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DEVELOPMENT OF THE FINANCING MODEL FOR TOURISM OF LOCAL GOVERNMENTS IN THE FUNCTION OF THE PERFORMANCE AUDIT

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Abstract

The aim of this paper is to develop a procedural model of tourism financing in the function of an audit of the importance for the local governments financing and establishing a status that would support the development of the Republic of Serbia (RS). It is necessary to identify the requirements for the development of the mature model in the function of the performance audit that would contribute to the development of the RS through the development of local self-governments. Based on the requirements, different models of financing will be compared as well as the results based on the audit findings, in order to build a platform for the development of the model. Audit findings are used to measure a model that evaluates efficiency: spending funds in financing tourism, cooperation with local governments and compliance business objectives, results and contribution to RS development, which is the result of those measures. The research gives methodology faster objective estimation at lower costs.

Key Words: *tourist organization, local government, performance audit*
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Introduction

Citizens, the media and state institutions are interested in reducing public sector expenditures, as well as expenditures in the budget system. Very important thing is to find a model that will keep the funds for financing

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tourism under control and strengthen this purpose of the performance audit as well.

There are various types of controls, and what they have in common is their necessity. Control is necessary because it is very difficult to foresee the future of operations in any business, especially in the field of tourism. The more participants there are on the market and the quicker the information is acquired, the more efficient the market becomes (Tomić & Labović, 2013).

If one could anticipate things such as the hotel services market demand, general economic conditions, availability and resource costs, as well as human work and technological processes and innovations, the need for control would disappear. As the future events cannot be fully anticipated, the need for control should be completely transparent (Stanišić & Nikolić, 2009a).

Financial development plan

What is necessary for tourism organizations is to have their own plans for future sales. Various internal factors (unprofessional or inconvenient work of the hotel staff, inefficient advertising, etc.) and external factors (recession, competition activities) very often require the rewriting of such plans or their rebalance.

Only well organized controls can provide management in the tourism industry with timely information on the basis of which they will make an additional allocation of resources, make changes to the range of products / services, and, when necessary, make corrections of their plans.

The time needed for control is of great importance. If the control is executed on time, the management will prevent deviations from the planned (standard) activities and will prevent the mistakes from the previous period being repeated. If the control is performed before the start of a particular business event, management is in a position to remove all possible causes of improper functioning (Stanišić & Nikolić, 2009).

Since controls conducted before the start of a business event have their own advantages, controls that are carried out during the business process also have their own contribution, as they allow corrections on the spot. All these controls help the management to improve their control function at any moment.

The control cycle consists of three main parts:

1. Development of business standards,
2. Measurement and comparison of actual business activities according to the standard
3. Performing corrective measures if necessary (Stanišić & Nikolić, 2009c).

The plan (standard) of business represents the state of the future business that we tend to accomplish and is also determined by the goals of the organization as well as its planned efforts to achieve these goals. If standards are formulated more precisely (quantity, quality, costs, time), and not in general terms, statistical data will be used to obtain a more realistic picture of the management of the state of the organization.

Earlier results are valuable guidelines for the development of plans (standards).

Analyzing the information received and taking corrective measures represents the next very important phase. This phase involves summarizing the obtained results (volume of sales and other) from a particular part of the organization. After that is the phase of collecting the data of all the existing parts of the organization in order to make them summarize and determine the total sales volume for the entire organization. After this analysis, the operating costs (both the individual part and the whole organization) are examined and the amount of profit from sales is taken into account in order to compile the operating balance of the entire organization. This type of control system serves to collect and summarize data before undertaking corrective action.

Information on exemptions from the plans (standards) is in the part of the deviation from budgeted or standard business and serves the management to balance only the exceptions in the entire operation of the organization. Permanent control activity allows tourism to make the transition from the current state to the future situation easier, in accordance with the set goals.

Methods of budgetary control of the development of the financial development plan

There are various methods and techniques for controlling which managers rely on. They are necessary and they represent an instrument by which

performance is measured and evaluated. Control is needed in order to establish standards of behavior of individuals and also business standards. Controls are also the means by which the goal becomes more easily accessible, and their control assessments indicate whether the activity or process needs to be corrected in order to achieve the goal. The control plan is very important. The reason lies in the fact that plans provide the standards that are necessary for the manager to perform his control function. In addition, the results of the control activities lead to corrections and give the feedback so the cycle can be repeated (Stanišić & Nikolić, 2009d).

It is very important to establish the internal budget control, which is the central part of financial control. By creating numerical data, or budget for quantity and flow of resources, the manager creates a framework, or standard, according to which the actual business results will be evaluated (Stanišić & Nikolić, 2009).

The annual budget, as a sum of twelve-month plans, represents the organization's profit plan and contains all sources of revenue and all costs. They are the basis on which the management estimates the actual results of the business through planning and control functions.

Planning the operational budget is one of the most important activities in the organization, because without the drafting and adoption of the budget plan there are no financial transactions or settlement of liabilities. It is therefore very important that account holders of each sector in the organization take part in its creation, in order to be better motivated to implement the profit plan of the organization.

Budget plans are delivered to the departments to review them and, if necessary, make some corrections. A short statement of revenue for the next year is made and is given, together with the sector plans and supporting data, to general managers to assess the reality of revenue and expenditure objectives. Any additional updates and corrections are made by the general manager, the controller and the appropriate managers. The general manager's report mainly includes the following issues:

- competition,
- Economic and political conditions,
- unusual items,
- staff,
- equipment,

- prices,
- important achievements,
- cash flow (Stanišić & Nikolić, 2009e).

A review of the budget plan with the sector managers would be another useful control before its adoption. If there are some misunderstandings, it will again include the responsible sector managers until its final adjustments.

Responsibility for future plans

The question of the responsibility of the management role versus the responsibility of the audit role is based on the following:

- management's responsibility - since management is responsible for prescribing and implementing business documents in the organization as well as for the introduction and implementation of internal controls, for managing the business policy of the organization, at the same time is also responsible for the implementation of the financial plan;
- The responsibility of the auditor - the auditor, and especially the internal auditor, can undoubtedly contribute to the detection and prevention of criminal acts and illegal activities, or to prevent false financial reporting (Eremić-Đodić et al., 2017a).

Researching

Tourism organizations can have significant driving force in the development of the Republic of Serbia, but in order to establish and develop, among other things, access to financial resources (Sedlak et al., 2016). In line with the proposal of the ministry responsible for tourism, the Government adopts the Strategy for the territory of the Republic of Serbia. The strategy particularly contains:

1. Analysis of the current situation and the current level of tourism development;
2. Comparative analysis of tourism of competitive countries;
3. Advantages and disadvantages of tourism in the Republic of Serbia;
4. Tourism development aims;
5. Tourism development vision;
6. Selection of priority tourism products;
7. Proposal for priority tourist destinations;
8. An analysis of the impact on cultural heritage of natural assets;
9. Suggestion for tourism development policy;

10. Investment suggestion ;
11. Competitive plan.
12. Action Plan (Official Gazette of the Republic of Serbia, 2015).

As the aim of the work is to develop a procedural model for financing tourism, which would be in the function of the performance audit for financing the local governments and for establishing a status that would support the development of Republic of Serbia. Development strategy or any other planning document adopted at any management level has no purpose unless it is specified and applied in practice or unless it lead to an improvement in the quality of life of the citizens it relates to (Tomić & Labović, 2012).

Since the topic of this paper is the development of the financing model for tourism of local government in the function of the performance audit the work is based on the Action Plan and its Strategy for the Development of Tourism of the Republic of Serbia during the period 2016-2025, it defines activities, business owners and implementation time. Based on them, 15 (fifteen) tables were created with indexes by means of which surveys of tourist organizations / communities were conducted. They are shown in the following pages:

Table 1: *Summary table which data is checked in the city government*

1.	Updating and adopting changes to existing ones, creating and adopting new STRATEGIC master plans
2.	Preparation and adoption of local tourism development programs
3.	Coordination and reporting on the implementation of the strategy
4.	Improvement of the development and efficient use of tourist infrastructure and suprastructures and establishing a monitoring and recording system
5.	Improving the efficiency of using available EU funds in the field of tourism
6.	Capacity and quality improvement of managing in the tourist area and destinations
7.	Suggested measures
8.	A program of subsidies for activity and projects of importance for the development of tourism
9.	Investments

Table 2: *Updating and adopting changes to existing ones, creating and adopting new STRATEGIC master plans*

Number of updated master plans	
Number of adopted new strategic master plans	
Record check (web site MTTT, job progress report, MTTT report)	Circle: -web site MTTT - work progress report; - MTTT report.
Time for implementation 2016-2020. Comment: Preparation and adoption of new strategic master plans 2016-2025.	

Table 3: *Preparation and adoption of local tourism development programs*

Number of developed and adopted programmes in accordance with the Law on Tourism	
Developed web application for coordinating the implementation of strategies	Yes/no
Number of seminars and number of participants in seminars / workshops	
Local institution reports (TO, DAS, SCC, and other partners, web site-MTTT, NTOS i LTO)	Circle: - TO; - DAS; -SCC; - and other partners; -web site -MTTT, NTOS and LTO
Implementation time 2017-2020	

Table 4: *Coordination and reporting on the implementation of the strategy*

Determined content and dynamics of the reporting on the flows of strategy realisation	Yes/no
Reords are periodical reports MTTT, NTOS, local institutions, TO, DAS, SCC and other partners	Circle periodical reports:- MTTT, -NTOS, -local institutions, TO, DAS, -SCC and other partners.
Implementation time 2017-2021	

Table 6: *Improvement of the development and efficient use of tourism infrastructure and suprastructure and establishing a system of monitoring of the state and records*

Improved quality of tourist infrastructure and suprastructure	Number of hotels and other categorised facilities for accommodation per 100 inhabitants	
	Number of beds in categorised accommodation facilities	
	Length of built and arranged bicycle trails and other cultural routes	
	Set up tourist signaling	Yes/no
	Number of visitor / info centres	
	Number of campsites	
Development of the ICT sector in tourism	Number of arranged beaches	
	Number of Internet users	
	Internet in bussiness	Yes/no
Records	Presence on social networks	
	SORS, SCC, web site, MTTT, BRA	Circle:- -SORS, -NBS, - web site, -MTTT, -BRA
Time Continuous activity		

Table 7: *Improving the efficiency of using available EU funds in the field of tourism*

Guide for EU funds users and the tourism industry sector of the RS	Yes/no
Number of organized seminars and education for preparation of projects	
Number of participants in seminars / workshops	
Record Web site MTTT, web site NTOS, LTO, regional and provincial TO, software applications and online presentations of professional associations	Circle: -web site MTTT, -web site NTOS, -LTO, -regional and provincial TO, -software applications and online presentations of professional associations
Time: Continuous activity	

Table 8: *Capacity and quality improvement of managing in the tourist area and destinations*

Number of organized seminars and educational trainings	
Number of participants in seminars-workshops	
An act on the tourist destination management model	Yes/no
Developed and adopted model of destination cards	Yes/no
Developed and adopted „e-TOURIST“ programme	Yes/no
Record (web site MTTT, NTOS web site, LTO, regional and provincial TO, reports of the above mentioned institutions)	Circle: -web site MTTT, -NTOS web site, -LTO, regional and provincial TO, -reports of the above mentioned institutions
Deadline: 2017-2021	

Table 9: *Suggested measures*

Established system of payment cards for consumption in regional accommodation facilities (food and beverage)	Yes/no
Number of arrivals of local tourists	
Number of nights of local tourists	
Number of arrivals and realized nights of local tourists based on the use of vouchers	
Number of arrivals of organized groups of foreign tourists	
Number of organized groups of foreign tourists	
Foreign exchange income from tourism	yes/no
Redefined country policy in tourist destinations	yes/no
Available documents for the application for the use of vouchers or incentives for travel organizers, SORS, NBS, documentation of AP and local government in tourist destinations	circle the record you are performing in the column field above
Deadline: 2019-2020	Time: Continuous activity

Table 10: *A program of subsidies for activity and projects of importance for the development of tourism*

Quality tourism infrastructure	Yes/no
Number of tourism development projects	
Number of seminars and educational trainings	
Number of participants in seminars-workshops	
Number of arrivals and realized nights of local and foreign tourists	
Foreign exchange income from tourism	Yes/no
Records: Web site MTTT, work progress , Report MTTT, SORS, NBS	Circle: -web site MTTT, -work progress , -Report; -MTTT, -SORS; -NBS
Time: continuous activity	

Table 11: *Investments*

Published catalog of investments in tourism and participation of promotional activities related to investments in tourism in the country and abroad	yes/no
Improved investment environment and increased investment in tourism	yes/no
Record: reports of competent institutions, web site MTTT, work progress	Circle: -reports of competent institutions web site MTTT; -work progress
Time: Continuous activity	

Table 12: *A summary table which data is checked at the Ministry of Finance*

Interdepartmental cooperation and coordination of activities - drafting a plan of joint activities of the Ministries for the strategy implementation and action plan	
Amendments to relevant legislation (established after model definition)	

Table 13: *Interdepartment cooperation and coordination of activities - drafting a plan of joint activities of the Ministries for the implementation of the strategy and action plan*

A plan of joint activities of the relevant institutions for the implementation of the strategy and action plan	yes/no
Check record (web site, MTTT, work progress, reports MTTT)	Circle: -web site,- MTTT, -work progress,-reports MTTT.
Implementation time 2017-2020	

Table 14: *Suggested measures*

Established system of payment cards for consumption in regional accommodation facilities (food and beverage)	yes/no
Number of arrivals of local tourists	
Number of nights of local tourists	
Records: SORS, Ministry of Finance, BRA	Circle: -SORS, -Ministry of Finance,- BRA
Deadline: 2019-2020	

Table 15: *Amendments to relevant legislation (established after model definition)*

A modern legislative framework for planning and improving tourist destinations	yes/no
Number of cards issued	
Registered payment through cards	yes/no
Number of arrivals and nights of local tourists	
Records: reports from the competent institutions, progress work, MTTT, web site of relevant institutions	circle:- reports from the competent institutions - progress work; - MTTT; -web site of relevant institutions
Time: 2019-2020	

Table 16: *The table which data is checked in the SORS*

Improved methodology and procedures for the collection and processing of statistical data and in accordance with International Standards and Practice	yes/no
Statistical monitoring in the area of tourism according to the TSA model	yes/no
Record: SORS. NBS, web site MTTT, BRA	Circle: -SORS. -NBS,- web site MTTT,- BRA.
Deadline: 2017-2021	

Therefore, the aim of this strategy is to approach tourism systematically, not only through economic indicators (as a possible sustainable source of creating new added value and employment in the Republic of Serbia), but also through the multiplicative effects that tourism has on the overall social, local and regional development (the Ministry of Trade, Tourism and Telecommunications 2016).

Evaluating the funding model in the function of the performance audit for financing local governments is a very complex process and involves many aspects that are sometimes qualitative. Audit findings are used to measure a model that evaluates the efficiency of spending the resources in financing tourism, assess the efficiency of cooperation between tourist communities and local governments, and assess the compliance between business objectives, achieved results and contribute to the development of the Republic of Serbia.

Based on the survey, it has been established that there are no unique records for the public sector which could be submitted by the tourist organizations or the tourist communities. On the basis of qualitative criteria for specificities related to master plans and operational plans for tourism development, we have not found the estimated joint commissions by tourism organizations/communities nor local governments who made the reports and conducted control of funds and also organized working meetings on the basis of the conducted questionnaire. In the survey, 35 travel agencies participated by a random sample.

The survey showed that there was a great deal of interest among the respondents to engage themselves in completing the submitted questionnaires. Although a larger number of respondents agreed that the information they should obtain from the sources mentioned in the questionnaire were the most important for making decisions on the improvement and development of tourism, the results of the research are as follows:

- Clearly provided data indicate that there is insufficient cooperation between tourist organizations and local governments. Cooperation among them is at a very low level.
- The information provided indicates that cooperation between the Ministry of Finance and the tourist organizations / communities almost does not exist or if it exists, it is at a very low level, lower than the cooperation with the local government.
- Based on the provided data it is obvious that the tourist organizations / communities deliver the annual report Form TU-14 to the Statistical Office of the Republic of Serbia "Researching on tourist agencies for ____ year".

There you can find information about: the tourist organization, its employees, the number of branches, branch offices, the means of transport of tourists and their ownership, the travels of domestic tourists in the country and abroad, including the number of tourists and the number of overnight stays, the country of origin of foreign tourists and the number of their overnight stays, the number of local visitors. This is the reason why the majority of the sections in the questionnaires remained unfilled. Therefore, in the tourism sector in the Republic of Serbia it is necessary to provide financial resources for establishment and development as well as appropriate advisory support (Jovin et al., 2017a.) Although organizations provide an advantage to financial services, in many cases, funding needs arise due to inadequate financial resources management (Jovin et al., 2017b). For this reason, it is necessary to provide training and counseling to tourist organizations, and especially to new and small ones, as well as "permanent information and continuous improvement of the level of professional knowledge" which is "extremely important for successfully adapting" 15 tourism organizations to challenges and increasing competitiveness. When the activities in their environment become more complex, the importance of advisory support is growing.

When the law prescribes important elements for the formation and work of the commissions, their implementation is realized. However, if there is possibility for the founder of the commission to determine the essential elements, we find that the deadline for finishing the job is not defined, nor is the way or dynamics of reporting. The tasks of the commissions are not defined as well.

Conclusion

The conducted research has shown that there is no desirable link between tourist organizations and local governments, primarily on the issue of feedback through the reports based on the implementation or execution of master plans and operational plans.

Audit entities have no established commissions that would control the spending of master, operational and other resources, nor do they have unique or comprehensive records that would allow the data to be adjusted in a simple and fast way. That would be the basis for the managers of all sectors (participants in that plan) to make timely decisions about the validity of business activity. However, only partial and supportive records are kept, in different places and with different founders.

Without this, it is not possible to talk about the development of the financing model for tourism of local governments in the function of the performance audit.

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