Management Accounting in European Affairs: a Memorandum Methodology for Formalize Audit Evidence

Stefano de Nichilo*

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Abstract

The research investigates the interplay of sustainable tourism, management accounting, monitoring, destination life cycles and stakeholder involvement. Management techniques are considered critical to the sustainable stewardship and competitiveness of tourism destinations in European business agricultural investments. The importance of tourism management and monitoring in destinations and organizations is particularly highlighted through an explanation of sustainable tourism indicator systems such as that created by the European Commission. Systems such as this will help position Europe as the leading sustainable tourism destination in the world both now and in the future. Consequently, the sustainability of tourism is now much broader that just environmental considerations. It is commonly considered to be comprised of the three pillars: the environment, the economy and the community. Much of corporate finance takes a particular financial architecture as its reference: the equity company with listed shares and relatively easy access to financial markets. But there are other ways to organize and finance business activities. The forms of ownership, control and financing can vary widely worldwide. In this article we will describe some of these differences. Companies collect liquidity through financial markets, but also through public grants.

Keywords: European Funds, Management Accounting, Organization Settings, Smart Tourism, Sustainable Destinations, and Tourism Management and Monitoring.

* Lettore Università degli Studi di Cagliari. stefanodenichilo1985@gmail.com

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Sommario

Contabilità direzionale negli affari europei: una metodologia per memorandum per formalizzare Audit Evidence

La ricerca indaga l'interazione tra turismo sostenibile, contabilità gestionale, monitoraggio, cicli di vita delle destinazioni e coinvolgimento delle parti interessate. Le tecniche di gestione sono considerate fondamentali per la gestione sostenibile e la competitività delle destinazioni turistiche negli investimenti agricoli delle imprese europee. L'importanza della gestione e del monitoraggio del turismo nelle destinazioni e nelle organizzazioni è particolarmente evidenziata attraverso una spiegazione dei sistemi di indicatori del turismo sostenibile come quello creato dalla Commissione Europea. Sistemi come questo aiuteranno a posizionare l'Europa come la principale destinazione di turismo sostenibile nel mondo sia ora che in futuro. Di conseguenza, la sostenibilità del turismo è ora molto più ampia delle sole considerazioni ambientali. Comunemente è considerato composto da tre pilastri: l'ambiente, l'economia e la comunità. Gran parte della finanza aziendale prende come riferimento una particolare architettura finanziaria: la società di azioni con azioni quotate e un accesso relativamente facile ai mercati finanziari. Ma ci sono altri modi per organizzare e finanziare le attività aziendali. Le forme di proprietà, controllo e finanziamento possono variare ampiamente in tutto il mondo. In questo articolo descriveremo alcune di queste differenze. Le aziende raccolgono liquidità attraverso i mercati finanziari, ma anche attraverso sovvenzioni pubbliche.

Parole chiave: Fondi Europei, Contabilità di Gestione, Impostazioni dell'Organizzazione, Turismo Intelligente, Destinazioni Sostenibili e Gestione e Monitoraggio del Turismo.

1. Introduction

Management accounting has a peculiar function with the broader accounting discipline. "Management accounting is concerned with the provision of information to people within the organizations to help them make better decisions and the improve the efficiency and effectiveness of existing operations" (Van der Stede, 2015). The peculiarity of management accounting is that it is a science dealing with decision-making, whereas the remaining part of accounting is basically the science of reporting accounting information (Power, 2009). This paper shows the growth of academic and professional interest in management accounting and how the main features of this phenomenon have developed over the last century.

In the last decades, system for sustainable management of destination have been developed worldwide. Sustainability has also grown in importance and consideration, spreading the culture of preservation and attention to the natural, cultural and social environment. The necessity to manage and control tourism and impacts at the local level (Hannan, Freeman, 1977) has attracted attention to the basis of the tourism phenomenon: geographic areas defined by administrative boundaries that are perceived in the market through a specific image. This is the concept of the destination. Destination is represented in this paper as a unit of analysis, and its characteristics, literature definitions and aspects of investigations are highlighted within.

The postmodern period of management accounting was encouraged by the development of information technology and the view of the organization as a complex set of interdependencies and relationships. Management accounting (Hopper, Bui, 2016) was finally recognized as an instrument for improving strategic management, while management accounting textbooks started dealing with strategic issues. Within a dynamic and competitive environment, in a business world of fast and cheap information flow, management accounting had to solve the problem involving the flexibility and competitiveness of production, while the academic discussion moved onto the question of how to implement management accounting systems in a such a complex and uncertain environment.

The research paradigm followed in the study can be considered interpretative; the destinations represent a composite reality in which it is possible to address observation, investigation and possibly develop and define concepts for future evolvement in the fields.

Management accounting (Van der Stede, 2011) is nowadays at a turning point, as pressures from outside call for increased disclosure of information, which "before was mainly relegated to internal decision making" (Power, 2007). Moreover, when the crisis happened, due to constrained finance, firm faced the issue of rethinking their decisions, sometimes including their strategic decisions, and "had to set their budgets aside at worst, or revise them at best" (Palermo, Van der Stede, 2011). The way of doing management accounting had to change in order to adapt to the changing environment, using more flexible approaches to decision-making and planning.

Tourism destination are complex systems that evolve overtime. In the dynamic of tourism demand and supply evolution, destinations can either encounter prosperity or decline. Which type of development is appropriate for destinations? This is the general enquiry the study has considered in its initial formulation, based on the recognition of mass tourism as one of the global change syndromes (Gordon, Narayanan, 1984). Following the recent EU sustainable development strategy, the answer seems to be included in one word: sustainable. How can destinations became and remain sustainable over the course of their lifespan? A variety of managerial systems have been developed in the last decades, and specifically, tourism monitoring through indicator systems appears to be relevant.

Dealing with uncertainty represents a great challenge for business practitioners and academic researchers.

Today, management accounting should address the aims of control activities and the behavioral purpose of the discipline. Researchers and practitioners should acknowledge the need to mitigate organizational risks and fruitfully deal with a dynamic and turbulent environment, preventing, more than circumventing, situations of financial distress, and using the risk of default as a trigger for the development of the discipline in times of crisis.

International acknowledgement of the importance of the environment and its related issues and the relevance to tourism management are stated in the core message of the Brundtland report, "Our common future". This document can be considered a main justification for declarations of political commitment to the environment. The key concept in this report is the compromise between present and future developments in order to preserve the primary resource of tourism: the destination. It is indicated that policy directions should aim to follow a sustainable path in development patterns. Currently, the concept of preservation of the environment has evolved in different aspects of sustainability: eco-systems and biodiversity; cultural identities and traditions; incomes and employment; as well as tourists satisfaction, and need to be guaranteed for the health and wellness of destinations in a long-term perspective.

Awareness of the existence and seriousness of issues is important in order to control their effects and manage them. The top management team should be able to perceive problems as soon as possible because early detection may mean that the resolution of issues is less expensive and less dangerous.

Adequate management accounting systems (Galbraith, 1973) may be useful for detecting issues at an early stage and informing the management about the feasibility of any financial or economic inconvenience before it develops into an important risk and captures the attention of key stakeholders.

Following the previous considerations, the research questions this study aims to answer are:

a) Which kind of managerial tools allow destinations to preserve the current natural heritage to guarantee the conservation for future generations?
b) Are these managerial tools effective for sustainable management of tourism in destinations as to ensure the future existence of destinations?

The underlying hypotheses of this study are: first, the effective management of tourism impacts in destinations requires adequate indicator systems;

second, the effectiveness of indicator systems rely on destination stakeholders' commitment; and third, that sustainability, area life cycle, and governance are intrinsically related in destinations.

Dealing with uncontrollable event is one of the most difficult areas of activity for management accountant, as it involves the risk of attributing responsibilities for uncontrollable outcomes.

In general, uncontrollable factors have a distorting effect on the management accounting system, which should be considered during the programming phase by weighting such risky eventualities separately. Moreover, at the time of measuring performance, the distorting effect of uncontrollable factors should be removed in order to better address the responsibilities.

Merchant (2012) categorized uncontrollable factors into three main group, which should be differently considered in the management accounting system. Uncontrollable factors may be caused by:

a) Economic performance (Return on Equity);
b) Force majeure (Openness to Institutional Finance);
c) Interdependencies.

Uncontrollability effects economic and competitive factors, making their measurement and prediction less reliable. This group of uncontrollable situational factors includes any economic and political events, such as a change in customers' tastes or competitors' action, business cycles and changing regulations, which can heavily affect a firm's cost management system. These event are not immediately controllable by the management, but their consequences for the firm can be partially controlled, as the management can prevent or moderate their effect with some specific policies, they can anticipate a change in customers' tastes through appropriate marketing campaigns. Hence, an appropriate management accounting system should charge the management with the responsibility of economic and competitive factors, as responding to such changes is an important component of the management's job description.

Totality unexpected force majeure events may dangerously impact profits. They include acts of nature, acts of man, acts of law, which are completely unpredictable and unreasonable, a hurricane, a dormant volcano explosion or a terrorist attack. For same businesses, the unexpected may be partially expected, an unexpectedly rainy summer season may seriously endanger the tourist industry or same agriculture productions. Controllability of a portion of similar events is possible, using a protective insurance policy; and, even when the event is totally unpredictable and unreasonable, the management should recognize the issue early on and immediately manage it.

Interdependence between departments or between a firm and third parties may increase uncontrollability. Due to interdependence, the responsibility of achieving a target is not completely borne by one person, as the outcome depends on the performance of various units, as it a shared resource. The management of a division using that resource will be accountable for the rate of a pooled resource, which is charged to its division when negotiating the budget. Thus, the efficiency of this factor is not controllable ex post, but the management is able to approve its amount ex ante.

To answer these research questions and provide support for the related hypothesis, the methodology adopted in the study is inductive; overall, quantitative methods provide the core foundation for this research, as it is explained in the followings paragraphs.

2. Literature review: stakeholder theory framework for tourism analysis

The activity of internal auditors, and the processes and control systems they deal with, are not predicable ex ante and are depicted contingently, they cannot rely on a "one-size-fits-all" procedure, but need to be adjusted to the specific context of a specific firm at a specific time. That said, management accounting as a discipline is able to identify specific procedures, which can better match specifically defined situations in which the organization may be involved.

According to contingency theory (Fischer, 1995), situational factors (or contingent or contextual factors) influence the design of the management accounting system, while organizational performance and effectiveness depend on the quality of fit of the management accounting system, when designed ad hoc, and the specific situational factors that activated it. These characteristics of the discipline make it difficult to undertake big numbers-based empirical studies, as each organization is unique and the potential situational factors are infinite and nested with each other, while the effectiveness of the fit between the management accounting system and the situational factors is often not easily measurable.

To simplify the application of management accounting to practical issues, theorists have variously tried to categorize the situational factors.

The external environment and its level of uncertainty are relevant situational factors, related to change in the environment, which occur unexpectedly, such as the financial crisis of 2008. When the conditions under which the firm operates are more stable, the external environment will be considered as more certain.

On the contrary, dynamic conditions are the premise for an uncertain external environment (Eckles, Hoyt, Miller, 2014). It is documented that firms operating in a more stable and certain environment adopt a formula-based approach to the measurement of management accounting systems effectiveness, whereas firms operating in a dynamic and uncertain environment adopt a subjective approach to performance evaluation. In the current situation, a formula-based approach, which presupposes the meeting of targets, will easily fail if the uncertain dynamics of the environment make the targets inappropriate. Uncertainty is also correlated with the level of sophistication of the management accounting system, given that a certain external environment needs only internal, financial and historical information, whereas an uncertain external environment will require a more sophisticated management accounting systems, which can also gather information that is external, less finical and future-oriented, as well as generally requiring decentralization in the organizational (and decisional) structure (Chenhal, Morris, 1985).

The competitive strategy adopted by the firm is also a situational factor, which is able to shape the management accounting systems (Chapman, 2006). A low-cost competitive strategy will require a formula-based approach, requiring significant attention paid to cost control mechanisms and frequent and detailed quantitative reports on performance. On the other hand, a differentiation strategy will control costs less effectively and be mainly focused on non-financial measures of performance.

Finally attention on technology will also determine the appropriateness of the management accounting system, as formula-based approaches and process costings are able to measure the performance of process and mass production, whereas job costing are more relevant to batch production technologies.

The stakeholder theory is also employed to explain stakeholder relationship in business belonging to different sectors, including the tourism sector. The theory can contribute to regulating relationship between tourism actors at the destination level. In particular, the principles of the theory are considered more significant in the case of destinations involved in sustainable tourism development, due to the role stakeholders should play. Indeed, as described in previous paragraphs, international and European sustainable tourism organizations consider the involvement and the commitment of all stakeholders in planning and in the decision-making process at the destination level as a fundamental step in sustainable tourism development.

Many studies aim to identify stakeholder of tourism. Sautter and Leisen (1999), refer to workers, local enterprise, residents, tourists, public administrators, competitors, activists and international chains as the stakeholders involved in tourism planning at a destination level. Ryan (2002), considering potential stakeholders of an hypothetical tour operator in an hypothetical destination, identifies government, travel agencies, local administrators, accommodation enterprises, natural and urban environment, workers, brokerage houses and other special interest groups. Currie (2009) considers the Mitchel (1997) categories and identifies local indigenous enterprises as dormant stakeholders, fishing and sailing enterprises as discretionary stakeholders, the water managing authority as demanding stakeholders, governmental authorities as dominant stakeholders, tourism and accommodation enterprises as dependent stakeholders, environmentalists as dangerous stakeholders, and natural resources managing enterprises as definitive stakeholders. Byrd (2007) selects the current and potential community and tourists as the stakeholders principally involved in sustainable tourism development at the destination level.

Our study summarizes tourism stakeholders in three categories: tourism industry, community and environment. The tourism industry provides tourism services; the natural, cultural and urban environment represents the tourism attractions; and community includes residents, local governments, associations, and local authorities. Each category is characterized by different needs, aims and expectation, which are frequently conflicting. The tourism industry is interested in economic performance; the community aims to improve social and economic welfare; and environmental associations are committed to preserve natural and cultural resources.

According to the traditional approach, the interests of the three stakeholder groups are incompatible. For example, actions aimed at the maximization of business profits could cause damage on the natural environment. Expectations of workers could be conflicting with business profit objectives. Environmental associations and local authorities could conflict in the management of natural resources.

However, according to a different perspective, stakeholders interests can be considered complementary. In destinations focused on tourism development, and especially sustainable tourism development, business cannot pursue economic goal that negate the efforts to safeguard the natural and cultural environment. This is because natural and cultural attractions represent the core of tourism products and the most interesting destination features for tourists.

Their degradation entails a loss of destination value, a tarnished image, and other indirect negative consequence on the tourism industry.

For these reasons, the involvement and commitment of all destination stakeholders in planning and developing strategies is recommended to define joint and balanced actions in sustainable tourism development.

3. Research Design

3.1. Methodology

The research followed an inductive approach. According to general principles of the inductive methodology, knowledge is gathered from detailed observation of facts. In the process of induction, observations are the starting point of the research, which lead to abstract generalizations as the outcome of the study (Baltaretu, 2011). Compared to the deductive approach, the object of inductive research is not intended to test known theories but to build an abstraction.

In accordance with this approach, the research questions arose from a real experience: the involvement in international and European programs of tourism impact monitoring at the destination level. The direct participation in the programs brought her to reflect upon management and monitoring systems for sustainable tourism and their effectiveness in developing sustainability in tourism destinations (Buckley, 2012). Based on these considerations, the research questions and the related hypotheses were established, specifically deriving from two sources related to a scientific interest in sustainable tourism themes, and an in-field experience on the subject.

The research area of the study (Bocken, Short, Rana, Evans, 2014) has focused on sustainable tourism at a sub-national level; this subject explains the chosen unit of analysis destination. Research has been limited to the managerial aspect of sustainability through indicator systems (Baltaretu, 2011), involving stakeholders and the related organizations in the tourism sectors. Observations on the local destination context, including the implemented sustainable tourism initiatives, the level of tourism development, the stakeholder's management skills and approach, etc., have deeply contributed to the current study (Berke, Conroy, 2000). This tries to investigate the possible relationships between tourism management and monitoring, progress in destination development, the stakeholder interest and involvement, and the level of sustainability in those territories.

After defining the purpose of the study, the research design was elaborated and methods were selected. The analysis is grounded in documents and direct observations. The research was developed into two phases.

The application of a specific sustainable tourism management and monitoring system for destinations was observed in the context of different case studies. The choice of this specific sustainable system was primarily determined as direct experience, observing the implementation of the program in one of the destinations selected by the international organization. Secondly, this experience allowed to develop an indirect knowledge of the other destinations involved in the program. The organization selected participants on the basis of their international significate in term of natural, cultural and social environment of the destinations and of image in the tourism market, and also of recognition of the sustainable tourism efforts in that territories.

A case study approach entails an intensive and in depth analysis of a single case. A case can be a location, a person or an organization. In particular, case study research is utilized when a case is characterized by complexity and particular nature. This research focused on case studies on international destinations that are currently involved in a sustainable tourism program. The destinations selected were evaluated by an internationally accredited organization according to recognized international criteria and indicators of sustainable tourism development. Data related to the destinations was collected through virtual documents.

3.2. Sample of checks

The verification sample submitted to the economic and financial investigation for the Community contributions European Fund for Regional Development (ERDF) has been certified by the auditing firm KPMG in the consultancy activities of the audit "audit support" certification year 2014-2015 of the provider Sardinia region. During the audit, a number of 88 files were "agreed" to be viewed, below the evidence of the selection on a systematic basis.

Tab. 1 - Sample detail

Measures under investigation	**% of the total**
1.1.1 Support for business sustainable research projects	22%
2.3.1 Strengthening the demand for ICT in smart destinations	30%
3.1.1 Aid for investments in machinery in agriculture business	35%
4.1.2 Installation of sustainable electricity production systems	8%
Other measures not suitable for our investigation	5%

Source: Our Elaboration

3.3. Modeling

This study aims to outline a modeling system to measure sustainability and the aggressiveness of requests for requests for ERDF community contributions.

As already mentioned, the first model measures the sustainability of the design and is formalized below. The dependent variable that measures the sustainability of the project is:

$$Openness\ to\ Institutional\ Finance(OIF) = \frac{Istitutional\ Finance}{Asset}$$

Tab. 2 - Framework and Hypotheses on modeling of sustainability

A_1	There is a positive association between ownership structure and the impact on institutional financial openness (Allen 2000).	(OS) $= \frac{control\ participation}{Total\ share\ capital}$
A_2	There is a positive association between public control and the impact on institutional financial openness (Hoshi 2001).	(PC) = Dichotomous variable (0/1)
A_3	There is a negative association between public finance coverage and the impact on institutional financial openness (Krahnen 2004).	(PFC) $= \frac{\text{Public finance required}}{Total\ share\ capital}$
A_4	There is a positive association between hedging with private finance and the impact on institutional financial opening (La Porta 1999).	(HPF) $= \frac{\text{private finance obtained}}{Total\ share\ capital}$
A_5	There is a positive association between Stakeholder Activism (private interest groups) and the impact on institutional financial openness (Becht 2003).	(SA) = Dichotomous variable (0/1)
A_6	There is a negative association between the average time line of the project and the impact on the institutional financial opening (Prowse 1995).	(ATL) $= \frac{\text{Time line project}}{Average\ debt\ maturity}$

Source: Our Elaboration

Tab. 3 - Descriptive statistics of independent variables modeling of sustainability

Variable	Mean	Std. Dev	Min	Max
OS	0,45	0,75	0,22	0,98
PC	0,28	0,87	0	1
PFC	1,59	1,25	0,11	3,75
HPF	0,45	1,35	0,11	1,01
SA	0,22	0,11	0	1
ATL	0,25	0,25	0,09	0,39

Source: Our Elaboration

Tab. 4 - Univariate analysis

Variable	OS	PC	PFC	HPF	SA	ATL
OS	1					
PC	0,01	1				
PFC	-0,2	-0,11	1			
HPF	0,05	0,01	0,07	1		
SA	0,02	0,11	0,02	0,05	1	
ATL	-0,08	-0,13	-0,1	0,01	-0,12	1

Source: Our Elaboration

This study aims to outline a modeling system to measure sustainability and the aggressiveness of requests for requests for ERDF community contributions. Hypothesis testing uses the following design sustainability research model:

$$OIF_{(1)} = \beta_0 + \beta_1 (OS) + \beta_2 (PC) + \beta_3 (PFC) + \beta_4 (HPF) + \beta_5 (SA) + \beta_6 (ATL) + \xi$$

As already mentioned, the second model measures managerial regression or management's ability to distract private finance for speculative purposes and public finance for the construction of business empires. The dependent variable of the second model that measures managerial aggression is:

$$Return\ on\ Equity\ of\ the\ project\ (ROEp) = \frac{Useful\ planning}{Own\ capital}$$

Tab. 5 - Framework and Hypotheses on managerial regression modeling

A_1	There is a positive association between managers' stock options and the profitability of the investment project (Shleifer 1997).	$(SO) = \frac{\text{Stock Option}}{Total\ equity}$
A_2	There is a positive association with the liquidation of management and the profitability of the investment project (La Porta 1997).	$(Liq) = \frac{\text{Liquidation report}}{Total\ equity}$
A_3	There is a negative association between management's personal guarantees and the profitability of the investment project (Rajan 2003).	(PG) = Dichotomous variable (0/1)
A_4	There is a negative association between corporate insider trading and the profitability of the investment project (Levine 1997).	$(IT) = \frac{\text{Insider Trading}}{Total\ Institutional\ Finance}$
A_5	There is a negative association between the distraction of public finance and the profitability of the investment project (Rajan 1998).	$(DPF) = \frac{\text{Distraction Public Finance}}{Total\ Institutional\ Finance}$
A_6	There is a positive association between tax and social security bonuses and the profitability of the investment project (Faccio 2002).	$(B) = \frac{\text{Bonus}}{Operating\ income}$

Source: Our Elaboration

Tab. 6 - Descriptive statistics of independent variables modeling of managerial regression

Variable	Mean	Std. Dev	Min	Max
SO	0,1	0,32	0,06	0,22
Liq	0,05	0,11	0,01	0,11
PG	0,35	1,25	0	1
IT	0,12	2,50	0,03	0,37
DPF	0,15	2,02	0,07	0,22
B	0,22	2,22	0,09	0,35

Source: Our Elaboration

Tab. 7 - Univariate Analysis

Variable	SO	Liq	PG	IT	DPF	B
SO	1					
Liq	0,01	1				
PG	-0,02	-0,01	1			
IT	0,06	0,05	0,01	1		
DPF	-0,05	-0,01	-0,07	-0,09	1	
B	0,2	0,12	0,09	0,15	0,05	1

Source: Our Elaboration

Hypothesis testing uses the following managerial aggression research model:

$$ROE_{(1)} = \beta_0 + \beta_1 (SO) + \beta_2 (Liq) + \beta_3 (PG) + \beta_4 (IT) + \beta_5 (DPF) + \beta_6 (B) + \xi$$

3.4 Results

The study analyzes the characteristics and determinants of the sustainability of investment projects that use ERDF Community contributions and the aggressiveness of managerial choices in the implementation of the same projects. First we see the results of the multivariate analysis of the sustainability model of the projects. Next we present the results of the managerial regression model.

Tab. 8 - Multivariate analysis of the sustainability model

Model 1	Coefficient	T Value
Intercepts	1,22	1,75***
OS	1,55	-1,09
PC	0,25	1,11
PFC	-1,07	2,22***
HPF	2,22	2,19
SA	0,22	1,29
ATL	-0,75	-1,19
R^2	0,38	

*, **, *** p-value at 0.10, 0.05 and 0.01
Source: Our Elaboration

Tab. 9 - Multivariate analysis of the managerial regression modeling

Model 2	Coefficient	T Value
Intercepts	1,88	1,55***
SO	3,2	2,22
Liq	3,5	2,88
PG	-2,2	-2.38
IT	-2,8	-2,15
DPF	-1,55	2,44
B	3,8	2,34***
R^2	0,58	

*, **, *** p-value at 0.10, 0.05 and 0.01
Source: Our Elaboration

Model 1 is significant (p value 0.01 level) and R^2 is 0.38.
The independent variable that has a significant result (level 0.01) is public finance coverage (A_3).
Model 2 is significant (p value 0.01 level), and R^2 is 0.58.
The independent variable that has a significant result (level 0.01) is the incidence of tax and social security bonuses (A_6).
An optimal solution for anticipating uncontrollable factors and mitigating their dangerous effect may be to rely on subjectivity.
Using objective performance measures can lead to the myopic decision to analyze only what is in the numbers and only what was predictable when those objective metrics for performance settled down, which implies the risk of overlooking the relevance of some factors that clearly impact on actual performance. Hence, subjectivity could should affect estimates, while forecasting and budgeting, at the time of control, may have consequential repercussions for the incentive system of the organization.
Subjectivity in performance evaluations unfortunately impose various criticalities. First, subjectivity is expensive, in terms of the time and resources required to assess the evaluation and to investigate the causes of any inefficiency in performance. Moreover, subjectivity creates ambiguity regarding its causes and the fairness of the procedure adopted in the evaluation, as the evaluation itself may be characterized by a series of biases.

4. Overall Conclusion: Discussion Management Issues

Subjectivity in performance evaluations unfortunately impose various criticalities. First, subjectivity is expensive, in terms of the time and resources required to assess the evaluation and to investigate the causes of any inefficiency in performance. Moreover, subjectivity creates ambiguity regarding its causes and the fairness of the procedure adopted in the evaluation, as the evaluation itself may be characterized by a series of biases.
All this reaffirmed, the models raise questions about how financial responsibility is interpreted and whether it depends on the quality of the audit reports or on the rooms in which they are discussed. This paper analyzes factors that explain the increased use of special reports by the Court of Auditors, such as accountability methodologies, wondering if they look like evaluation studies. Their training examines their impact, as well as the institutional use implicit in the performance audit (De Nichilo, 2020).
What factors and circumstances explain the increased use of special reports? The work demonstrates how the interpretation of the certification of community

funds has political implications and serves to promote its institutional interests in the battlefield to define "responsibility" and in what concerns it.

From an anthropological perspective, audit could traditionally be considered as "Rituals of Verification" (De Nichilo, 2019a), recognizing that "procedures and evaluation have social consequences in public management. However, performance brings a normative dimension to the concept of verification (De Nichilo, 2019b). Furthermore, the audit of the practices may often seem "banal, inevitable part of a bureaucratic process", but taken together and over time, they are probably part of a distinct cultural artefact.

Like the audit, the performance evaluation function is to allow accountability, but there is also an emphasis on collective learning. However, securing both can "run into several complications when applied in complex multi-actor political processes". Evaluation in the EU is often conducted externally, offered to various consortia of academics, researchers and consultants who respond to assess the performance of political programs. For the executive, its main purposes are: to contribute to the planning of interventions, including providing input to establish political priorities; assist in the efficient allocation of resources; improve the quality of the intervention; and report on the results of the intervention. This presupposes feedback in the political cycle, although theory does not always extend to practice.

Audit is therefore an essential part of evaluation in the EU, contributing to the realization of financial responsibility, but also, maintaining the institutional legitimacy of the decision-making system. In short, audit and evaluation are both key elements in the process of democratic accountability, but the question of what is accounted for and who is taken into account is central to the debate and in the EU.

Much of the accountability literature itself examines governance issues, be it decision-making and delegation, EU policy and decision-making mechanism, regulatory status, multi-level governance, executive power and bureaucracy. Financial responsibility is at the center of political responsibility and, however, issues related to financial management have been marginalized in school discussions on the EU.

If we look at what the Court claims for a "strong chain of responsibilities and audits", the focus is explicitly on the actor / forum as executor of "responsible practices". He recognized: a clear definition of roles and responsibilities; management's guarantee of achieving the political objectives; full democratic control; the existence of feedback circuits to allow corrective actions / improvements; a strong mandate for independent external auditing for auditing accounts, compilation and performance; and implementation of the audit recommendation and audit follow-up.

Audit and evaluation involve examining the development of policies, implementation procedures and their consequences to provide an assessment of the economy, efficiency and effectiveness of an entity or activity. The performance and responsibility processes socially involve the actors in the forums. From the sociological and discursive point of view of institutionalism, responsibility is "carried out" by the EU institutions, on paper and in meetings, each trying to define the standards of responsibility. Special reports offer the opportunity to "account" for EU policy and thereby "account" for the success or failure of the implementation of the Commission and the Member States.

Talking about a "chain of responsibility" means using an easy metaphor. In fact, multilevel institutional links with SAIs (Supreme Audit Institutions) need further strengthening, as do the Court's relations with other EU institutions. What about KPMG's audit work? Strong opinion issued.

When the risk of failure approaches the role of internal auditing, and control systems in general, it becomes more and more evident and serious (Birnberg, 2000).

New deals for management accounting, as academic discipline and as a professional tool, recently overcame the traditional vision of internal auditing activity, which today is also accountable to third parties.

The traditional accounting discipline was settle with the aims of disclosing information on the organization, moving certainty and reliability about business contracts towards the business community. The postmodern view of management accounting discipline clarifies that the certainty of contracts in the business community is hardly believable. The best way to maintain environmental uncertainty is to smooth over the information and the requisites for the accounting of failure. Accordingly, discussions on the organizational performance should move from statements of what happened towards projections on what will happen, supporting the reliability of traditional management accounting systems with a forward-looking strategy of "as-if" planning, thus evolving risks into opportunities.

When the financial performance of the organization deteriorates, some important decisions are urgently required. A sudden but effective action should change the trend and mitigate the financial pressure. Traditionally, responsibility for unsuccessful performance is attributed to the top management team by linking the roots of the crisis to unfortunate or inappropriate decisions made by executives, and to the willfully inefficient control exercised by non-executives.

Appropriate designing a management accounting system and related activities (Arena, 2010) may help to manage the financial pressure issues, although not every event is predictable and not every consequence of uncontrollable situational factors can be concretely mitigated.

Finally organizational should equilibrate the instruments adopted to control uncontrollable situational factors and adequately combine objective and subjective instruments for management accounting. Excessive reliance on objective performance metrics leads to business as usual, while new opportunities are missed out on. While, in business life nowadays, there is no room for demonizing objective metrics and relying on a purely subjective approach to evaluations, which would likely be affected by hidden pitfalls and side effects, there is a general call to avoid myopic evaluations and look at performance dynamically, with a continuous approach to management accountants' role as risk mitigators, while considering risks and financial distress as facilitators for turnaround activity, which is positively centered on innovation.

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