



CONTROLLING AND BENCHMARKING IN PUBLIC UTILITIES

Assistant Prof., PhD. Sanda Nastić- presentation

CHAPTER 32 – FINANCIAL CONTROL

- “Public Internal Financial Control is comprehensive system which is established to provide management, control, auditing and reporting of the public budget, including EU funds.
- This system encompasses good financial management, financial and other controls, that ensure compliance with regulations and economy, efficiency and effectiveness in carrying business.”

Benefits arising from compliance with the provisions of Chapter 32

- Better, more efficient and responsible public expenditures at the national and local level
- Strategic planning of finance
- More control mechanisms
- Independent supreme audit institution
- Combating irregularities and frauds in dealing with the financial resources

CONTROLLING and INTERNAL AUDIT

- Internal audit- are the company's objectives and policies in compliance with the internal audit standards and applicable laws
- Goals of controlling are related with the measurement of performance and efficiency of business, as well as detecting of deviations in an early stage, correction and improvement of business results throughout the year.
- With the improved results and corrected errors and mistakes, the results of internal audit are upgraded.

DEFINITIONS

Controlling may be defined as follows:

- as comparing planned and implemented,
- as a business area encompassing planning, control, information sharing and reporting
- as an approach according to which controlling is considered as influencing the behaviour of others to secure successful business.

ESSENCE

- In order to apply planning decisions and determine whether business activities are performed in line with business plan, it is necessary to have in place both planning and controlling processes.
- If it is found out during the controlling process that business activities do not fully comply with the plan, the utility managers shall decide which *corrective actions* are to be taken.



CONTROL AND CONTROLLING

- Control and controlling are not identical processes,
- Control is only a sub-system of controlling and constitutes its important part
- Controlling includes factors affecting financial results
- Controlling is an important management function

CONTROLLING FUNCTIONS

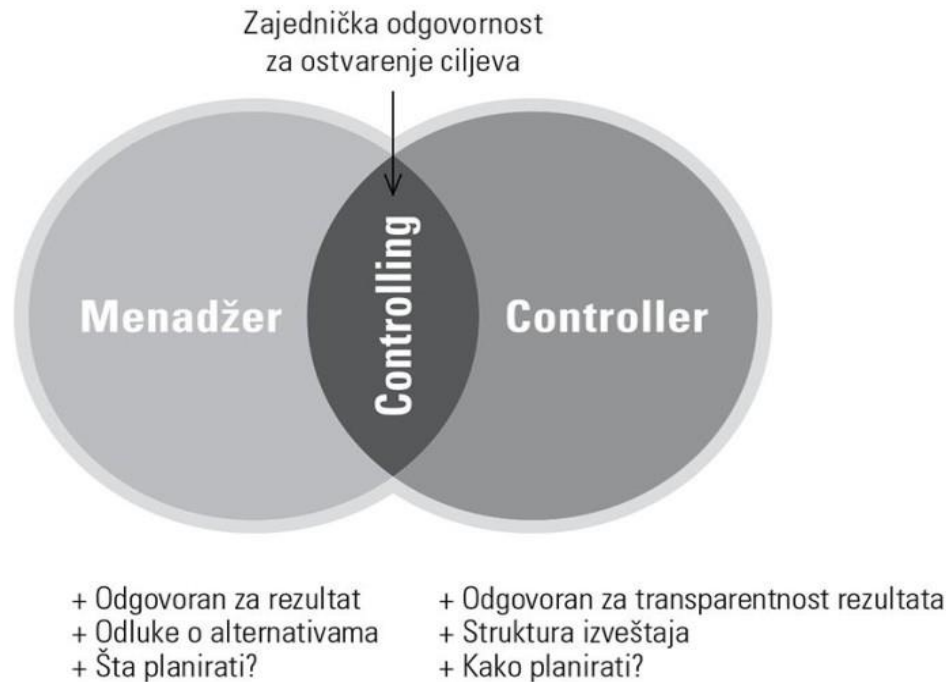
1. Planning performance and business results,
2. Monitoring and measuring achieved results,
3. Establishing deviations from the planned results and performance efficiency,
4. Analyzing causes and consequences of deviations,
5. Regular management information sharing and reporting,
6. Corrective actions



CONTROLLING AND MANAGEMENT

- Controlling and management are interdependent functions having common responsibility, that is, *achievement of defined objectives*.
- Management consists of planning, organizing, human resources management and management control.
- Controlling connects all these stages in order to support their harmonization and attain enhanced overall performance.

CONTROLELR AND MANAGER



CONTROLLING STAGES

1. Analysis of current state,
2. Problems definition,
3. Analysis of available data and information,
4. Selection and application of the controlling method,
5. Proposal for corrective measures and actions,
6. Management reporting and
7. Forecasting the future events.

TYPES OF CONTROLLING

1. ABC analysis
2. Break-even analysis -break-even diagram
3. EBITDA
4. KPI analysis
5. BSC- Balanced scored card (complement with KPIs)

ABC ANALYSIS

ABC analysis aims to draw decision-makers' attention on the critical problems *significantly affecting goals achievement*.

The items under Class A are subject to greater continuous planning and control. The items under Class C are considered the least valuable ones, while B-items are the interclass items.

ABC analysis is a very important tool, that may be used in material management, production, marketing and sales.

ABC- suppliers classification

1. A suppliers- represent approximately 75% of the total spend of the company, but represent 5% of the total number of suppliers.
2. B suppliers – represent 20% of the total number of suppliers and about 20% of the total spend,
3. C suppliers - 75% but only 5% of the total spend.

BREAK-EVEN ANALYSIS

Starting point is the *overview of both fixed and variable costs*, and their impact on the revenue of the company. In that way we can see what is the minimum sales required, i.e. what is the critical sales volume required to cover total costs, with no profit or loss.

BREAK-EVEN POINT

Break-even point can be calculated by means of realized revenue, fixed and variable costs using the following formula:

$$\text{Break } \square \text{ even point} = \frac{\text{Fixed costs}}{1 - \frac{\text{Variable costs}}{\text{Earned revenue}}}$$

Break-even point. This information tells us that by increasing the revenue, the company moves to the profit zone, and by decreasing the revenue, it moves to the loss zone.

EBITDA

EBITDA shows how much OPERATING CASH is generated.

EBITDA is an abbreviation for:

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA is translated into Serbian as “Profit pre nego što se oduzme kamata, porez na dobit i amortizacija”.

EBITDA is calculated from the Income Statement and Profit and Loss Statement.

EXAMPLE

Two firms have the same loss (-6). However, firm A has better OPERATIONS (EBITDA is positive, operating profit is positive). Firm A has problems with the banks, but it is a financial issue.

Firm B is faced with the business operations problems, negative EBITDA, negative operating profit. Shortly, it is encountered with OPEX (operating expenses) issues and must pursue business „optimization and rationalization“.

KPI-Performance management

- Performance indicators are specifically defined indicators used to monitor the desired results of the organization.
- KPIs are positioned at all levels of the organization and are a prerequisite for timely decision making.
- 90% of successful companies apply KPI model through an integral concept of strategic maps and list of harmonized goals.
- Defining of performance indicators is preceded by the setting of the system of planning and reporting.
- Result of performance measurement are reports of specific form and frequency, based on which decisions are made

ADVANTAGES FOR UTILITIES

Key performance indicators can be defined:

- at all levels of the organization: from the job function level, level of smaller organizational units (services and departments), to the divisions, top management and organization as a whole.
- for processes being performed through several organizational units
- in addition to financial performance indicators, KPIs include non-financial performance indicators.
- trends- what results can be achieved in future

KPIs can be:

- quantitative – indicators that can be presented with numbers and percentage (e.g. collection rate);
- qualitative- drinking and waste water analyses;
- financial (income, expenditures, EBIT, EBITDA..);
- non-financial;
- directional – showing areas for improvement in the organization and higher-quality decisions;
- critical– showing errors and deviations from plan

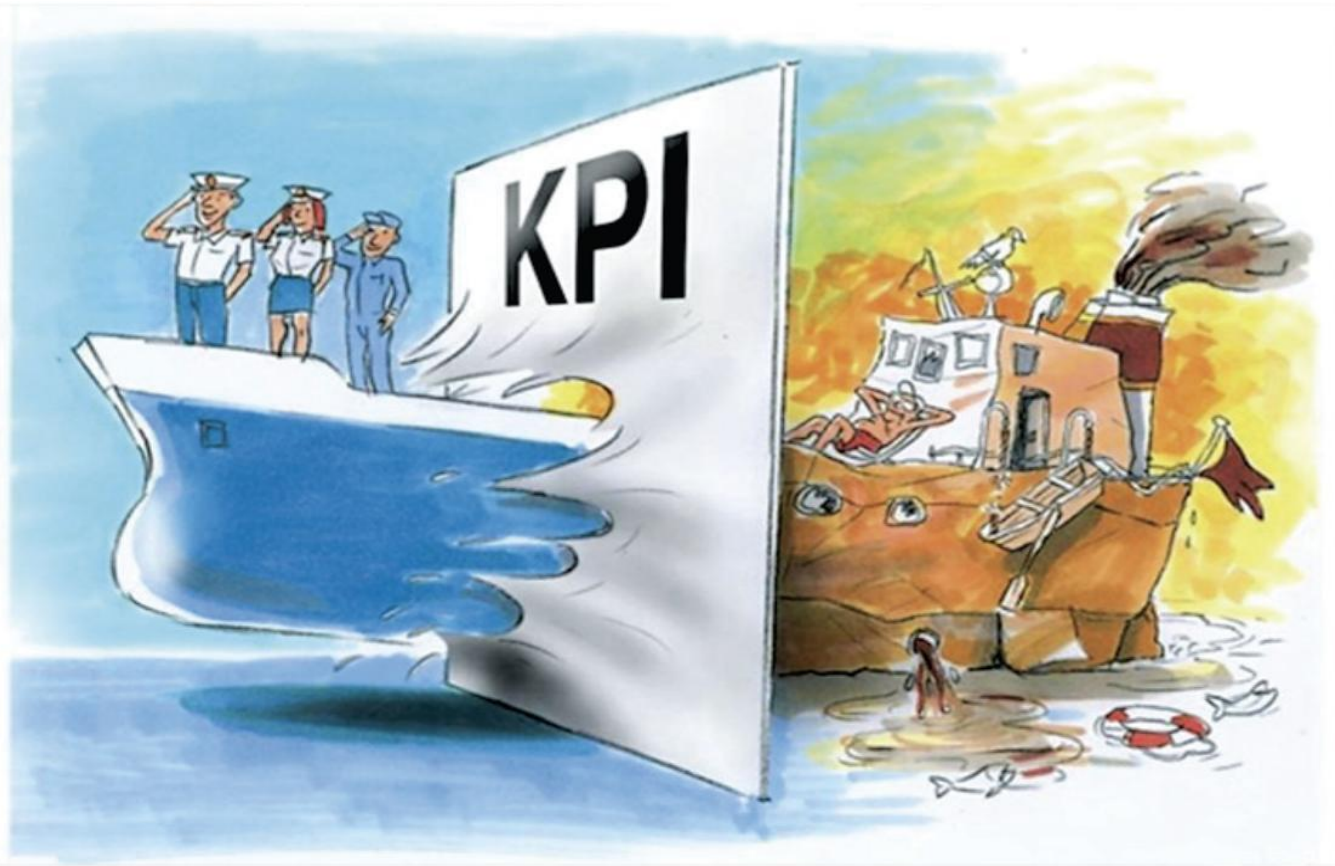
KPIs and Benchmarking

- Majority of indicators in KPIs coincide with EBC,
- Performance is controlled on a monthly basis,
- Deviations are detected on time,
- Corrective actions are taken,
- Corrected and „rectified“ annual results are entered in the EBC application,
- Time savings, better business results and higher data quality for EBC

PREGLED INDIKATORA ZA JKP "VODOVOD I KANALIZACIJA" ZA PERIOD JANUAR - JUN 2016. GODINE

Naziv indikatora i odnos indikatora	April	Maj	Jun	April - jun	Januar - jun
Potisnuta voda u m³	2,611,948	2,692,072	2,704,671	8,008,691	16,088,400
Plan potisnute vode	2,790,000	2,790,000	2,890,000	8,470,000	16,640,000
%	93.62	96.49	93.59	94.55	96.69
Ukupna potisnuta voda u m³	2,611,948	2,692,072	2,704,671	8,008,691	16,088,400
Fakturisane količine u m³	1,941,402	1,938,911	2,003,473	5,883,786	11,610,828
gubitak u m³	670,546	753,161	701,198	2,124,905	4,477,572
Gubitak u m³	670,546	753,161	701,198	2,124,905	4,477,572
Potisnuta voda u m³	2,611,948	2,692,072	2,704,671	8,008,691	16,088,400
gubitak u %	25.7	28.0	25.9	26.5	27.8
Broj zamenjenih vodomera	226	123	225	574	1,447
Ukupan broj vodomera	64,469	64,535	64,601	64,601	64,601
%	0.35	0.19	0.35	0.89	2.24
Broj zamenjenih vodomera	226	123	225	574	1,447
Plan zamene vodomera	39	33	35	107	186
%	579.49	372.73	642.86	536.45	777.96
Broj overenih vodomera	312	444	1,080	1,836	5,156
Plan overenih vodomera	9,000	9,000	9,000	9,000	9,000
%	3.47	4.93	12.00	20.40	57.29
Broj očitanih vodomera	45,399	43,359	46,880	45,213	45,213
Ukupan broj vodomera	64,469	64,535	64,601	64,601	64,601
%	70.42	67.19	72.57	69.99	69.99
Broj izgrađenih priključaka	26	23	25	74	113
Ukupan broj priključaka - vodomera	64,469	64,535	64,601	64,601	64,601
%	0.04	0.04	0.04	0.11	0.17
Broj havarija na vodovodnoj mreži	53	46	46	145	275
Ukupna dužina vodovodne mreže (km)	897	897	897	897	897
havarija/km	0.06	0.05	0.05	0.16	0.31
Rekonstrukcija vodovodne mreže - ostvareno (m)	280	410		690	690
Rekonstrukcija vodovodne mreže - planirano (m)	9,870	9,870	9,870	9,870	9,870
%	2.84	4.15	0.00	6.99	6.99
Izgradnja vodovodne mreže - ostvareno (m)	670	600		1,270	2,070
Izgradnja vodovodne mreže - planirano (m)	8,530	8,530	8,530	8,530	8,530
%	7.85	7.03	0.00	14.89	24.27
Fakturisane količine otpadnih voda	1,561,108	1,534,120	1,570,711	4,665,939	9,368,731
Planirane količine otpadnih voda	1,660,000	1,690,000	1,750,000	5,100,000	9,950,000
%	94.04	90.78	89.75	91.49	94.16
Izgradnja novih priključaka kanalizacije	1	2	5	8	15
Plan izgradnje novih priključaka kanalizacije	100	100	100	100	100
%	1.00	2.00	5.00	8.00	15.00
Sanirane havarije (na mreži, na priključcima, na šahtovima, na atmosferskoj kanalizaciji)	21	10	16	47	63
Sanirane havarije - plan	215	215	215	215	215
%	9.77	4.65	7.44	21.86	29.30
Rekonstrukcija kanal. mreže - ostvareno (m)	0	0		0	0
Rekonstrukcija kanal. mreže - planirano (m)	7,370	7,370	7,370	7,370	7,370
%	0.00	0.00	0.00	0.00	0.00
Izgradnja kanalizacione mreže - ostvareno (m)	4,784	5,120		9,904	19,078
Izgradnja kanalizacione mreže - planirano (m)	15,620	15,620	15,620	15,620	15,620
%	30.63	32.78	0.00	63.41	122.14
Naplaćeno u valutnom roku JKP "VIK"	14,774,684.58	25,591,428.34	24,186,175.87	64,552,288.79	149,904,514.43
Fakturisana realizacija	89,338,407.20	86,448,804.07	92,926,312.65	268,713,523.92	520,609,419.95
%	16.54	29.60	26.03	24.02	28.79
Naplaćeno u valutnom roku JP "INFORMATIKA"	41,073,312.87	36,951,987.96	44,421,791.36	122,447,092.19	243,831,834.27
Fakturisana realizacija	127,463,960.19	129,224,544.86	131,527,717.49	388,216,222.54	774,100,077.27
%	32.22	28.60	33.77	31.54	31.50
Ukupno naplaćeno u valutnom roku	55,847,997.45	62,543,416.30	68,607,967.23	186,999,380.98	393,736,348.70
Fakturisana realizacija	216,802,367.39	215,673,348.93	224,454,030.14	656,929,746.46	1,294,709,497.22
% naplate u valutnom roku	25.76	29.00	30.57	28.47	30.41
Mesečna naplata	187,346,190.00	232,705,482.00	192,917,001.00	612,968,673.00	1,205,013,235.00
Mesečna fakturisana realizacija	216,802,367.39	215,673,348.93	224,454,030.14	656,929,746.46	1,294,709,497.22
Učešće mes.naplate u mes.faktur.realiz.(%)	86.41	107.90	85.95	93.31	93.07
Knjižna odobrenja	1,570,614.49	2,032,282.75	2,457,027.36	6,059,924.60	12,996,393.89
Fakturisana realizacija	216,802,367.39	215,673,348.93	224,454,030.14	656,929,746.46	1,294,709,497.22
%	0.72	0.94	1.09	0.92	1.00
Investicije iz sredstava EIB - ostvareno	0.00	0.00	0.00	0.00	124,093,540.84
Investicije iz sredstava EIB - planirano	266,703,746	266,703,746	266,703,746	266,703,746	266,703,746
%	0.00	0.00	0.00	0.00	46.53
Kapitalne subvencije - ostvareno	35,361,694.37	23,968,332.73	2,860,257.41	62,190,284.51	97,758,935.61
Kapitalne subvencije - planirano	296,216,371	296,216,371	296,216,371	296,216,371	296,216,371
%	11.94	8.09	0.97	20.99	33.00
Tekuće subvencije - ostvareno	0.00	0.00	0.00	0.00	0.00

Controlleri trebaju da rade svoj controlling





**THANK YOU FOR YOUR
ATTENTION!**

Dr Sanda Nastić