

SCIENTIFIC RESEARCH CENTER

International Journal of Scientific Studies
Vol. 1, No. 4, 2018, pp. 42-52.

**International
Journal
of
Scientific
Studies**

www.scientificrc.com

ISSN 2348-3008

Performance-Based Court Management, Budgeting and Financial Systems

Wangrong Liu¹ . Xiaobo Jin²

¹ Business School, Sichuan University, Chengdu, China

² Institute of Finance, Sichuan University, Chengdu, China

Abstract

The Case Management/Electronic Case Files (CM/ECF) system revolutionized the way federal courts manage their cases and documents. Now, the transition to a Next Generation of the CM/ECF system is well under way. AO staff are working on NextGen's design, coding, testing, and implementation planning. They are assisted by 30 court staff who are working on the project under the Court/AO Exchange Program and by expert panels of judges and court staff who are providing advice on the design and development. to extend a warm word of welcome to all newly appointed Registrars and also pay recognition to those of you who have been a pillar of strength at your various organizations ensuring enhanced administrative support and capacitating the Judiciary that you serve. You are indeed a critical foundation on which the future of judicial effectiveness lies. We have been requested to talk about Financial Management, Management of Courts Budgets and its Challenges. I am sure you will agree with me that anyone requested to talk about this topic, can do so for the whole day or two or even a week. I am saying so precisely because financial Management, Management of Courts Budget and its Challenges are extensive and to sum this up in 30 minutes is in itself a challenge

Keywords: Financial Systems, Court Management, Budgeting.

Introduction:

1. Introduction

It is said that if managers expect their subordinates to adopt any of their wishes or characteristics, such as frugal qualities in the workplace, managers themselves must promote this culture by walking the talk (Accountability Measures: Report of the Secretary General, 2006). This paper is an attempt to show how the talk can be walked, and goes through the preparation and steps necessary to fulfill this important journey. As a basis, there must be clarity of concepts, and an understanding of their distinctiveness. This is to avoid confusion, so that we all proceed from a common basis of understanding. As most court managers are generally non-financial managers it is vital to make a distinction between financial accounting and management accounting.

Accounting information includes both financial and non-financial information used by decision – makers. Financial accounting is the area of accounting that is primarily concerned with the preparation of general use financial statements for use by creditors, investors and other users outside the business (External users). Management accounting, on the other hand, is primarily concerned with generating financial and non-financial information for use by managers in their decision-making role within the organization (internal users) (Accountability Officers, 2006).

As managers of our respective institutions we are concerned with management accounting which primarily relates to making decisions related to the financial operations inter alia (Davie, 2002):

- financial record management;
- monitoring and evaluating spending trends;
- financial management systems;
- financial risk management;
- the compilation of budgets; and
- managing virements.

2. FINANCIAL POLICIES AND REGULATORY COMPLIANCES: THE BASIS FOR BETTER FINANCIAL MANAGEMENT

South Africa is generally recognized for having in place credible accountability mechanisms which are supported by legislative and regulatory provisions. There are statutory institutions

such as the Auditor-General and the Public Service Commission with an oversight mandate over state institutions. These institutions were established to strengthen constitutional democracy in the country. Given the importance of their role, Parliament has taken the crucial step of conducting a review to establish, amongst others “whether the institutions have kept pace with the changing socio- political environment in South Africa.” (Accountability Officers, 2006). To ensure that finances are properly controlled, all organizations must have policies and regulations. Within the South African context financial policies and regulations emanate from the Public Financial Management Act (PFMA), Act 1 of 1999, (as amended by Act 29 of 1999). This is an important Act that seeks to promote the objective of good financial management in order to maximize service delivery through the effective and efficient use of the limited resources.

The key objectives of the Act may be summarized as being to (Davie, 2002):

- Modernize the system of financial management in the public sector;
- Enable public sector managers to manage, but at the same time be held more accountable;
- Ensure the timely provision of quality information; and
- Eliminate the waste and corruption in the use of public assets.

The Act, which came into effect from 1 April 2000, gives effect to sections 213 and 215 to 219 of The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) for the national and provincial spheres of government. These sections require national legislation to establish a national treasury, to introduce uniform treasury norms and standards, to prescribe measures to ensure transparency and expenditure control in all spheres of government, and to set the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds. The PFMA adopts an approach to financial management, which focuses on outputs and responsibilities rather than the rule driven approach of the previous Exchequer Acts (Financial Management, 1991). The Act is part of a broader strategy on improving financial management in the public sector. The PFMA gives effect to section 216(1) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996). This requires national legislation to "establish a national treasury and prescribes measures to ensure transparency and expenditure control in each sphere of government, by introducing (Hupkes, 2006):

- a. generally recognized accounting practice;

- b. uniform expenditure classifications; and
- c. uniform treasury norms and standards.

The PFMA makes an attempt at codifying the duties of managers. The PFMA refers to “duty of utmost care” that requires to be taken by managers. The PFMA stipulates that government departments have a responsibility to ensure that public funds are used specifically for the purposes they are voted for in Parliament and within the prescripts provided for in the PFMA. In a broader context it must be remembered that public spending impacts on the production, investment and employment patterns in the economy. Used efficiently, economically and effectively, public resources can become a strategic lever to promote investment and improve the wellbeing of citizens (Internal Control, 1992).

Emanating from the PFMA is the National Treasury Regulations which requires that each state Department develop its own Financial Regulation in line with the PFMA and based on its own business needs and practices. Within the Department of Justice and Constitutional Development the Departmental Financial Instruction (DFI) was adopted to regulate Financial Management within the organization.

3. FINANCIAL ACCOUNTABILITY

No paper of this nature can be complete without emphasizing the importance of accountability, as it relates to finances. Accountability for performance is critical for a Public Service that is charged with the important responsibilities of implementing government policies and managing public resources. Mechanisms such as annual reports, performance management and development systems were put in place precisely to ensure that the Public service is accountable. In addition, oversight Constitutional bodies such as the Public Service Commission, a chapter 10 body, were established explicitly to ensure governance accountability whilst the Auditor-General ensures financial accountability. Accountability has been variously defined. Some common definitions are as follows (IPSAS Handbook, 2007):

“Accountability is the obligation to render an account for a responsibility conferred. It presumes the existence of at least two parties: one who allocates responsibility and one who accepts it with the undertaking to report upon the manner in which it has been discharged.”¹

“Accountability is the liability assumed by all those who exercise authority to account for the manner in which they have fulfilled responsibilities entrusted to them (Hupkes, 2006).

¹ *Report of the Independent Review Committee on the Office of the Auditor General of Canada [Wilson Report]*, Ottawa: Information Canada, 1975, pp.9.

“Accountability is synonym for responsibility. It is a type of relationship that comes to existence when an obligation is taken on by an individual (or corporate entity), such as the responsibility to assume a role or discharge a task.

“Accountability is a relationship based on the obligation to demonstrate and take responsibility for performance in the light of agreed expectations. In brief, accountability requires a relationship of conferring responsibility and reporting back on the expected and agreed performance and on the manner in which the responsibility was fulfilled. The rendering of account, whether obligatory or on a voluntary basis, establishes the relationship of accountability (Hupkes, 2006). The report on performance on the agreed expectations lends a sort of flexibility that increases the emphasis on accountability for results. The agreement about expected performance could be explicit or implicit between superiors and subordinates. A robust framework of accountability, thus, moves away from the traditional outlook of blameworthiness or ‘catching a thief’ toward reporting on results achieved as compared to agreed expectations, highlighting practical constraints and willingness to improve in the light of experience (Leclerc, 1996).

4. UNDERSTANDING THE DYNAMICS OF FINANCIAL MANAGEMENT

Because organizations are dynamic, financial management decision making takes place within the context of the dynamics surrounding the organization and includes the associated financial risks. The focus of financial management is thus strongly towards an awareness of the environment in which we operate. It is therefore imperative that the types of decisions which are made are informed by a deep understanding of the principles of financial management. Financial management is an integral part of management and is made up of a number of distinct processes that happens in a cyclical way (Jackson, 2006). Thus information of a financial nature is constantly being fed by the system applied. It is therefore important that managers analyze and interpret these financial reports generated by the financial management system to make informed decisions for the organization. This also requires efficient and effective support from the finance division of the organization. Financial management is the process whereby one plans how one optimally uses ones income (Marshall, 2007). It is when decisions around expenditure can be justified as supporting the core objectives of the organization. Clearly, financial managers must not be parochial, and

have a global view of the and what it hopes to achieve. It implies about supporting the strategy through funding, so that value is added to the organization. It implies a shift from just managing the purse in a parochial way, as many financial managers do. By the same token, non-financial managers need to understand issues of finance, especially the principles of efficiency, economy and effectiveness, so that they operate within fiscal reality. If this meeting of perspectives is done, the often antagonistic and confrontational relationship that exists in organizations between the financial and non-financial managers can be improved. The South African Public Service has yet to achieve this (Management Accountability Framework, 2005).

- Financial management includes:
- financial planning and budgeting;
- financial accounting;
- financial analysis;
- financial decision-making; and action.

Financial Planning Is About:

- Making sure that the organisation can survive;
- making sure the money is being spent in the most efficient and effective way (value for money);
- making sure that the money is being spent to fulfil the objectives of the organisation; and being able to plan for the future of the organisation in a realistic way.

The Constitutional Court follows the following basic processes when mapping it's financial plan (Davie, 2002):

Process	Description
Financial Planning <ul style="list-style-type: none"> • Budgeting • Setting targets for monitoring and evaluation 	Assessing the current resource position, linking resources to operational plans and determining a budget- <ul style="list-style-type: none"> • Drawing up a budget which will guide how money is spent in order to achieve the goals set. • Setting targets for revenue and expenditure. • Setting targets for efficiency and equity.
Resource allocation	Allocating resources across sections or divisions within an organization.
In-year management Operating, monitoring, and safeguarding	<ul style="list-style-type: none"> • Ensuring that funds are spent according to the financial plan and according to the norms and standards set by Treasury or Government Regulations and Prescripts. • Making sure that there are good internal measures and monitoring that these are applied.
Evaluation: Reviewing and reporting	<ul style="list-style-type: none"> • Linking expenditure to service outputs and analyzing with respect to equity, efficiency and sustainability. • Drawing up an annual report. • Identifying key strategic issues for next annual Strategic/Business Plan.

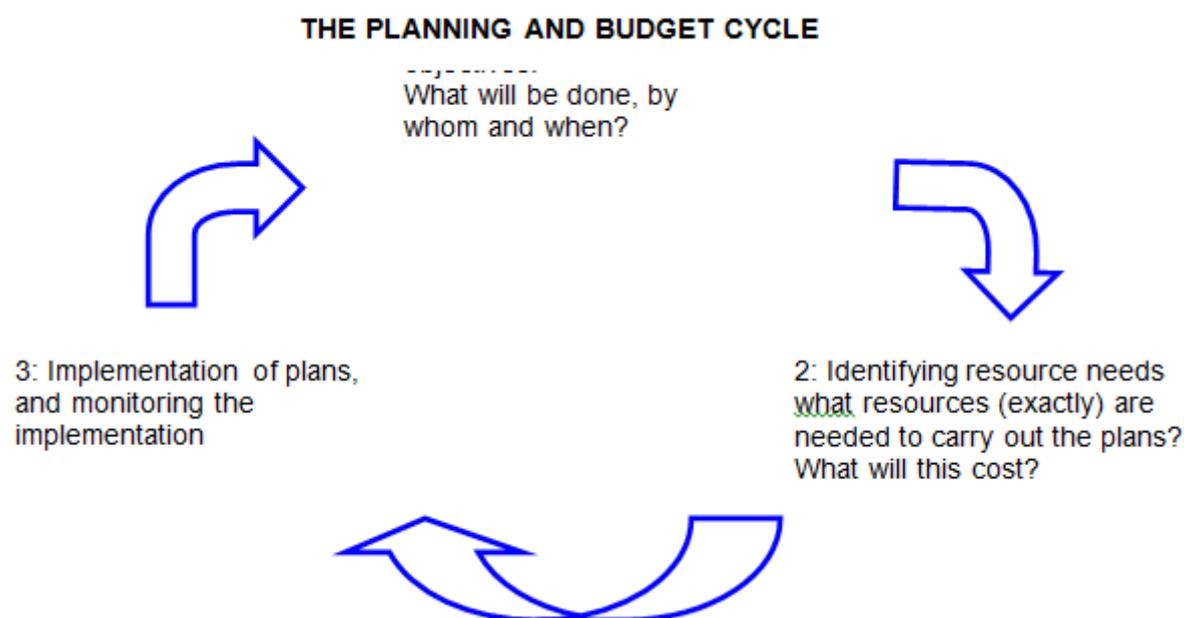
In the past the management of services and finances happened separately from each other. This is now changing in an intergraded management approach. Integral to effective management is the use of monitoring and evaluation to improve processes.

5. BUDGETING

The manner in which government's budget is prepared and the priorities which such a budget supports are considered an important indicator through which to assess the growth and development path of a country. Similarly, the Constitutional Court identifies it's key budgetary areas from the DOJ&CD's strategic plan which in turn informs the strategic plan of

the Constitutional Court (Davie, 2002). It is of utmost importance that the Constitutional Court aligns its operational plans to that of the DOJ&CD's strategic plan in order to give effect to the vision of the DOJ&CD which is access to Justice for all. As you are all aware a budget is a financial plan drawn up for the purpose of managing financial resources properly. An organization must have a set policy about the budgeting process which should address the following questions (Hupkes, 2006):

- Who is **responsible** for the process?
- Who will **draft** the budget?
- Who will be **consulted** in drawing up the budget?
- **When** should the budget process start?
- Who will **approve** the budget?
- **How** will the budget be **monitored** and controlled?



A budget is a plan in financial terms that extends for a period in the future. It forms part of the broader process of planning. Budgets are useful for the following reasons (Hupkes, 2006):

It forces management to plan thereby reducing the number of opportunities for “off the cuff” decision. If the budget process is effective, staff may feel motivated to work hard to achieve both strategic and operational objectives. It allows managers to control business activities by comparing actual outcome to the budget. It provides a basis by which performance can be measured.

I think most of you would agree that the starting point of most budgets is the actual results for the present period. After examining the recent costs and revenue, these amounts are adjusted for changes that are expected in the following period. Budgets are often prepared for a budget period of one year and this is called single-period budget. However, the budget period can extend over a shorter or sometimes longer period. It is imperative that all budget submissions are well motivated, supporting the key deliverables of an organization and has sufficient detail to enable the accounting officer to assess the overall budget submission and approve the same.

6. CONCLUSION

In conclusion ladies and gentleman, I take this opportunity to thank all of you for your attentive audience. In conclusion, I wish to extract a few issues from this paper that we may need to ponder on as we go into the next decade. Firstly, the demand for our services is likely to increase, in part due to a greater public awareness about their rights, and exercising these through legal processes. The demand is also likely to increase as our citizenry get more aware due to the high level of promotional work done on rights, obligations and governance. Secondly, we do not have much discretion to choose what we deal with and what we do not – all matters are important. This means that our existing resources will continue to be stretched to the limit. Finally, our skills as financial managers will be tested as we meet our Constitutional obligations – dispensing justice, against limited financial resources. We would have to work more economically and efficiently, whilst trying to be effective. The realization of the democratic dream lies on whether people are treated with dignity and fairly, and whether they are able to experience tangible change through a working democracy. Central to all of this is the Constitutional Court and other courts that ensure that personal status and power does not stand in the way for the equal dispensation of justice. As you would note, the last decade has been a busy one for both the public and private sector. This is because we live in an age of increasing change, meaning that the landscape for doing business is ever changing and the quest is that organizations want to ascribe to good governance, sound financial management and effective and efficient leadership, but recognizes that the debate on balancing financial performance and conformance is one that is to be faced daily in the attempt of remaining four runners in enhancing quality service delivery to the Judiciary you serve.

References:

1. Accountability Measures: Report of the Secretary General (UN Doc # A/61/546), 2006, 8pp.
2. Accountability Officers of the Western Australian Parliament: Accountability and Independence Principles, Perth, Western Australia: Commission for Public Service standards, Nov. 2006, pp.14pp
3. Davie T and Pain B (2002) Busniss Accounting and Finance, First Eddition, McGraw – Hill: UK
4. Financial Management Accountability in Departments and Agencies, Ottawa: Treasury Board Secretariat, 1991, 5pp. <http://www.tbs-sct.gc.ca/ia-vi/>
5. Hupkes, E., Quintyn, M., and Taylor, M.W., Accountability Arrangements for Financial Sector Regulators, Washington: International Monetary Fund, (Economic Issues Series # 39), 2006, 23pp.
6. Internal Control – Integrated Framework, USA: Committee of Sponsoring Organizations (COSO) of Treadway Commission, 1992 (www.aicpa.org)
7. IPSAS Handbook 2007, New York: IFAC, 2007, 1074pp.
8. Leclerc, G., Moynogh, W.D., Boisclair, J-P, Hannson, H.R, Accountability, Performance Reporting, Comprehensive Audit – An Integrated Approach, Ottawa: Canadian Comprehensive Auditing Foundation, 1996, 381 pp.
9. Jackson S. and Sawyers R (2006) management Accounting International Student Edition, Thomson Sourth – Western: Singapore.
10. Marshall D.H. MCmanus W.W and Viele D.F (2007), Accounting: What the number means, Seventh Edition, McGraw – Hill: New York
11. Management Accountability Framework, Ottawa: Treasury Board Secretariat, 2005, 7pp. <http://www.tbs-sct.gc.ca/ia-vi/>