functions from private sector. They use private sector approaches but they have an independent audit committee. The objective for establishing this committee was to determine whether policy and procedures were maintained, best practice standards adopted and resources were used efficiently, economically and ethically. If any deficiency is identified, the Internal Audit and Review Unit provide suggestions for improvement (DHCS, 2004).

Field observations in this research show that the implementation of a methodological audit program in this Internal Audit Unit assists all levels of management in the discharge of their responsibilities by providing independent analysis, advice and recommendations concerning the activities which have been subject to audit review and reporting (DHCS, 2004). The Internal Audit Unit's actions reshaped Department's signification structure which can be considered as the rules or aspects of rules (Giddens, 1979; 1984) into a form that would serve as a best practice organisation.

In the researched Department internal audit function is a corporate governance mechanism like the private sector. The selected Department's case supports the arguments of Goodwin (2004) that internal audit activities and interactions with external auditors in the public sector are same as the private sector and public sector reforms have lessened the differences between private and public sector internal auditing. In the Department it has been observed that Chief Finance Officer approves the internal audit plan and Internal Auditor is considered as the partner of establishing internal control mechanism within the Department. In this sense they could not maintain independence of internal audit. However, in the Department there is an independent audit committee which supplements the independence.

It is claimed that in the Department this audit and review committee is independent. To maintain strong internal control mechanism they have accounting expertise in the committee. This finding is similar to the findings as observed by Zhang et al. (2007) and Chowdhury and Shil (2016) that a relation exists between quality of audit committee, auditor independence, and internal control weakness. Internal control weakness can be seen if their audit committees have less financial expertise or more specifically have less accounting financial expertise and non-accounting financial expertise (Esmaeili et al., 2016, Chowdhury and Shil, 2016). Krishnan (2005) argued that independent audit committees and committees with financial expertise are significantly less likely to be associated with the incidence of internal control problems. In this sense, the Department faces less internal control problem. The Department's case also supports the claim of Goodwin (2003) that independence is further enhanced if the members of the audit committee, in addition to being independent, have the technical expertise to understand the work of the internal audit function.

Traditionally public organisations were involved in providing services to the people. The morality was that all people should have access to these services. Resources should be available to all according to need (Lawrence and Doolin, 1997). In the public sector, it was also observed that if funds are not enough, then it is a problem for the funding authority, not for the providing agencies. In that case spending to the limit or over the limit was common practice. Therefore, in a financial sense the structure of legitimation allowed spending without accountability (Lawrence and Doolin, 1997). But, in the public sector, the scenario has changed (Chowdhury and Shil, 2016). In the Department, a new legitimation structure (Giddens 1976, 1979, 1984) viewed in response to the new public management initiatives to challenge this traditional view. New organisational purposes required new systems of financial accountability. Under this new system, managers are more accountable for their outputs. In the Department, new financial accountability in line of the NPM, internal audit functions emerged under which it is the duty to maintain accurate accounts and records that represent a true and fair view of the financial transaction and affairs.

In the Department, it is evident that management control systems are modalities of structuration in the three dimensions of signification, domination and legitimation (Chowdhury and Shil, 2016). It presents the culture of the Department and the attitudes how managers and employees make sense of organisational events and activities. In the Department, management control systems are both the medium and the outcome of interaction because in the organisational setting these control devices are constituted by human agency and at the same time are also guided by them (Giddens, 1976; Chowdhury and Shil, 2016). Therefore, duality of structure is evident in the Department's management control systems. It means structure and agency exists in a recursive relationship.

8. Contributions

There is no intention to generalize the findings from this research. It has demonstrated how and why financial management control systems were implemented in new public sector environment. Therefore, the evidence in this study offers a number of practical implications. The findings of this study are expected to increase our understanding about the private sector control devices used in a public sector context and this study will be of value to the academic researchers and practitioners. The study may be useful to the policy makers also who are engaged in formulating new public sector policies. Moreover, the findings reported on this study would be useful to the public sector managers in their day to day decision-making.

This study will benefit accounting and management control practices. Risk management system, corruption control system and internal audit were central to the Australian public sector financial management reforms program. In practical terms, this study could indicate whether these reforms are accounting-led model of control which promotes greater efficiency, effectiveness and accountability.

The findings reported in this study will also be of value to the public sector accounting and management literature by suggesting that these financial management control devices are very important for today's Government organisations as there is a significant reduction in government spending and at the same time increased demand exists for quality services within the community.
The research findings are also expected to add knowledge to other public sector organisations who are interested in adopting private-sector style management control systems as their control devices. It has been observed that new public management has attempted to impose these private-sector types of control techniques in the public sector. The basic difficulty with adopting a private-sector approach in public sector is that the private sector has a different objective, i.e., profitability or bottom line. This objective is absent in most public sector organisations. In place of profitability, public sector organisations have a definite set of accountability mechanisms. In this way, it is expected that this study could be useful to public policy makers who are engaged in formulating new public sector policies.

It appears that the Department has adopted these private management practices and has been transformed into a new kind of organisation. The researched Department's experience demonstrates that changes in structure and management styles can set the climate for change in a public sector organisation. Other public sector organisations may consider the Department's experience in implementing their new financial management control tools.

The main contribution of this study is the lesson that was learned from the employees of the researched organisation. The researched organisation is providing services to the community and they are accountable to the community. As a public organisation the researched organisation does not have any outside equity interest and have no shareholders. They do not pay dividends through a process of corporate deliverance. However, they pay social dividends in the manner of services and if they are not experiencing that in a positive and free flowing way they make the effort to adjust their situation strongly just the same as a shareholding body. The researched organisation evaluates their performance through client satisfaction surveys. There are different ways they do surveys and they use different indicators to review how well they are achieving their targets.
One important lesson can be learned from the Department's case is that the education process is important in introducing new management systems. It is evident that the new professionals or the managers of the Department are very much informed about the outcome of the public sector reforms through implementing new public management approach. The Department's managers have

given up the old fashioned bureaucratic thinking and have shown that they are committed in utilizing the energy of the Department's human resources. They have offered staff adequate training and education on the changes implemented in the Department. This may be an example to other organisation.

9. Conclusion

In the light of new public management reforms initiatives the researched public organisation promoted entrepreneurial management practices. The main reason for adopting this view is to obtain value for money which is a major agenda of the public sector reforms in Australia. The Department's case demonstrates that major changes in the researched organisation were the functions of public sector reforms agendas in the key areas of financial management (Chowdhury and Shil 2017, 2016) like risk management, fraud and corruption control and internal audit. These findings demonstrate that changes to the Australian public sector enhanced managerial responsibility and a tradition of performance (Chowdhury and Shil 2017, 2016).

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