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INTERNAL CONTROL AND HUMAN RESOURCE MANAGEMENT

ΔΗΜΗΤΡΑ ΧΑΛΚΙΑ

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INTERNAL CONTROL AND HYMAN RESOURCE MANAGEMENT

DIMITRA CHALKIA

SUPERVISOR: Dr. Lamprini Pixa

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Contents

Abstract

The thesis is about providing an insight on the concepts of Internal Control (IC) and Human Resource Management (HRM) and to describe the way they benefit an organization's functions. The study provides definitions for the above concepts and illustrates their implementation structure. It describes IC and HRM and how they interact in order to achieve an organization's goals. In the context of the study, a qualitative research was conducted to investigate the relationship between IC and HRM at the public sector. The research focuses on IC and HRM and analyzes employee's perception within their departments.

Περίληψη

Η εν λόγω διπλωματική εργασία παρουσιάζει τις έννοιες του Εσωτερικού Ελέγχου (ΕΕ) και της Ανθρώπινου Δυναμικού (ΔΑΔ) και περιγράφει τον τρόπο με τον οποίο οι παραπάνω έννοιες ωφελούν τις λειτουργίες ενός οργανισμού. Η μελέτη παρέχει ορισμούς για τις παραπάνω έννοιες και απεικονίζει τη δομή της εφαρμογής τους. Περιγράφει τον Εσωτερικό Έλεγχο (ΕΕ) και την Διοίκηση Ανθρωπίνου Δυναμικού (ΔΑΔ) και πώς αλληλοεπιδρούν προκειμένου να επιτύχουν τους στόχους ενός οργανισμού. Στο πλαίσιο της εργασίας, πραγματοποιήθηκε μία ποιοτική έρευνα για τη διερεύνηση της σχέσης μεταξύ ΕΕ και ΔΑΔ στο δημόσιο τομέα. Η έρευνα επικεντρώνεται σε ΕΕ και ΔΑΔ και αναλύει τον τρόπο με τον οποίο οι εργαζόμενοι αντιλαμβάνονται τις έννοιες αυτές στα τμήματα τους.

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Introduction

Internal Control continues to be a major emphasis for most organizations. There is a common impression that IC's content is difficult to be understood and to be applied to an organization's everyday procedures. Also many employees so as managers, believe that HRM must operate separately from IC.

Organizations and private companies are realizing improvements in effectiveness and efficiency of operations through implementation of IC systems. Managers and those charged with corporate governance often look for ways to improve organizational performance as well as comply with applicable laws, regulations and procedures. IC, which serves many purposes, is one way to help organizations realize improved performance. Having in place an effective system of IC is a well-recognized method of ensuring organizations chart and maintain a steady course. Human resource managers, use IC to ensure that employees complete objectives and abide to company rules. When an employee fails to follow the rules or meet objectives, HR managers use discipline Control to sanction the offending employee. This encourages the employee to follow the rules and work harder. It also demonstrates consequences to the entire workforce.

There is a common impression that IC's content is difficult to be understood and to be applied to an organization's everyday procedures. Also many employees so as managers believe that HRM must operate separately from IC.

At this study in the Theoretical Part, we'll try to present all the appropriate issues as, IC's effectiveness, IC's interaction with HRM, IC role at the public sector. Additionally we'll focus in HRM, we'll analyze the measures needed to be taken in order an organization to work satisfactorily, as well as the ways of attraction, the role of talent management and performance evaluation.

At the Empirical Part, we'll have the chance to investigate how IC and HRM cooperate at the public sector, giving answers which we derived from a qualitative questionnaire. The sample consisted of public servants.

THEORETICAL PART

1. INTERNAL CONTROL

1.1 Definition of Internal Control

Internal Control can be defined as a system designed, introduced and maintained by the company's management and top-level executives, to provide a substantial degree of assurance in achieving business objective, while complying with the policies and laws, safeguarding the assets, maintaining efficiency and effectiveness in regular operations and reliability of financial statements. Control enhances the probability that management's objectives will be achieved (Sawyer, Dittenhofer & Scheiner, 2003). For example, Control can limit the number of activities one employee completes in the company or require management authorization or review of financial statements and reports. Protecting a company's business and financial information is an activity common in today's economic environment, with IC being the most common term for the tasks.

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1.2 Internal Control in the past and in the future

1.2.1 In the past

The American Institute of Accountants first defined the term IC in 1949, followed by further clarifications in 1958 and 1972. But IC practices have existed since ancient times. In Hellenistic Egypt had a dual system of IC in place for tax collecting, with one set of bureaucrats collecting taxes while another oversaw them. (Creveld, 1999). "In 1977 publicly held companies came under legislation to adequately implement Control to protect their financial information. A report by the Committee of Sponsoring Organizations in 1992, 2013 and the Sarbanes-Oxley Act of 2002 were recent documents defining IC". (https://bizfluent.com).

1.2.2 In the future

According to Sawyer, Dittenhofer & Scheiner (2003), the current drive of many managements to downsize their operations in the interest of economy and efficiency can have a substantial impact on the traditional IC function. It is possible that some of the vacuum from the elimination will be absorbed through the newly developed concept of the virtual organization where the control aspects are merely transferred. The new concept, termed "the virtual organization", is

based on a position of mutual trust and assigns responsibility to the organizations that perform the functions they do best as integrity, security, availability and recovery. As the above are identified, the next step is to design Control that are essential on a practical basis, emphasizing the use of automated Control that are discretionary and that are detective types. However, in cases that Control are completely eliminated, the future will have to tell whether there is cost/ benefit in their absence!

1.2.3 The role of Internal Control nowadays

According to Doxey (2019), the concept of IC is one of the trademarks of effective governance and good business operations. Without a strong system of IC, organizations cannot ensure that the interests of company stakeholders are being protected. Strong IC support organizational goals and objectives, while helping safeguard against the risks of financial loss, operational waste, environmental irresponsibility, corporate fraud, and even reputational damage that can be irreparable. IC over financial reporting continues to be a major area of importance in the governance of an organization. "Inaccurate financial reporting can lead to costly errors in decision making, or inefficiencies in operations. Worse, a lack of IC can lead to a serious breach of law and compliance issues. The harm done to the financial health, vitality and reputation of the organization is not easy to repair".

 "A good IC framework of a company can raise the business performance of a company through good accounting practices, a strong and effective IC function, judicious allocation of capital and resources, working capital management, effective systems and processes, focus on cost containment and cost reduction, account receivables, inventory etc", (http://kumargoyal.com).

1.4 Basic characteristics of Internal Control

In order for control systems to be evaluated, must have basic attributes that indicate an acceptable IC system as:

Timeliness. Control should detect potential or actual deviations early enough to limit costly exposures.

Economy. Control should provide results at a minimum cost with the fewest undesirable side effects.

Accountability. Control should help managers to meet their responsibilities.

Placement. Control should be placed and emphasized at such critical and strategic control points where failures cannot be tolerated and where time and money costs of failures are greatest.

Flexibility. Control should be updated quickly as managers make modifications in controlling methods, techniques and systems as they become necessary.

Cause identification. Control should identify the cause of a problem and not only the problem.

Appropriateness. Control should achieve the objectives of management's plans and fit into the personnel and organization structure of operations.

Problems with Control. As Control can become obsolete and people continue to resist Control, behavior must be taken into account in designing and enforcing Control. (Sawyer, Dittenhofer& Scheiner (2003).

1.5 Internal Control Objectives

IC objectives, are desired goals or conditions for a specific event cycle which, if achieved, minimize the potential that waste, loss, unauthorized use or misappropriation will occur. They are conditions which we want the system of IC to satisfy. The control objectives include authorization, completeness, accuracy, validity, physical safeguards and security, error handling and segregation of duties, (Doxey, 2019).

Authorization. The objective is to ensure that all transactions are approved by responsible personnel in accordance with specific or general authority before the transaction is recorded.

Completeness. The objective is to ensure that no valid transactions have been omitted from the accounting records.

Accuracy. The objective is to ensure that all valid transactions are accurate, consistent with the originating transaction data and information is recorded in a timely manner.

Validity. The objective is to ensure that all recorded transactions fairly represent the economic events that actually occurred, are lawful in nature, and have been executed in accordance with management's general authorization.

Physical Safeguards & Security. The objective is to ensure that access to physical assets and information systems are controlled and properly restricted to authorized personnel.

Error handling. The objective is to ensure that errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management.

Segregation of Duties. The objective is to ensure that duties are assigned to individuals in a manner that ensures that no one individual can control both the recording function and the procedures relative to processing the transaction, (Doxey, 2019).

IC objectives are achieved through the competence and integrity of personnel, the independence of their assigned function, their understanding of prescribed procedures, and the effectiveness of monitoring accepted risk, (Doxey, 2019).

1.6 The role of Internal Control at the Public Sector

IC it is not solely a procedure or policy that is performed at a certain point in time.

Relation of Public Sector Governance, RM & IC

Governance — Risk Management — Internal Control

Source: https://www.slideshare.net/IFAC_Multimedia/risk-management-and-internal-control-in-the-public-sector

Relatively, it is a continually operating, integrated system at all levels within an organization (Akhtaruddin & Haron, 2010). In business, the organizations face so many risks on daily basis which include the failures of IC mechanism, financial fiasco, catastrophe or environmental disasters, non-compliance and regulatory violations. These risks are worsened by the advancement of technology, high acceleration in the pace of business, multi-faceted financial sophistication and globalization which have all contributed to amplify the complexity of risks for companies to endure.

Control in public organizations have some important results that are incapable of being measured, have complex human beings who cannot be completely neutral from the events measured, operate where objectivity is bounded, results are the focus of Control , mechanistic response to Control are difficult to anticipate owing to uncertainty principle,(Boakye,2016) .

The public sector is the government's representative entrusted with the deliverance of goods and services and safeguarding the people's assets and trust. The objective of public sector governance as Goodson, Morey & Lapointe (2012) mention, is to combine processes and structure which direct, manage, and monitor activities that lead to the effective and efficient delivery of public goods and services.

The public sector is the keeper of the people's trust and funds and thus public sector control activities need:

Organizational independence. Organizational independence allows the control activity to conduct work without interference by the entity under audit. This activity should have sufficient independence from those it is required to audit so that it can both conduct its work without interference and be seen to be able to do so. Coupled with objectivity, organizational

independence contributes to accuracy of the auditors' work and the ability to rely on the results and report.

A formal mandate. The control activity's powers and duties should be established by the government's constitution, charter, or other basic legal document. Among other topics, this document would address procedures and requirements of reporting, the obligation of the controlled entity to collaborate with the auditor.

Unrestricted access. Control should be conducted with complete and unrestricted access to employees, property, and records.

Sufficient funding. The funding would be relative to the size of the control responsibilities.

Competent leadership. The head of the control activity must be able to effectively recruit, retain, and manage highly skilled staff.

Competent staff. The control activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate.

Stakeholder support. The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed government officials, as well as the media and involved citizens.

Professional audit standards. Just as many governments have adopted IC standards, either as requirements or guidance for public sector managers — audit activities should conduct their work in accordance with recognized standards.

However, failing to establish a reliable and dependable system could harm the organization in many ways while exposing the risk to the efforts of nurturing accountability in the public sector. Higher dependency on the control system is constantly associated with higher expectation on enhancing the accountability in the organization (Liu, 2011). Since the IC system is providing an emphasis towards accountability, therefore, its practice in the public sector seem crucial at any stages in enhancing accountability in the public sector organization.

While the public sector is being accused for being inflexible in carrying out their daily activities and being accused for many red taped procedural, the importance of implementing the IC system cannot be deserted. However, to accommodate and serve with efficiency, the control system should be developed and modified to reduce the complexity and at the same time offer the sufficient protection to the stakeholders as a whole. Continuous development of the leaders should be prioritized as it effects directly to the public sector accountability. The government training systems and facilities should be strengthened. The conducive environment around the public sector's organization is vital to develop human capital which shares the vision and mission with the stakeholders. Leaders are needed to guide the followers to the right path. Perhaps, by applying variety sets of leadership styles in different situation and organization, it

could nurture the ability of the department in instilling accountability within its employees and environment as well as the public sector at large.

1.7 Utility of Internal Control

Hightower (2009) mentions that, *IC* refers to a program of activities established to catch and monitor a potential exposure that could result a significant error, omission, misstatement, or fraud.

The IC program which consists of a specific set of policies, procedures, and activities designed to address opportunity, risk, and uncertainty, provides reasonable assurance and oversight for processes that:

1.   Establish parameters to delegate power or authority to guide and regulate economic activities such as those demanded by external regulations and identified within internal policies and procedures.

2.   Test and report on compliance with those established parameters.

3.   Evaluate operational effectiveness and efficiency.

4.   Assess the reliability of financial reporting.

5.   Report on compliance with applicable laws and regulations.

6.   Supports the remediation effort by examining the limits of authority as defined in the first step.

1.8 Advantages & Disadvantages of Internal Control

1.8.1 Advantages

The existence of an efficient system of IC can be of great help to the management as well as to the auditor because it offers the following advantages:

1.   Assures a high degree of accuracy and reliability of all the financial and operating information management receives.

2.   Minimizes occurrence frauds and errors or any other irregularity, if not eliminates completely.

3.   Safeguard assets against any misuse.

4.   Promotes operational efficiency and prevent wastages.

5.   Judges operating efficiency and highlights weaknesses.

6.   Above all encourages adherence to the established managerial policies.

The advantages of IC are obvious, since they lead to a more efficiently run organization, (Kumuthinidevi, 2016)

1.8.2 Disadvantages

IC also has the potential for disadvantages. If IC are badly planned or executed, employee frustration may result to:

Apathy. Employees operating the system have no interest in its functioning and tend to become careless in making sure that the system functions are designed.

Fatigue. The operation of the system induces fatigue and rest periods or system simplification are not provided

Executive override. Executives grant permission to ignore the system in the (mistaken) interest of the organization or for personal reasons. Such allowances of override destroy the credibility not only of the system concerned but of all established control systems.

Complexity. The control is so complex that employees are unable to cope with it

Communication. The control operation has not been well communicated to the people who are designed as the control operators.

Efficiency aspects. Employees see the Control as impediments to efficient operations and in he absence of information as to their essential value to organizational well-being, the Control are altered or eliminated.(Sawyer, Dittenhofer & Scheiner, 2003)

1.9 Requirements of Internal Control Effectiveness

Doxey (2019) mentions that, the effectiveness of an IC system is dependent upon the following factors:

Senior management commitment and communication. The tone set by senior management is the most important factor contributing to the ongoing success of the IC system. This is referred to as the "tone at the top" and is supported by a corporate's code of conduct.

Managers and employees understanding the IC system along with their responsibilities as business process owners. IC should be understood, supported, and promoted throughout the company. This is accomplished by formal training or through communication programs for each corporate process.

Appropriate method of communication. Coordination and cooperation among employees is a key dependency. Impediments to necessary communication should be minimized. The Goals and Challenges of IC

Adequate time and resources. Business operations need sufficient time and resources to create, maintain, and review IC.

1.10 Inefficiency of Internal Control

Control intended to ensure the efficiency and effectiveness of company operations can include processes designed to minimize waste and downtime. If these Control break down that can cause problems which can affect the profitability or even the long-term survival of a company. Ineffective IC:

1.   Leads to greater information risk which increases an organization's problems and the likelihood of misappropriation of corporate resources by managers and other employees.

2.   Allows the misappropriation of resources by employees in the form of inadequate segregation of duties, inadequate documentation and inadequate physical security.

3.   Can result in erroneous internal management reports and untimely financial reporting information.

4.   Can break down if people work together to get around them. For instance the person in charge of approving expenses could collude with the person in charge of printing the check to get around the segregation of duties and steal from the company.

1.11 COSO Internal Control Integrated Framework Cube

1.11.1 Internal Control Components & principles

The COSO Framework was designed to help businesses establish, assess, and enhance their IC. The importance of IC in the operations and financial reporting of an entity cannot be overemphasized as the existence or the absence of the process determines the quality of output produced in the financial statements. A present and functioning IC process provides the users with a "reasonable assurance" that the amounts presented in the financial statements are accurate and can be relied upon for informed decision making, (Doxey, 2019).

 The IC framework consists of five interrelated components of an IC system and of 17 principles of effective IC which are as follows:

17 PRINCIPLES OF THE COSO FRAMEWORK

Control Environment	Risk Assessment	Control Activities	Information & Communication	Monitoring
1. Commitment to Integrity	6. Specify Objectives	10. Develop Control Activities to Mitigate Risks	13. Obtain Information to support Internal control	16. Select, Develop, and Perform Evaluations
2. Independence from Management	7. Identify Risks	11. Develop Control Activities to Support Achievement of Objectives	14. Communicate Information	17. Evaluate and Communicate Internal Control Deficiencies
3. Establish Responsibilities	8. Consider Potential for Fraud	12. Deploy Control Activities through Policies	15. Communicate with external parties	
4. Commitment to Attract, Develop, and Retain Competent Individuals	9. Identify and Assess Changes			
5. Hold Individuals Accountable				

Source: https://squarmilner.com/coso/

According to the above, an entity can achieve effective IC by applying all of the principles.

1.12 Internal Control Methodology

As Chorafas (2001) mentions, there exists no hard and fast rules on how an internal system should be designed and implemented. An organization can apply to an IC journey which is connected to the 'golden triangle' of process, people and technology:

Process

Define a clear scope of key Control and risks. Decide which business units, processes and financial statement line items to prioritize in the IC system, and to what extent. Risk-based scoping is essential to an effective and efficient IC system, in that it ensures that IC are designed to mitigate the most significant risks.

 Roll out IC in a structured and pragmatic way

- Define a scope of the right Control.

- Draft a risk and control matrix listing the control objective, activity and owner, the risk and the assessment plan.

- Set up design meetings with control owners to obtain an understanding of the selected key Control.

- Translate the key control activities into steps and summarise them in a one-pager.

- Perform a dry run. Are the steps outlined on the one-pager test proof in practice, or does the plan requires further fine tuning?

- Set up an action list. What can be developed further to ease the control owner's task during control execution?
- Test control effectiveness.
- Monitor and report IC findings.

Optimise IC efforts across the three lines of defence using integrated assurance reporting. A company's three lines of defence will have to collaborate in a constructive manner in order to achieve the desired level of IC maturity. Assurance on the effective design and operation of Control can be gained across the three lines of defence.

People

Support the IC journey from the top down. Before starting any IC project, it's important that it's backed by senior management. An organization's decision makers define the IC culture and have a role to play in communicating expectations and cascading IC culture to all levels of the company.

Ensure interaction and collaboration between the lines of defense. The Three Lines of Defense model is commonly used for clarifying roles and responsibilities in IC. All three lines need to work effectively with each other and with the audit committee to create the right conditions to achieve an IC culture. Clearly defined, communicated, understood and agreed upon roles and responsibilities are the backbone of any well-functioning IC system.

Source:Chartered Institute of Internal Auditors(https://www.iia.org.uk)

Clearly explain the IC purpose and its added value. Too often, organizations see IC as an impediment that slows down work processes. If it's clear to control owners that IC is being put in place to safeguard assets, prevent fraud, verify financial records, monitor organizational performance and ensure an efficient and uninterrupted flow of business, it's more likely for companies to approach IC initiatives with enthusiasm.

Invest in the IC experience through a game. Introducing a game or an excellence program can help raise IC awareness across all levels of a company.

Technology. IC concepts and principles, such as those in COSO's Integrated IC Framework, will continue to be applicable and relevant in the digital age. Emerging technologies can make IC even more effective, efficient and pervasive.

Revamp IC through automation. When control owners are convinced of the purpose and added value of IC activities, they'll look for ways to streamline their day-to-day IC. Certain IC processes can be performed by robotic process automation (RPA), resulting in greater accuracy at a lower cost in a shorter timeframe than when these tasks are performed manually.

Use data analytics for continuous Control monitoring. Driven by new technologies and rapid growth, business processes in large and mid-size companies generate an increasing volume of transactions. Throughout a company's journey to stay in control of business processes and risks, first and second LOD can benefit from data analytics techniques to support an understanding of the process and risks, as well as executing and testing the mitigating Control.

Use tooling to govern and streamline IC efforts. Many organizations use technology to support part or all of the IC processes like governance, risk and compliance (GRC) software, enterprise resource planning (ERP) system functionalities and workflow support. There's a clear need for document storage and management due to the large number of documents typically required to manage IC. A GRC tool adds value, and developing a strong business case with proper financial metrics can help pave the way for more proactive and progressive investments in Control automation technology, (https://www.pwc.be).

2. HUMAN RESOURCE MANAGEMENT

2.1 Definition of Human Resource Management

Beardwell and Clark(2007) mention that, despite the popularity of the term Human Resource Management (HRM), there is still no universally agreed definition of its meaning. In its broadest sense HRM can be used as a generic term to describe any approach to managing people. For example, Boxall and Purcell (2007) use the term to refer to "the management of work and people towards desired ends, is a fundamental activity in any organization in which human beings are employed.

It is not something whose existence needs to be elaborately justified: HRM is an inevitable consequence of starting and growing an organization. Mathis (2010), defines that HRM is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals.

2.2 Human Resource Management in the Past & in the Future

2.2.1 *In the Past*

Historically HRM was the earliest evolved management predating other functions such as finance, accounting and marketing. Around 1800 Robert Owen, was regarded as creator and originator for introducing reforms for workers in his own Lanark cotton mills. He created a principle of 8 hours day work, 8 hours rest and 8 hours sleep. Owen identified the importance of better working conditions at workplace and its impact on the productivity and efficiency of the workers. Owen after implementation of better working conditions at workplace, he observed change in the productivity of his workers as their efficiency increased. He in those olden days implemented many social and welfare practices for his workers and saw his workers got happy, motivated and worked better. Therefore he was referred as father of Personnel management.

In the late 1800s organizations hired welfare secretaries to administer them and eventually the role of welfare secretary evolved at a later point in time the "personnel manager", (Deadrick & Stone, 2014).

With the advent of manufacturing employers sought ways of enhancing efficiency and productivity. Over this period, various writers made contributions which might be seen as attempts to theorize these organizational developments, most notably Adam Smith (1776), Charles Babbage (1832), Andrew Ure (1835), Karl Marx (1867), Frederick W. Taylor (1911), Max Weber (1922), Elton Mayo (1933), etc. Elton Mayo who was a psychologist from Australia, did many experiments on human behavior at different situations in 1924. He strongly believed in work life balance for improving productivity of workers and did emphasis on human relations influence the productivity of workers and finally he has been regarded as father of HRM (Boxall, Purcell & Wright, 2007).

All the above mentioned changes and challenges prompted the development of a "new" HRM function (Kochan, Katz & McKersie, 1986 as cited in Deadrick & Stone, 2014).This new function is more than a strategic partner in organizations due to the recognition that human resources are critical to the functioning of organizations in the service and knowledge economies. Also, the late 20th century saw an increased reliance on employee-relations and HRM was called on to foster a sense of trust in the relations between managers and workers. Many organizations began to stress non-unionized HRM practices and to adopt many management principles that emphasized employees as critical resources that can give organizations a competitive advantage. As a result, HRM has evolved from a "personnel" function to a human, labor, industrial and most recently strategic HRM.

2.3 Activation Procedures of Human Resource Management

Many managers today recognize that their employees are their key differentiator in today's uber-competitive business environment. But what matters above all else today, is not simply employee happiness, but employee activation.

"Effective employee activation goes beyond the traditional definition of change management which usually just puts the emphasis on the mere acceptance of the measures taken. By contrast, activation should be understood in the literal sense. Employees play an active part in fleshing out the growth measures. This does not only lead to commitment to the decisions taken and an enhanced feeling of being appreciated, but also to a positive get-up-and-go attitude in the entire organization, in which employees do not "have to" implement things, but "want to" put things in motion. It is not necessary to closely involve *all* employees of an organization along the way, as those employees who are involved can work as multipliers across all hierarchical levels of the organization.

The management team is also of particular importance. Addressing employees with a united, positive and constructive attitude is indispensable in order to provide orientation towards a positive vision of the future and new structures. On the whole, by developing a growth strategy that is supported by all, an organization can once again focus on its successful future". (https://www.bankinghub.eu).

One aspect of getting the greatest contribution from human capital in an organization, requires that a fit be made with how people are treated and the long-term effect on the company's bottom-line (Aynickal, Ann Paul (2015).

Managers of organizations with the strongest employee activation should focus on the following:

1.   Designing and delivering an employee experience that is compelling and consistent with the manager's brand. It's important to walk the talk. If a company prides itself on its customer commitment, that commitment needs to extend to its own team members.

2.   Taking employee engagement from a survey to an ongoing activity that improves performance. Survey results are useful. But if an organization doesn't act on what its employees are telling it, employee activation can actually take a step backward.

3.   Approaching performance management in ways that motivate employees. Organizations need to give team members a reason to succeed, as well as a clear path to success.

4.   Offering benefits and perks that influence attraction and retention. Even the most activated employees need to know that their organizations care enough to continue investing in them.

5.   Enabling people to work successfully from locations besides the office. Flexibility is becoming the new expectation. An organization's systems must enable employees to remain meaningfully engaged in work, even when remote.

6.   Constructing office environments that honor privacy while encouraging collaboration. Employees' desire for flexibility extends to their physical spaces as well.

7.   Improving clarity and communication for employees who work on multiple teams. The digital age has given rise to tools and means of increasing visibility into team operations. (https://www.hrtechnologist.com)

2.4 Training

Dessler (2013) mentions that, carefully selecting employees doesn't guarantee they'll perform effectively. Even high potential employees can't do their jobs if they don t know what to do or how to do it. Making sure that employees do know what to do and how to do it's the purpose of orientation and training. The HR department usually designs the company's orientation and training programs, but the rubber hits the road with the supervisor. He or she does most of the day-to-day orienting and training.

Every manager therefore needs to know how to orient and train employees. Training means giving new or current employees the skills that they need to perform their jobs. This might mean showing new web designers the intricacies of a site, new salespeople how to sell a firm's product, or new supervisors how to complete the firm's weekly payroll. It might involve simply having the current jobholder explain the job to the new hire, or a multi-week training process including classroom or Internet classes.

In any case, training is a task that managers ignore at their peril. Having high potential employees doesn't guarantee they'll succeed. They must know what to do and how to do it. If they don't, they will improvise or do nothing useful at all.

Inadequate training can also trigger negligent training liability. Employers should confirm the employee's claims of skill and experience, provide adequate training (particularly where employees use dangerous equipment), and evaluate the training to ensure that it's actually reducing risks.

2.5 Talent Management

According to Dessler (2013), we can define talent management as the goal-oriented and integrated process of planning, recruiting, developing, managing, and compensating employees.

When a manager takes a talent management perspective, he or she:

1.   Understands that the talent management tasks (such as recruiting, training, and paying employees) are parts of a single interrelated talent management process. For example, having employees with the right skills depends as much on recruiting, training, and compensation as it does on applicant testing.

2.   Makes sure talent management decisions such as staffing, training, and pay are goal-directed. Managers should always be asking, "What recruiting, testing, or other actions should I take to produce the employee competencies we need to achieve our strategic goals?"

3.   Consistently uses the same profile of competencies, traits, knowledge, and experience for formulating recruitment plans for a job as for making selection, training, appraisal, and payment decisions for it. For example, ask selection interview questions to determine if the candidate has the knowledge and skills to do the job, and then train and appraise the employee based on whether he or she shows mastery of that knowledge and skills.

4.   Actively segments and proactively manages employees. Taking a talent management approach requires that employers proactively manage their employees recruitment, selection, development, and rewards. As one example, IBM segmented its employees into three main groups (executive and technical employees, managers, and rank and file). This enables IBM to fine-tune its training, pay, and other practices the goal-oriented and integrated process of planning, recruiting, developing, managing, and compensating employees.

5.   Integrates all the talent management functions. For example, performance appraisals should trigger the required employee training. One simple way to achieve such integration is for HR managers to meet as a team to visualize and discuss how to coordinate activities like testing, appraising, and training. For instance, they make sure the organization is using the same

skills profile to recruit, as to select, train, and appraise for a particular job, or coordinate these activities by using information technology.

For example Silk Road Technology's talent management solution, includes applicant tracking, onboarding, performance management, compensation, and an employee intranet support. Its talent management Life Suite helps recruit, manage, and retain the best employees.

Talent management ensures that a company always has sufficient staff to carry out all operations and prevent heavy workloads that could cause demotivation.

2.6 Human Resource Management and Attraction

Mathis & Jackson (2010) mention that, as talent management is growing in importance because it is concerned with the attraction. Benefits can influence employees' decisions about which particular employer to work for, whether to stay with or leave an employer, and when to retire. What benefits are offered, the competitive level of benefits, and how those benefits are viewed by individuals all affect employee attraction and retention efforts of employers.

An additional concern is that the composition of the workforce is changing, and expectations about benefits by different generations of employees are affecting benefit decisions. For instance, many baby boomers who are approaching retirement age, are concerned about retirement benefits and health care, while the younger generation of workers is more interested in flexible and portable benefits. However, all generations have concerns about the nature of and changes in health insurance.

Having benefits plans that appeal to the different groups is vital to attracting and retaining all different types of employees. It is not always as simple as when one person leaves the company, to search for someone else to fill the role. For instance, the needs may change or employees may take on new responsibilities. The right strategy will attract just the kind of workers a company wants at a business. Such hires will be driven, skilled, and seeking to advance within the organization. Attracting talent is all about branding a company as an employer. You'll need to find ways to increase visibility in ways that allow you to present company as a best place to work. The main consideration here is to make a company more approachable. Even if the choice is not hiring someone for a particular position, still there is the need to create a positive experience. This gives the opportunity to hire these candidates for other jobs or use them as ambassadors to acquire other talent.

2.7 Performance Evaluation

Boxall, Purcell & Wright 2007) mention that, Performance Evaluation is defined as a formal and productive procedure to measure an employee's work and results based on their job responsibilities. It is used to gauge the amount of value added by an employee in terms of increased business revenue. A manager should evaluate his/her team member regularly and not just once a year. This way, the team can avert new and unexpected problems with constant work being done to improve competence and efficiency.

The benefits that an employee performance evaluation offers are:

Improved communication. Managers give feedback to the team members. This feedback is based on their assignments, their understanding of it, completion, and delivery. Using this feedback, employees can improve their work and plug any gap areas that have been identified by their managers. It also brings to light many issues that the employees may have and need to be addressed. This helps in open and honest communication between the manager and the team.

Build a career path. Managers help their employees with assignments and how they can effectively do them. A performance evaluation meeting is a perfect time to look at an employee's career path. It lets the employee know what their future goals are and what they need to do to get there. This helps them create small and achievable goals, assign deadlines to it, and work towards completion. It also lets the employees know where they stand in the hierarchy and where they will be in the years to come.

Check levels of engagement. Engaged employees perform better than their counterparts. They are better team players, are more productive, and help their peers out actively. A staff performance evaluation is a perfect time to check how engaged an employee is. This will not only help in understanding how engaged the employee is but also let a manager know what necessary steps an employee would need to take to ensure high engagement.

Get feedback for an employee. A performance evaluation meeting is not only to give feedback, it is a good opportunity to get feedback an employee for his/her performance from the team members. Understand what the gap areas are, and what more can an employee do to improve the performance of his/her team members, and be a good mentor to them.

Resources planning. Wright Staff appraisals help in understanding how an employee is performing and what their future assignments of goals can be. This not only helps in effective goals management but also in resource planning. An employee can effectively reallocate his/her resources or hire new members to add to his/her team, (https://www.questionpro.com).

2.8 Internal Control, Communication and Motivation

IC helps bring order, direction and consistency to our lives and our organizations. So, how can a subject of such importance be so unappreciated? Some managers see the Control as a treat, a challenge to be overcome (Sawyer, Dittenhofer & Scheiner, 2003).

Aldag and Stearns 1987 as cited in Sawyer, Dittenhofer & Scheiner, 2003 identified four reactions to control systems:

Game playing. Managers behave as Control are a helpful adjunct to theirs techniques.

Sabotage. Employees attempt to damage the control system, create confusion, and design projects with complex characteristics.

Inaccurate information. Managers manipulate information to make themselves and their units look better or to create data that are so false that the Control are inoperative.

Illusion of control. Managers give the impression that Control systems are in force and functioning. The systems are ignored or misinterpreted .Good results are credited to the system. Poor results are allegedly caused by unusual circumstances that were outside the system.

At that point communication is necessary**.** Communication acts to control member behavior. Communication is the exchange of useful information between and among people and organizations to support decisions and coordinate activities. Within an organization, information should be communicated to management and other employees who need it in a form and within a time frame that helps them to carry out their responsibilities. Communication also takes place with outside parties such as customers, suppliers and regulators.

Management should ensure that good communication channels exist to carry information to people who need it throughout the organization. The organization's management and staff should be able to use these established channels to communicate relevant information to the right people in a timely way.

Management should have clear internal communication channels that:

1.   Inform employees of their duties and responsibilities.

2.   Report sensitive matters.

3.   Enable employees to provide suggestions for improvement.

4.   Provide the information necessary for all employees to carry out their responsibilities effectively.

5.   Convey top management's message that IC responsibilities are important and should be taken seriously. People outside the organization, like customers, suppliers and regulators, also need reliable and timely information relevant to their specific needs.

However, communication is not an isolated IC component. Communication issues affect every aspect of an organization's operations, and help support its system of IC. Therefore, the extent to which a good communication network is established and used by both managers and

employees can help management circulate guidance about IC issues. The feedback from this communication network can help management evaluate how well the various components of the system of IC are working, and which features need improvement.

Communication fosters motivation by clarifying to employees what is to be done, how well they are doing, rewards for high performance, etc. Motivation Management should tell employees about the organization's mission and explain how their jobs contribute to accomplishing the mission. The mission statement will be most effective if all employees perceive they have a personal stake in it. As time passes, both internal and external changes can affect the organization's mission. Therefore, management should periodically review the mission and update it, as necessary, for adequacy and relevancy. (https://www.newpaltz.edu).

2.9 Relationship of Internal Control and HRM

Control is very important. We use the concept of IC in our daily personal lives to help manage and mitigate those various risks that may arise from having toddlers, teenagers, pets, cars, homes etc. A simple scenario might be the new parent who takes the precautions to cover outlets in the home and to lock cabinets so a toddler cannot inadvertently get into trouble. The parent is talking responsibility to manage their IC environment. They have recognized the potential risk that has been placed in front of them and have chosen to take appropriately pre-cautions to keep their children safe. Even those these precautions may cause a bit of inconvenience for them personally, the parents have recognized that they are important.

When managing HR, managers often recognize, that certain Control or checkpoints are important to their individual processes, but it is easy for them to rationalize cost versus benefit elements and make decisions to "accept" some of the risks that may be placed in front of them because of outside pressures being placed on meeting individual goals. That acceptance, in some cases, is an appropriate HRM recognition and decision relating to risk versus reward. In other cases, inability to imbed specific Control can be viewed as a significant control deficiency that can put the company at grave risk for meeting strategic objectives or exposing the entity to fraudulent behavior. In other cases, HRM's inability to imbed specific control can be viewed as a significant control deficiency that can put the company at grave risk for meeting strategic objectives or exposing the organization's to fraudulent behavior.

So the question becomes, how do we decide when to accept or reject proposed IC? One of the most fundamental elements of IC is the concept of segregation of duties. It is also one of HRM's most difficult concepts, when we consider smaller organizations or times when resources are constrained. But ultimately, the concept is important because it not only protects the company but it protects the employee. Whenever duties are not appropriately segregated, opportunity arises for issues to occur. At HRM, it is not acceptable to either claim ignorance of the process

or to indicate that the control is not necessary because it is placing an undue burden on the organization.

Control are not meant to keep the organization from running or completing its objectives. However, Control are necessary to ensure the effective operation of the organization and to protect its resources.

The best method to ensure that HRM and IC are properly understood and focused on, is through organizational awareness. Individuals must understand the importance of Control both from a check and balance viewpoint and also from an efficiency and effectiveness viewpoint. Few individuals will argue with Control that are often put in place for safety or environmental reasons. Often, those precautions have very evident benefits. Requiring the wearing of a hard hat in a construction site or prohibiting the entrance into hazard areas have very obvious benefits. It is a bit harder for management to see the benefits of reconciliation procedures, sign-offs, certifications, verification counts etc. But the avoidance of simple Control have often led to some of the most dramatic negative implications to a company. Take for example Wal-Mart's refusal to heed the warnings of the independent evaluators related to the franchise issue in Mexico.

HRM which proactively train their personnel on proper control procedures, whether those Controls be related to financial, operational or compliance processes, are organizations that will ultimately provide their stakeholders with the highest level of assurance towards meeting overall company goals and objectives. It is great to have a goal that "safety is a top concern" and then to ensure all appropriate safety procedures are in place and being followed. But using that example, what happens in the event proper information technology Control are not in place and the incident allows an information breech that exposes company, personnel or shareholder information. In essence, this breech of information has put the "safety" of the company at risk.

So HRM in cooperation with IC, should take systematic and proactive measures to:

1.   Develop and implement appropriate, cost-effective IC for results-oriented HRM.

2.   Assess the adequacy of IC in programs and operations.

3.   Separately assess and document IC over financial reporting consistent with the process.

4.   Identify needed improvements.

5.   Take corresponding corrective action, (https://www.kscpa.org).

3. EMPIRICAL PART

3.1 Qualitative research

For this study a qualitative research was used, because it is an empirical research which aims at the qualitative depiction of the essential elements that constitute a given attitude, a perception, an effect as well as the factors that affect the result.

Some of the advantages that are useful for the current study are:

1. Allows the exploration of attitudes, perceptions and views that are not directly quantified.

2. Allows participants to address specific issues with more detail and helps to draw conclusions about the weight given by the participants to the key questions.

3. Allows participants to address additional issues which are not included in the questionnaire (Χονδρογιάννης, 2006).

Qualitative research is based on data production methods, which are not standardized and structured.

3.2 Qualitative research objectives

The present study aims to show, how:

- Understandable is the concept of IC,

- Attractive is IC in combination with HRM,

- People who get involved with transactions dealing with IC understand its utility and value,

- Human resources perceive the concept of HRM as job description, segregation of duties,

- IC results, especially administrative ICs, are being evaluated and how they are implemented in HRM,

- IC and HRM interact in order for an organization to achieve its goals.

3.4 Methodology and the steps of Qualitative Research

The methodology and the steps of qualitative research are as follows:

- Choice of the measurement tool → questionnaire.

- Questionnaire construction.

- Sample selection.

- Distribution of questionnaires and data collection.

- Data analysis.

- Discussions.

Choice of the measurement tool

For the achievement of the objectives of the research, a questionnaire was used. This method was preferred because it is important in the selection of information which helps in the recording of experiences and attitudes, as well as in the investigation of the attitudes and views of the respondents. In addition, this method allows the subjects to respond impersonally and anonymously quickly and easily, while at the same time the selection in a short period of time a lot of information that can be processed. The thought is that actively working employees know what the difficulties are, and thus can draw useful conclusions.

Questionnaire

For the data selection as we have mentioned above, a questionnaire was chosen as a measurement tool. The questionnaire included mainly two topics.

The first topic included nine questions about IC, its content, role, and performance at the public sector, improvement of business operations, follow-up procedures, its implementation and effectiveness.

The second topic included ten questions about HRM, its content, job description, segregation of duties, its realistic goals, interaction between IC and HRM, utility of administrative controls, its framework for IC operations and acceptance of IC recommendations.

The types of questions that were used in the qualitative research questionnaire included:

Open-ended questions: Open-ended questions are questions that require more than a short, fixed response. With Open-ended questions we tried to avoid answers like "Yes.", "No.", "The Battle of Midway.", or "Onions." Open-ended questions attempt to make the person who is answering the question give a more detailed and elaborate response. While almost any question can be answered in a few words, we tried with a good open-ended question to get around this. Participants had the ability to respond as they wish without any restriction.

Bridge questions: The bridge questions connected the different topics, IC and HRM, of the questionnaire and at the same time contributed to the transition from one topic to another.

Sample selection

The choice of the particular sample was made without any demographic or other characteristics except the object of their work. The questionnaire was addressed to twenty employees who work at the public sector. The number of answers that we received gave as a total sample of eleven respondents. This sample is consisted of four men and seven women. The others didn't want to answer either because they were not knowledgeable enough, as they supported, or they were disappointed from the way management faces and manages several circumstances

concerning IC and HRM. Our attempt was to derive as much information as possible from employees who are at several circumstances involved in IC, HRM or both.

At that point, it is useful to describe the composition of the sample:
Eight of the eleven employees that were selected work at the Indepented Authority For Public Revenue (I.A.P.R.).Three of them work at IC Departments as inspectors/auditors, who have experience at procedures recording, control evaluation and research. Four are being involved in writing/checking procedures, making controls, which have to do with agencies controls, controls of several human activities, etc. One is occupied with the human resources of the I.A.P.R's Academy. Also, one works at the Athens University of Economics and Business as an administrative staff, one at the Ministry of Education and Religious Affairs as an inspector at secondary education and the last one at the Army, having administrative duties. This sample was a convenient sample because we could gather the data from people that are the easiest to reach or contact. The only criteria that were in place for this sampling method were willingness and availability of people to participate in the work. We could approach people easily and collect the needed data in just minutes. We could see how an employee with an unsatisfactory experience provide information about that.

Distribution of questionnaires and data collection
The distribution of the questionnaire to the targeted group was done electronically. It was send online (due to the corona virus pandemic) since physical presence wasn't possible. The respondents answered via mail on their own to a "qualitative" questionnaire that included open-ended and bridge questions. For the collection of data we needed about one month, from 18 August to 24 September, in order to collect the answers. Here we must emphasize the difficulty of responding to the survey, due to the period of the survey, as August, in particular, is a month in which many employees are absent from work.

Data analysis
Content analysis was used to analyze the qualitative data collected, which offers guarantees of objectivity and validity. Content analysis as a research method that can manage a large volume of data, since it does not affect the behavior of informants. Content analysis is a research technique that aims to guide the researcher to verifiable and valid conclusions which arise from written texts or other texts such as images, movies etc., and are related to the context in which they are used, (Krippendorff, 2004).
The elements / parts and the path we had to follow from the body of the questionnaire answers to the conclusions were the following:
Unitization. A systematic distinction of those parts of the text that interested us in the research.

Sampling. Saving resources and effort by limiting observations to a defined and manageable set of units, which represented the set.

Recording/Coding. Recording of the bridge between the unitized texts and someone's reading, of them between several observations and their situational interpretations.

Reducing data so that the analysis to be representative and manageable.

Drawing conclusions (proportional). By analogous inference we leaded to what we wanted to focus on, meaning, to phenomena not observable by reading.

Presentation of the answers to the formulated questions. We tried to make the results of the research understandable to third parties (Krippendorf, 2004).

3.5 Questionnaire Analysis

During the questionnaire's processing, we tried to keep the basic topics of IC & HRM, and for each question we tried to present the received view from respondents.

Internal Control

What is IC for you? What is its utility and role at your directorate? Consistent with the definition given for IC, most of the respondents answered that IC is a system which is based on the organization's commitment to integrity and ethical values, of a healthy control environment. IC improves an organization's efficiency through the controls of the procedures and helps the HR development. Though the establishment of a corrective control environment is a management responsibility, the actual implementation and integration into daily business needs everyone in the entity to be aware and involved. Many agreed that IC's application is useful and appropriate, because can points out malfunctions which are related to a directorate's/ department's functions.

Indicative are the answers of two respondents who mentioned that:

"IC should be active and applicable, in order to help an organization's improvement", R3.

"IC isn't institutionalized, it's only applied through authorizations from competent authorities", R9.

1.   Do you know from whom IC should be performed?

Concerning IC's *performance,* the respondents said that IC shouldn't be a bureaucratic burden which will add complexity and anxiety. IC components and activities should be an integral part of daily operations at every level. In most cases where IC within an organization isn't performing well, it's due to poor control environment. As IC is constituted by Financial and Managerial control processes, one of the core prerequisites for establishing a robust a Financial and Managerial control, is to clearly set the entity's objectives across all levels of organizational structure. This will allow the "responsible actors" to assess whether the different components of IC are structured.

2.   Is there a detailed unified Procedure Manual at your Directorate with written tasks and the way of their execution? Describe.

As to the *existence of a procedure manual,* it seems from the answers that there is a differentiation concerning its use among the departments. Although there is a series of rules, standards and guidelines to help the public entities to understand and integrate into day to day business of the relevant legal framework, the procedure manual is rather considered as an ad hoc manual, not fully integrated into the overall organization and not closely linked with the achievement of organizational objectives and day to day functioning of government entities.

The following words of some respondents are indicative:

"There is one with all the important procedures which a department has to perform", R8.

"Even if there is, it isn't followed by either the management or the employees", R3.

"There have been efforts to, but it hasn't been approved from the Management", R9.

"There isn't besides a monthly program of actions", R6.

3.   Is there a specific follow-up procedure for the established corrective actions?

According to *the follow-up procedure*, there were different answers. This procedure seems to be for some departments an administrative routine, a 'tick the box", let's say, as five of the respondents, said that there is a periodic evaluation and rerecording when necessary of the established actions. While for others this procedure seems to be bureaucratic and burdensome. As they said that although there is, it isn't updated.

4.   Do you believe that IC adds value and improves business /directorate operation?

According to the *IC's value*, all of the respondents said that IC adds value through the risk analysis procedures, weakness identification and calls for improvement proposals. IC also facilitates maximum involvement of managers and public entities, with the ultimate goal of integrating control activities into business processes and closely linking them to the overall objectives of the entity.

5.   The results of the IC contribute to the decision-making process of the administration?

The answers concerning *IC's contribution to the* decision – making of the administration, raises a number of questions because, three of the respondents weren't sure about whether IC contributes to the decision-making process of the administration. The rest out of the eleven, positively answered that this is IC's success. A key part of any effective IC system, is a mechanism which provides feedback on how processes are working so that shortfalls and areas for improvement can be identified and changes and decisions can be implemented.

6.   Do you believe that the implementation of IC monitors the achievement of your administration objectives?

Monitoring and oversight activities focus on determining whether policy or quality arrangements are being met in line with expectations for specific areas as the delivery of key strategic objectives. This type of assurance provides valuable insight into how well work is being carried out, according to expectations, policies or regulations. The participants supported that IC monitoring, must be done from the IC department. Also mentioned that monitoring helps management to make corrective actions.

Some others said:

"*Monitoring isn't applied, only a registration is taking place*", R8 and

"S*omeone supported that IC mustn't monitor but must only contribute to the attainment of a management's objectives through a strong ICS*", R6.

7.   Do you think that the implementation of IC helps to identify administrative weaknesses?

As to if *IC identifies administrative weaknesses*, we met a totally agreement to IC's implementation and especially to the labelling of administrative weaknesses as management mistakes, arbitrary administrative acts and wrongful interpretation and application of national legislation.

8.   The weakness of an IC System affects business performance of your directorate?

If an *ICS works inefficiently*, seven out of four, mentioned that operational risks won't be easy to be controlled, deadlines will be missed, many responsibilities will be overlapped, weak implementation of laws will be and possible fraud will occur.

Human Resource Management

9.   What is Human Resource Management for you? Describe a reliable Human Resource Management framework for the effective operation of IC at your Directorate.

HRM is the structure and the institutional framework that utilizes and motivates human resources in the most effective way. Elements of a credible management framework are the fair reward for the work offered by employees, safety, respect, freedom of initiative, meritocracy and transparency in personnel-related procedures. All the respondents answered that HRM is the custodian that makes better use of human capital and encourages with the most efficient way in the context of transparency and justice its employees. A reliable HRM framework is a framework which cooperates with all the departments in an organization, behaves equally to all employees, provides freedom of expression and enhancement of active participation. Also a clear description of the role of each employee, a clear separation of responsibilities, the recording of procedures and the continuous and effective training of human resources, could contribute to the effective operation of IC.

10.   Has a job description been provided at all levels/departments?

Job description should be based on a detailed job analysis, on an identification and a list of the tasks that have to be carried out. Job description has to state what is done as succinctly as possible and why it is done, thus indicating the purpose of the job and giving a lead for setting targets and performance standards. So, ten out of eleven said that there is a job description, which contain with details all the tasks and duties of each job. One out of eleven negatively answered that a job description frame hasn't been approved from their Ministry, although it is predicted at their Organization establishment.

11.   Do you think that the separation of duties and responsibilities of employees is clear?

Many problems stem from a weak management culture which is dominated by hierarchical decision making and a lack of delegation and segregation of duties. Raising awareness and training should focus on highlighting, that responsibilities are ongoing and flow through the entity processes. As to the clear separation of duties, six out of eleven said that there is definitely separation of duties and the rest answered that there isn't a substantive recording of duties.

12.   Do you think that the goals set by the Management are realistic and can be achieved?

The values and mission of the organization should be explicitly and clearly stated. A code of conduct is a good instrument for setting out an organization's values and ethical obligations and for determining what is expected from management and staff behavior. Answering the question about how *realistic are the goals* set by the management, four out of ten supported that they aren't, because there are many overlaps and management doesn't take in mind the corrective actions that IC has proposed or because management, doesn't take in mind the HR's ability and education to achieve the goals.

The rest agreed that the goals that are set, are realistic, if they are: Specific Measurable Achievable Realistic and Time bounding (SMART). However there are some exceptional circumstances which don't give the chance to the goals to be set realistic as the pandemic for example or as for law enforcement on smuggling and organized crime goals can't be realistic because organized crime is flexible and ever changing its ways.

13.   How does the Human Resources Department support the effectiveness of the IC in your directorate?

If HRD supports *IC effectiveness*, six out of the eleven respondents, said that public administration must develop appropriate mechanisms to attract, understand needs, adjust policies, prioritize goals and re-allocate resources, develop and retain competent individuals

with the right set of skills and ethical commitment to work in that area. This can be achieved through recruitment procedures, promotion and compensation which will be based on merit, skills and performance. This is very important for empowering public officials to assume responsibility and be accountable for their decisions and actions such that they will move away from their current tight osmosis with political personnel, a situation which blurs the lines when assigning roles and responsibilities in a sound IC system.

14.   Respectively, how does IC support the effectiveness of Human Resource Management?

The respondents said that it can be supported as we mentioned above, through recruitment procedures or movements, also said that it can be accomplished through spotting deficiencies in several organizational positions, through proposal solutions and even request of staff enforcement according to certain job descriptions, new management ways, implementation of new technology and new ways of cooperation (e-government, etc).

15.   Do you interact with each other as partners / colleagues to make common decisions in order to achieve a business goal?

Answering about colleagues' *interaction*, the respondents said that they do interact. The decisions are being discussed and a common decision is being taken. Interaction is a key component of the success of an organization's goals. Co-ordination among employees ensure harmonization of methodological standards, tools, allocate clear roles and responsibilities, segregate duties and safeguard institutional and individual independence and objectivity. However, there are some bureaucratic procedures that prevent this interaction.

As some respondents mentioned characteristically, *"Interaction is the basic characteristic of one organization's success"*, R8, *"Success isn't a result of one person but from a team's cooperation"*, R7.

Strengthening co-operation and identifying synergies amongst government entities are key building blocks for improving colleagues' interaction. Interaction is a key component of the success of the organization's goals.

16.   Do you think that administrative controls provide useful conclusions?
As to whether employees are engaged and acclimatized to the environment in which they work as well whether, they are actively involved in achieving their goals set by the company as a whole.

Because administrative controls can be readily undermined by human error (such as a failure to comply with rules), they are considered the second least-effective method of limiting employees' risk. Managers have a general duty to reduce employees risk as low as reasonably

possible. The use of administrative controls is an important method, because it helps improve the safety through the implementation of policies, practices, and procedures that govern employees' behavior, they can be understood as a form of continuous, human-mediated safety management. Administrative controls may as well, as limit work times in order to reduce exposure to a potentially hazardous substance or to avoid risk due to employees fatigue.

About a 45 % gave a negative answer for the use of administrative controls and employees engagement, while the 55% mentioned that: *"Administrative controls are by default set to highlight possible deficiencies in the operation of the departments especially if these deficiencies spring from suboptimal integration of the employees in the organization".*

17.   Administrative controls assess the causes leading to departures of employees from your directorate?

To that question, six answers gave a negative sign in the relation between administrative controls and departures.

Characteristically mentioned: *"Unfortunately they try to hide the real truth-the reality of each situation, without managing to solve any of the problems/ reasons which lead employees to depart".* Two employees preferred not to answer. However at the Greek Human Recourses Management one supported that there isn't enough maturity to protect their employees. This has as a consequence, well-educated and experienced employees to leave from a department or even depart from a directorate without being replaced.

18.   Do you believe that the Management accepts the recommendations of the IC?

IC and HRM must has to be closely linked, aligned and structured along to the strategic planning and current reform initiatives. Management most of the times does not give the importance which is needed to accept IC's recommendations. Most of the times formally accepts the recommendations, but does not focus on implementing these recommendations. It places more emphasis on achieving goals, without realizing that IC can actually help to that direction. Indicative are the following answers:

"Not in practice. But if the Management accepts the IC's recommendations they do not act on them timely", R1.

"It depends from each management's maturity to understand and accept all the recommendations being done from IC. Unfortunately, management most of the times doesn't put it in practice", R7.

Proportionally five agreed, three disagreed and three of them preferred no to answer.

3.6 Discussion

3.6.1 Conclusions

Good controlling isn't performed by rote. No two organizations are the same. Indeed no organization is the same today as it was yesterday. Managers are replaced, new employees are hired and procedures are revised. Good controls are dependent on good people well motivated and well trained. Ostensibly good controls can be circumvented either by employee collusion or management override. On the other hand controls may be too good. They may be unnecessarily redundant, or they may be so ironclad that they restrict people's imagination, initiative, and innovativeness.

From the answers that were given from the respondents according to the *first topic IC*, we have ended up to the below conclusions:

a.   Although IC is a strong system which improves the efficiency of an organization and useful at pointing out malfunctions, there is still a prejudice for its effectiveness and use.

b.   Even if employees want to be engaged at the IC' s procedures, management sometimes works as an obstacle, either because the procedure is complicated and time consuming or because is unnecessary delaying.

c.   There is an indifference from the employees' term towards their participation at the IC's procedure, because management hasn't taken the appropriate measures for the employees to be educated and ready to face IC's requirements.

d.   Management besides its prejudice on IC's application, follow-up procedures, must cooperate with IC departments in order to manage:

- Operational risks that won't be easy to be controlled,
- Missing deadlines,
- Overlapping of responsibilities,
- Weak implementation of laws,
- Possible fraud.

Concerning the *second topic HRM*, we have ended up to the below conclusions:

a.   It's necessary for an organization to have a job description framework to ensure better achievement of goals and to carry out controls.

b.   The goals a HRM sets, are realistic enough when its staff is well enough, educated and experienced to accomplish them.

c.   Administrative controls are very important because they highlight possible deficiencies in a department's operations.

d.   IC and HRM is required to interact so as to:

- Spot deficiencies,

- Propose solutions,
- Request staff recruitment.

Top management must review IC while giving consideration to the people, the times, the environment, the risks and the circumstances.

Concerning *the third topic, IC relationship with HRM,* we have ended up to the below conclusions:

a.   IC is a dynamic integral process that is continuously adapting to the changes an organisation is facing, HRM at all levels, have to be involved in this process in order to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives.

b.   Focus on existing operations and their contribution to effective internal control, and by integrating controls into basic operating activities, an organisation can avoid unnecessary procedures and costs.

c.   Managers, employees, are what make IC work. It is accomplished by individuals within an organisation, by what they do and say. Consequently, internal control is effected by people who must know their roles and responsibilities, and limits of authority.

d.   HRM's task is to identify and respond to risks connected with the goals achievement's failure. In order to maximize the likelihood of achieving the entity's mission, IC can help to address these risks, providing reasonable assurance about the achievement of the mission and the general objectives.

e.   HRM attitude can have a profound impact on the effectiveness of internal control and the personnel operating the system. Thus, HRM needs to continually review and update controls, communicate changes to personnel, and set an example by adhering to those controls.

f.   The "tone at the top" (i.e. management's philosophy and operating style) reflects:

- A supportive attitude toward internal control at all times, independence, competence and leading by example;

- A code of conduct set out by management, and counselling and performance appraisals that support the internal control objectives and, in particular, that of ethical operations.

3.6.2 Proposals

The following proposals stem from this research in order for IC and HRM to help address the challenges at the public sector.

- Application of IC functions and activities, as an integrated part of the governance, management and operations processes (e.g planning, decision making, monitoring and evaluating). Inability to imbed specific controls can be viewed as a significant control

deficiency that can put the company at grave risk for meeting strategic objectives or exposing the company to fraudulent behavior.

Also:

- There must be a clear tone at the top.

- Entity level objectives must be defined not vaguely and not to be copied from previous strategic and operational plans.

- Information systems must be more mature, as information systems, financial information systems, etc.

- There must be no limitations at the setting of relevant indicators and the measurement of performance.

- There must be a systematic dissemination of information on the implementation tools.

- There must be no limitations at awareness-raising activities about the benefits of control, management control and risk management. The effectiveness of the IC and HRM, will raise awareness around the added value of IC among senior management, middle management, staff, and strengthen the independence and objectivity.

- Public administration must develop mechanisms in order to attract, and retain competent individuals with the right skills and ethical commitment to work in the control area. Capacity building and relevant training programs need further update and improvement.

- As a basic problem for public sector is to establish a robust IC system, public sector should invigorate the planning capacity across all the hierarchical and organizational levels.

- The core prerequisites for setting up and maintaining an effective IC environment should ensure professionalism, stability and continuity in staffing. This can be achieved through recruitment, promotion and compensation.

- A regular communication regarding the IC system arrangements and procedures across all levels of public organizations could ensure that IC principles are fully understood and correctly applied by all.

- A use of awareness-raising campaigns and events on the importance of integrating IC and HRM activities into daily business as a tool to influence public perception and enhance accountability and legitimacy of public entities.

- If there is a clear separation of financial and managerial controls policies. Most of the time there is a confusion.

3.6.3 Limitations and further research directions

Limitations

The questionnaire results have limited interpretative value because:

- The sample to which the questionnaire has been relied on is too small.

- Our study doesn't concern all the different departments of the public sector.

- The questionnaire's application was limited.

- The respondents were negative to answer the questionnaire, either because they had participated in recording IC and HRM procedures, processes and management didn't' want to follow–up the procedure making or they "view" IC's and HRM functions as too much complicated and unable to deal with.

- Even though all of the respondents are taking part, consciously (written procedures) or unconsciously (unwritten procedures) on their day to day work to functions, dealing with IC and HRM, they couldn't analyze the topics concerned to IC and HRM, maybe due to the lack of training or due to the lack of information at their departments.

- During the questionnaire's processing we realized that there is a confusion among employees about who and why must participate in IC and HRM procedures. That's why because at I.A.P.R there are coatings concerning IC's procedures.

Further research directions

As for further directions concerning the public sector, it would be interesting to investigate:

- The way IC and HRM at the public sector (I.AP.R) cooperates with other key public institutions or private institutions.

- The methodology and the implementation of the self-evaluation of the IC system and how this could improve individual awareness, understanding and developing the skills of all heads of department and directorates as well as employees in key positions.

- The roles and operations of public servants and if and how they are being redesigned.

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Appendix Research Questionnaire

Αξιότιμοι συνάδελφοι/ ες,

Στα πλαίσια του μεταπτυχιακού προγράμματος Διοίκηση οικονομικών Μονάδων διεξάγω έρευνα σχετικά με θέμα: IC and Human Resource Management(Εσωτερικός Έλεγχος και Διοίκηση Ανθρωπίνου Δυναμικού). Η έρευνα αναλύει τον τρόπο με τον οποίο οι εργαζόμενοι αντιλαμβάνονται τις έννοιες αυτές στον Δημόσιο τομέα και πιο συγκεκριμένα στις διευθύνσεις ή στα τμήματα τους. Η αποτελεσματικότητα της, εξαρτάται σε μεγάλο βαθμό από την ποιότητα και την ποσότητα της πληροφόρησης. Σας καλώ να αφιερώσετε όχι παραπάνω από 15-20 λεπτά, παρέχοντας την ειλικρινή και σαφή ενημέρωση, βασισμένη στην εμπειρία σας. Σας εγγυώμαι ότι θα τηρηθεί η εμπιστευτικότητα και η προστασία των δεδομένων που αρμόζει σε μια έρευνα. Βεβαιώνω επίσης ότι η έρευνα είναι προεραιτική.

Σας ευχαριστώ εκ των προτέρων για τη συμβολή σας.

Με εκτίμηση

Δήμητρα Χαλκιά

Μεταπτυχιακή Φοιτήτρια

*Internal Control

1.   What is IC for you? What is its utility and role at your directorate?

 (Τι είναι για εσάς ο εσωτερικός έλεγχος; Ποιά είναι η χρησιμότητα και ο ρόλος του στη διεύθυνσή σας?)

2.   Do you know from whom IC should be performed?

(Γνωρίζετε από ποιον πρέπει να εκτελείται ο εσωτερικός έλεγχος;)

3.   Is there a detailed unified Procedure Manual at your Directorate with written tasks and the way of their execution? Describe.

(Υπάρχει λεπτομερές ενιαίο Εγχειρίδιο Διαδικασιών στην Διεύθυνσης σας με αποτυπωμένες τις εργασίες και τον τρόπο εκτελέσεώς τους; Περιγράψτε)

4.   Is there a specific follow-up procedure for the established corrective actions?

(Υπάρχει και εφαρμόζεται συγκεκριμένη διαδικασία παρακολούθησης (Follow-up) των συσταθέντων διορθωτικών ενεργειών;)

5.   Do you believe that IC adds value and improves business /directorate operation?

(Πιστεύετε ότι ο εσωτερικός έλεγχος προσθέτει αξία και βελτιώνει τη λειτουργία της επιχείρησης/διεύθυνσης;)

6.   The results of the IC contribute to the decision-making process of the administration?

(Τα αποτελέσματα του εσωτερικού ελέγχου συμβάλλουν στη διαδικασία λήψης αποφάσεων της διοίκησης;)

7.   Do you believe that the implementation of IC monitors the achievement of your administration objectives?

(Πιστεύετε ότι η εφαρμογή του εσωτερικού ελέγχου παρακολουθεί την επίτευξη των στόχων της Διεύθυνση σας;)

8.   Do you think that the implementation of IC helps to identify administrative weaknesses?

(Πιστεύετε ότι η εφαρμογή του Εσωτερικού Ελέγχου βοηθά στην επισήμανση διοικητικών αδυναμιών;)

9.   The weakness of an IC System affects business performance of your directorate?

(Η αδυναμία ενός Συστήματος Εσωτερικού Ελέγχου επηρεάζει την επιχειρηματική επίδοση της διεύθυνση σας;)

*Human Resource Management

10.   What is Human Resource Management for you? Describe a reliable Human Resource Management framework for the effective operation of IC at your Directorate.

(Τι είναι για εσάς η Διοίκηση Ανθρωπίνου Δυναμικού; Περιγράψτε ένα αξιόπιστο πλαίσιο Διοίκησης Ανθρωπίνου Δυναμικού για την αποτελεσματική λειτουργία Εσωτερικού Ελέγχου στην Υπηρεσίας σας.)

11.   Has a job description been provided at all levels/departments?

(Έχει γίνει περιγραφή καθηκόντων θέσεων εργασίας σε όλα τα επίπεδα/τμήματα;)

12.   Do you think that the separation of duties and responsibilities of employees is clear?

(Πιστεύετε ότι είναι σαφής ο διαχωρισμός των καθηκόντων και αρμοδιοτήτων των εργαζομένων;)

13.   Do you think that the goals set by the Management are realistic and can be achieved?

(Θεωρείτε ότι οι στόχοι που τίθενται από τη Διοίκηση είναι ρεαλιστικοί και μπορούν να επιτευχθούν;)

14.   How does the Human Resources Department support the effectiveness of the IC in your directorate?

(Πως στηρίζει το τμήμα Ανθρωπίνου Δυναμικού την αποτελεσματικότητα του εσωτερικού ελέγχου στην Διεύθυνση σας;)

15.   Respectively, how does IC support the effectiveness of Human Resource Management?

(Αντίστοιχα, πώς στηρίζει ο εσωτερικός έλεγχος την αποτελεσματικότητα της Διοίκησης Ανθρώπινου Δυναμικού;)

16.   Do you interact with each other as partners / colleagues to make common decisions in order to achieve a business goal?

(αλληλεπιδράτε ο ένας με τον άλλο ως εταίροι/συνάδελφοι για να λάβετε κοινές αποφάσεις για την επίτευξη ενός επιχειρηματικού στόχου;)

17.   Do you think that administrative controls provide useful conclusions?
As to whether employees are engaged and acclimatized to the environment in which they work as well whether they are actively involved in achieving their goals set by the company as a whole.

(Πιστεύετε ότι οι διοικητικοί έλεγχοι παρέχουν χρήσιμα συμπεράσματα αναφορικά με το κατά πόσον οι εργαζόμενοι είναι προσηλωμένοι και εγκλιματισμένοι στο περιβάλλον μέσα στο

οποίο εργάζονται, καθώς και κατά πόσο συμμετέχουν ενεργά στην επίτευξη των στόχων που έχουν τεθεί συνολικά από την επιχείρηση;)

18.   Administrative controls assess the causes leading to departures of employees from your directorate?

(Οι διοικητικοί έλεγχοι αξιολογούν τα αίτια που οδηγούν στις αποχωρήσεις των εργαζομένων από την διεύθυνση σας;)

19.   Do you believe that the Management accepts the recommendations of the IC?

(Πιστεύετε ότι η Διοίκηση αποδέχεται τις συστάσεις του Εσωτερικού Ελέγχου;)

Declaration

I hereby declare that, in accordance with article 8 of Law 1599/1986 and article 2.4.6 par. 3 of Law 1256/1982, this thesis/dissertation is solely a product of personal work and does not infringe any intellectual property rights of third parties and is not the product of a partial or total plagiarism, and the sources used are strictly limited to the bibliographic references."