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## **Approach To Understanding The Impacts Of Implementing Cost Management And Control Systems In Public Entities: An Analysis Based On Contingency Theory**

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### **ABSTRACT**

This study is justified by its social relevance, as well as by the need for knowledge, analysis, and monitoring of public management, with a focus on achieving the primary objectives of the state, which aim to provide essential services to citizens, such as health, education, assistance, infrastructure, security, among others, in order to ensure the well-being of the community. The effectiveness of public management is directly linked to the control of its expenditures, which, in turn, requires knowledge about the costs associated with the products and services made available to the population. This study aims to investigate the implementation and use of cost management and control systems for assessing results in the administration of municipalities located in the western region of Paraná. A descriptive, qualitative study was conducted, and data were obtained through interviews with accountants and public controllers from the municipalities included in the sample. Based on the information collected, it was possible to ascertain that the entities *surveyed* do not have a cost management and control system in place or in the process of being implemented, with the purpose of establishing comparison factors between their own units or cost centers, as well as with the costs incurred by other public entities, in order to measure the results obtained, detect discrepancies or non-conformities, and propose optimization measures. Through analysis of the information collected, it was also verified whether or not the actions developed by the entity were recorded for decision-making and to measure the cost of the activities carried out. Notably, public entities lack management support tools that can subsidize data collection to optimize spending and consequently lead the entity to efficient management. It is hoped that the findings of this study will converge on the conclusion that there is a need for the implementation and improvement of cost management and control systems by the public administration.

**Keywords:** Public Administration. Public Governance. Costs. Contingency.

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## 1. INTRODUCTION

Efficiency is a very common theme in the market and in private organizations, where efficient organizations are those that manage to optimize the management of their resources, generating better results for *stakeholders*. This concept is also applied to state activity, since debates about efficiency in the use of public resources have been gaining prominence in the enactment of legal frameworks, as well as being imposed by pressure from society itself (Diniz, Macedo & Corrar, 2012).

Cost accounting refers to a field mainly linked to industrial activity, having emerged from the industrial revolution (Martins, 2018). Faced with growing demands from society, public administration requires public managers to be able to meet the needs of the population within an efficient model that strikes a balance between the quality and costs of these services (Diniz, Macedo & Corrar, 2012).

To assist Public Administration in cost control, the Federal Accounting Council (CFC) issued Resolution 1.366/11 in the 2011 fiscal year, which regulates NBC T 16.11, establishing the Brazilian Accounting Standards and instituting the Public Sector Cost Information System. In the 2021 fiscal year, the CFC instituted, through the publication of NBC TSP 34/2021, the mandatory implementation of the cost control system, starting on January 1, 2024.

In this context, we can see the importance of cost accounting as a branch of accounting focused on the management and effectiveness of administrative acts, thus presenting paradigms to managers, with a focus on generating policies that can transform citizens' lives.

Developing actions aimed at the well-being of the population and, consequently, transforming life in society, is one of the prerogatives of the State, whose purpose is to govern for the people. These objectives stem from the very idea of the conception of the State, as idealized by Thomas Hobbes.

Federal Complementary Law No. 101 of 2000 established in its Article 50, § 3 that "the Public Administration shall maintain a cost system that allows for the evaluation and monitoring of budgetary, financial, and asset management," without, however, establishing rules on how cost management in the public sector would work in practice.

The problem addressed by this research is to identify **which contingency factors influence the implementation of the cost management and control system in municipalities**. The objective of this study is to analyze which of the factors addressed in contingency theory has the greatest influence on the implementation of the cost control system, using narrative

analysis for its investigation. The main contribution that this research can provide is related to the social factor, as it is a desire of society that public administration improve its controls and bring greater transparency to its actions. Through this investigation, we aim to identify the main difficulties in implementing the cost management and control system, in addition to verifying the progress of the process.

## **2. THEORETICAL REFERENCE**

This section addresses the theoretical foundations of this study, notably the aspects that support the contextualization, implementation, and use of Cost Management and Control Systems in the Public Sector.

In order to implement citizen-oriented management based on expenditure control in a social development scenario, new ways of justifying the payment of taxes to the State have emerged, with the State's counterpart being the provision of public services and the promotion of development, without neglecting its primary functions related to limitations and restrictions on private activity, such as the power of the police.

### ***2.1. Public Administration***

This refers to the management of public interests by the State, whether through the provision of public services, its internal organization, or even through intervention in the private sphere, sometimes in a restrictive manner, as in the case of the exercise of police power. Whatever form is chosen for the administration of public affairs (*res publica*), it is inevitable to conclude that the ultimate beneficiary of this management must be society itself, even if the activity immediately benefits the State (Carvalho Filho, 2021).

According to DI Pietro (2021), the term Public Administration refers, in a subjective, formal, or organic sense, to the entities that carry out administrative activities; it includes legal entities, agencies, and public officials responsible for performing one of the three functions of state activity: the administrative function. In an objective, material, or functional sense, it refers to the nature of the activity carried out by these entities; in this sense, Public Administration is the administrative function that falls predominantly to the Executive Branch.

There is a close relationship between Public Administration and Public Service, clearly suggesting that the latter is carried out exclusively by the former, either directly or by dele-

gation (Kohama, H., 2016). Jezé (as cited in Kohama, 2003, p. 29) clarifies that “the purpose of the State is to organize and operate public services.” Lima (1981) also assumes that Public Administration executes or provides public services because it considers their existence and, consequently, their operation to be indispensable to society.

In the view of Campos (2021), it is incumbent upon the Administration to exercise the administrative function, since it must perform concrete acts with a view to satisfying the public interest. This function primarily belongs to the Executive Branch, but in addition to the typical functions, there are also atypical ones, so the Legislative and Judicial Branches will perform administrative activities while organizing their internal services.

The term Public Administration, in the doctrine of Nohara (2020), refers to the set of public law bodies and legal entities to which the law assigns the exercise of the administrative function of the State, in a subjective, formal, or organic sense; and administrative function or activity performed under public law for the achievement of collective interests, in an objective, material, or functional sense.

In a generic sense, "to administer is to manage interests in accordance with the law, morality, and the purpose of the assets entrusted to the care and conservation of others" (Meirelles, 2009). "The verb to administer means to manage, to watch over, that is, the dynamic action of supervising" (Carvalho Filho, 2011).

Government and Administration are terms that seem to express the same function, governing the public entity, which is not the case. Government can be understood, in a simplified way, as a more political issue of public affairs, something more abstract, "an expression of command, initiative, setting of State objectives, and maintenance of the current legal order." The government acts through acts of sovereignty, or at least autonomy (Meirelles, 2009). Administration, in turn, refers to the bodies developed to achieve the government's objectives. "Administration does not perform acts of government, it performs exclusively acts of execution, with greater or lesser autonomy, according to the competence of the body and its agents." Comparatively, it can be said that Government is a political and discretionary activity, while Administration is a neutral activity, bound by law or technical standards. Government is independent conduct, while Administration is hierarchical conduct. Administration is the apparatus available to the government to implement its projects, and this does not mean that the Administration does not have decision-making power, but within the scope of its duties and within the legal limits of its executive competence. Public administration is characterized by managing public assets and interests based on moral and legal precepts, whether at the municipal, state, or federal level. The

term public administration refers to both government agents and agencies and the administrative activity itself (Meirelles, 2009).

According to Carvalho Filho (2011), public administration should not be confused with the structural powers of the state, especially the executive branch, which is commonly responsible for administrative tasks. The other branches, the legislative and judicial, in addition to their main duties, also perform numerous administrative activities of an internal organizational nature for the basic functioning of the institution.

In a legal sense, Meirelles (2009) argues that administration and ownership are diverse concepts: the terms administrator/administration represent the idea of custody and maintenance of assets and interests, while the expression ownership/owner portrays the notion of availability and alienation.

The nature of public administration consists of public service, understood as an obligation derived from the law for those who perform the function of administration, specifically the responsibility to care for, defend, and improve collective assets, services, and interests. In private administration, the administrator is guided by the owner on how to manage the assets entrusted to him; in Public Administration, these guidelines are established in principles, typified in laws, regulations, and special acts, in addition to the institution's moral code. In this sense, the primary duty of the public administrator is to act in accordance with the law and administrative morality, which express the interests of the rights holders. The main purpose or objective of public administration is the common good of the administered community; any deviation from this intention constitutes an illegal and immoral act, in addition to betraying the mandate that was granted to them (Meirelles, 2009).

Public Administration is based on certain guiding principles that must be present in all public administrative actions. Legality, Morality, Impartiality or purpose, Publicity, Efficiency, Reasonableness, Proportionality, Full defense, Contradictory, Legal Certainty, Motivation, and Supremacy of the Public Interest. The first five are listed in Article 37, *caput*, of the Federal Constitution of 1988, while the others stem from the political regime itself and are set out in Article 2 of Federal Law 9.784/99 (Meirelles, 2009).

According to Campos (2021), the Public Administration has numerous duties to perform, and over time, the State has taken on other duties, so much so that currently, according to the majority doctrine, it performs three primary tasks, namely: a) police power: which was the first mission conferred on the administration, through which the State can impose restrictions/limitations on freedom and private property for the benefit of the community; b) public services: at

the beginning of the 20th century, after World War I (1914-1918), it was realized that the State should not only act in a negative way, limiting/restricting life in society (use of police power), but should also act in a positive way, providing public services to the community, such as the supply of electricity, water, sewage, and public transportation; c) promotion: after the second half of the 20th century, the State realized that, in addition to limiting social interaction (police power) and providing services of collective interest (public services), it should also encourage specific social sectors of the private initiative so that they could develop the social and economic order.

## ***2.2. Governance***

### ***2.2.1. Corporate Governance***

The evolution of business societies led to the separation of ownership from management. This gave rise to conflicts of interest between the "owners" of companies, who held the property, and the managers, who were hired to administer them. This phenomenon, known as agency conflict, was one of the main factors that contributed to the emergence of corporate governance (Fiorini, Junior & Alonso, 2016).

According to Silva (2012), "corporate governance is a set of practices that aim to optimize a company's performance, protecting investors, employees, and creditors, thus facilitating access to capital."

"Corporate governance is not a fad, but a system for improving management" (Silva, 2012). This system has evolved considerably in recent decades, with specific regulations being introduced in several countries. In addition, numerous scientific articles and codes of good governance practices have been published, which have greatly contributed to the dissemination of more efficient management and administration practices.

The Brazilian Institute of Corporate Governance (IBGC), founded in 1995, at the time called the Brazilian Institute of Board Members (IBCA), defines corporate governance as the system by which companies and other organizations are managed, monitored, and encouraged, involving relationships between partners, the board of directors, management, supervisory and control bodies, and other stakeholders. Good corporate governance practices convert basic principles into objective recommendations, aligning interests with the purpose of preserving and optimizing the long-term economic value of the organization, facilitating its access to re-

sources and contributing to the quality of the organization's management, its longevity, and the common good. (IBGC, 2015).

Although many mechanisms incorporated into best management practices have been widespread for decades, it is estimated that the term "corporate governance" emerged between the 1980s and 1990s. It gained prominence after the major corporate scandals involving large corporations in the early 2000s, as well as the expansion of studies related to the topic. Corporate governance emerged with the aim of making organizations more rational, ethical, and pluralistic. As a result of the aforementioned scandals, society sought a more balanced system for decision-making, aiming to minimize agency conflict and also to impose greater transparency on business (Fiorini, Junior & Alonso, 2016).

Six global phenomena contributed decisively to the topic becoming the main focus of discussion on senior management worldwide (Becht, Bolton, and Roell as cited by Silveira, 2010):

- a) Growth and greater activism of institutional investors;
- b) Wave of hostile takeovers in the United States in the 1980s;
- c) Wave of privatizations in European and developing countries;
- d) Deregulation and global integration of capital markets;
- e) Crises in emerging markets at the end of the 20th century;
- f) Series of corporate scandals in the United States and Europe;

To these, Silveira (2010) adds a seventh event: the global financial crisis of 2008. In Brazil, as in other countries, corporate governance has also been gaining prominence, especially after the corruption and money laundering scandals of recent years.

The origin of governance in the private sector may have occurred around 1920 in the United States, influenced by social, political, and economic issues, when the owner of capital distanced himself from its management and transferred this function to a third party, an administrator acting on behalf of the owner (IBGC, 2015).

This outsourcing of capital management brought to the fore problematic issues, which were in fact predictable, between partners/owners and administrators, where each sought to maximize their interests and profits to the detriment of the other party. Thus, as a possible resolution to this conflict, debates on governance techniques began (IBGC, 2015).

At the beginning of the 21st century, the issue of good governance came to the fore with the scandals involving American companies such as Enron, WorldCom, and Tyco, where the reliability of financial statements and the relevance of audits were discussed. Based on this episode, the US Congress passed the Sarbanes-Oxley Act (SOx), with important definitions,<sup>9</sup>

regarding corporate governance practices (IBGC, 2015).

In the 1990s, the Cadbury Report was published in England, considered the first code of good corporate governance practices. Following this trend, some companies developed their own governance codes, with good management practices adapted and tailored to their own realities, as was the case with GM Motors in the United States. Companies that adopted good governance practices began to attract the attention of investors on the stock exchanges, a differential that highlighted and enhanced their value in the economic scenario, not only by serving the interests of owners, but also by ensuring greater longevity for the organization (IBGC, 2015).

In Brazil, the introduction of good governance practices coincided with the opening of the national import/export market and the beginning of privatization in the 1990s. Corporate governance is governed by the following principles: transparency, fairness, accountability, and corporate responsibility (IBGC, 2015).

In short, governance is a necessity created by the fact that the owner distances himself from the management of his business, where the fundamental objective is to adjust the agent's expectations to those of the principal, in order to determine the actions suitable for directing, monitoring, or controlling organizations to achieve the desired results, with its principles being fully applicable to the most varied types of organizations (Teixeira & Gomes, 2019).

Among the benefits that corporate governance provides to organizations, Silveira (2010) highlights the external benefits associated with facilitating fundraising and reducing the cost of capital, and the internal benefits linked to improving the decision-making process in senior management.

### ***2.2.2. Public Governance***

With regard to national public administration, the fiscal crisis faced in the 1980s, in a context of a diverse society and scarce resources, revealed the need for more effective and efficient management of the state, fertile ground for the implementation of good governance practices. At the time, discussions on the subject resulted in the establishment of guiding principles for good governance practices in public organizations, such as transparency, integrity, and accountability (TCU, 2014).

In the last decade, Brazil has witnessed several corruption-related scandals, such as Operation Car Wash, which began in 2014 and estimated the embezzlement of public funds at around R\$ 42.8 billion; Operation Zelotes, which began in 2015, with an estimated loss to the

public coffers of R\$ 19.0 billion; and the Banestado case, whose estimated loss to the treasury, as pointed out by the Parliamentary Inquiry Commission established in 2003, amounted to R\$ 30.0 billion. (Diário do Estado, 2021).

In Brazil, the need to make the state more efficient resulted in the publication, in 2013, by the Federal Court of Accounts (TCU), of the Basic Reference for Public Governance, and, in 2017, of Decree No. 9,203, which established the basic principles to guide good governance practices in public organizations. (Amorim & Oliveira, 2022).

Unlike Corporate Governance, which is restricted to the private business sector, and the parties are limited to partners/owners (principal) and hired administrators (agents), Public Governance encompasses broad and complex factors in addition to its actors, the people (principal) and government officials (agents).

In the Constitution of the Federative Republic of Brazil (1988), Article 1, *caput*, it was established that the Federative Republic of Brazil is a Democratic State governed by the rule of law, and in its sole *paragraph* that "all power emanates from the people, who exercise it through elected representatives or directly," that is, it is the prerogative of Brazilian citizens to choose their representatives, such that power does not lie with the chosen rulers (agents), but rather with those who choose them (principals). In addition to establishing the people as the holders of power in the Brazilian State, the 1988 National Constituent Assembly aimed to create fundamental conditions for the governance of the State, thus "establishing fundamental rights and guarantees for citizens; organizing the State and its Powers politically and administratively; defining and segregating roles and responsibilities; and instituted a system of checks and balances, as well as internal and external control structures" (TCU, 2014).

In addition to the Federal Constitution of 1988, other legal provisions corroborated the implementation of governance techniques in state management, such as the Fiscal Responsibility Law, Federal Complementary Law No. 101 (2000); the Fiscal Crimes Law, Federal Law No. 10,028 (2000); Transparency Law, Federal Complementary Law No. 131 (2009); Access to Information Law, Federal Law No. 12,527 (2011), among others, in addition to initiatives such as the creation in 2009 of the National Program for Public Management and Debureaucratization (GesPública): service charter. (TCU, 2014).

"Governance in the public sector essentially comprises the leadership, strategy, and control mechanisms put in place to evaluate, direct, and monitor management performance, with a view to conducting public policies and providing services of interest to society." (TCU, 2014). Adequate public governance considers not only issues related to development, but also

those inherent to efficiency, capacity, responsiveness, and legitimacy, as well as the need to seek adequate performance that complies with ethical principles and current legislation, incorporating principles related to participation into the entity's routine (Barreto & Vieira, 2021).

In the 1992 document *Governance and Development*, the World Bank defines governance as the way in which power is exercised to manage a country's socioeconomic resources for its development, impacting the ability of managers to plan, formulate, and adopt public policies. The term "governance" arose from the Bank's reflections on identifying the conditions necessary to make the State more efficient (Gonçalves, 2005).

Two issues related to public governance deserve to be highlighted. First, the perception that "good" governance is an essential requirement for sustained development, which includes economic growth/development, social equity, and human rights (Santos, 1997). and second, the issue of government practices and procedures aimed at achieving its goals, including aspects related to the decision-making process, public-private coordination in the formulation of public policies, or even the level of openness to the participation of interested sectors or different spheres of power (World Bank, 1992, as cited in Diniz, 1995).

Rosenau (2000) points out that government and governance do not have the same meaning, since government presupposes activities supported by formal authority, by the power of the police that guarantees the implementation of the policies it institutes, while governance refers to activities based on common objectives, which may or may not derive from legal and/or formal responsibilities and do not necessarily depend on police power to be accepted. It should be noted that the term governance designates a concept broad enough to encompass the governmental dimension. According to Rosenau (2000), governance is a broader phenomenon than government; it encompasses government institutions as well as informal, non-governmental mechanisms that lead people and organizations within their area of activity to engage in certain conduct in order to satisfy their needs and respond to their demands.

The Worldwide Governance Indicators (2022) establish that "Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored, and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions between them."

Let us therefore stick to the definition of governance as a means and process capable of producing effective results without the need for the express use of coercion. But governance does not exclude the state dimension: on the contrary, it involves it. Governance refers to the

“totality of the various ways” of managing problems, with the participation and action of the state in partnership with the private sector. Obviously, the non-state dimension is the most relevant and sometimes unprecedented feature brought to the debate and the formulation of policies and actions at the national and international levels by governance. For this reason, when investigating the topic of governance, the role of non-governmental organizations stands out. (Gonçalves, 2005).

It is well known that the Federal Constitution of 1988 established a list of innovative social rights for citizens, such as education, health, food, housing, decent work, transportation, security, social security, maternity and child protection, assistance to the destitute, and leisure. Given the considerable list of social rights guaranteed by the highest law of the land, a large, precise, and effective operational structure should be created, nurtured, and adjusted to ensure the exercise of or access to these rights. The greatest challenge remains that of providing the community with quality public services and promoting economic and social development in order to guarantee the population's access to the social rights enshrined in the Federal Constitution. To this end, the public administration needs a veritable arsenal of material and human resources, preordained to the provision of public services, in accordance with the legal norms that precede any and all administrative acts.

In view of the many challenges facing the public administration and its agents, it is necessary and prudent to recognize that conflicts of interest, ideas, and conceptions will occur naturally and abundantly, a peculiar characteristic of social coexistence. Given this scenario, permeated by multiple variables and the impossibility of denying the occurrence of conflicts, making use of theories and modern management techniques that can make the public machine more efficient requires constant modernization and improvement.

### *2.3. Cost Accounting*

From Crepaldi and Crepaldi (2023), it can be inferred that Cost Accounting refers to a technique used to identify, measure, and report the costs of products and/or services. It aims to produce reliable and timely information for management, with a focus on decision-making. It is geared toward measuring the organization's expenses in the course of its operations. It plans, classifies, allocates, accumulates, organizes, records, analyzes, interprets, and reports the costs of the products and/or services produced and offered.

Cost Accounting refers to the branch of Accounting that aims to provide reliable and

timely information for decision-making at various management levels of an entity, as an aid to performance measurement, planning, and control of operations (Leone & Leone, 2010).

From this perspective, according to the same authors, Cost Accounting collects, classifies, and records the operational data of the entity's various activities, known as internal data, as well as, at times, collecting and organizing external data. It then organizes, analyzes, and interprets operational and physical data and combined indicators with the aim of producing reports that meet the specific needs of managers at various levels of administration and operation.

Cost accounting emerged from financial accounting due to the need to measure and evaluate inventories in the industrial sector, having been, for a long period, a limiting factor in demonstrating its ability to guide internal users in the management decision-making process (Santos, Schmidt & Pinheiro, 2006). Currently, it is recognized as essential for promoting control and decision-making (Martins, 2006).

### *2.3.1 Cost Management and Control in the Public Sector*

In times of scarce public resources, a common scenario in developed countries and even more so in underdeveloped countries, techniques aimed at optimizing the costs of public services improve the quality of spending and, consequently, the results offered to society. According to Verbeeten (2011), cost management and control systems are essential for public managers, as they support the decision-making process and enable the evaluation of programs and projects, commonly through benchmarking. On the other hand, cost management is an indispensable tool for structuring other strategic and managerial choices in new public management (Modell, 2009).

In order to fulfill its function, the State, when planning its actions, must establish criteria aimed at finding solutions to various social demands. For the efficient, effective, and efficient provision of public services, it is necessary to adopt management and organizational control tools that optimize the application of public resources for the benefit of society (Ter Bogt, 2008).

This translates into one of the primary functions of the State, the adequate allocation of public resources for the benefit of social welfare (Lapsley; Wright, 2004; Lovato, Oliveira, Guimarães, and Catapan, 2016). In addition, society yearns for the adequate provision of public services to meet its demands, which depends on transparency in the management and efficient use of public resources (Motta, 2013).

In addition, information about costs accompanied by the benefits of public policies should

be the basis for the preparation of the budget proposal, since the budget is the instrument that allows for the execution of expenditures for the adequate provision of planned public services. Therefore, knowledge of costs has an impact on the entire management cycle and, as proposed by Mättö and Sippola (2016), should permeate state management.

From the literature of Oliveira, Silva, and Silva (2016), it can be inferred that although it has been considered legally necessary since 1964 (due to Law No. 4,320), it was only at the end of the 1990s that the discussion on the cost information system in the Brazilian public sector began to be debated in academic and professional circles.

Aiming at efficiency in public management at the national level, Federal Law 4,320/64 already suggested in its articles 85 and 99 that accounting services, in addition to their inherent functions, should be able to determine the costs of industrial services. Subsequently, Decree-Law 200/67, in its Article 79, established that accounting should calculate the costs of services in order to highlight management results.

The adoption, since the enactment of the Federal Constitution of 1988, of planning and budgeting processes (Multi-Year Plan, Article 165, Budget Guidelines Law, Article 166, and Annual Budget Law, Article 167), giving the public budget the status of the main management tool available to the Brazilian Public Administration, has basically served to implement control actions, not to measure or guarantee the levels of efficiency desired by society. With a view to remedying these deficiencies, the Fiscal Responsibility Law (LRF) – Complementary Law No. 101/2000 – was enacted, establishing the need for monitoring and accountability of managers for their actions.

Based on the accountability of public managers for their actions, the LRF establishes a series of instruments whose application can contribute to economic and social progress through the implementation of government programs. It also establishes the obligation to promote popular participation in public management and transparency, which enables citizens to submit proposals and evaluate the efficiency and effectiveness of public management (Lovato, Oliveira, Guimarães, & Catapan, 2016; Modell, 2009). Another important tool established by the LRF was the mandatory implementation of cost management systems (Federal Complementary Law No. 101 of 2000; Franco, Nascimento, Espejo & Voese, 2013), which until then had been in its infancy in Brazilian public administration.

## ***2.4 NBC TSP 34***

On November 18, 2021, the Plenary of the Federal Accounting Council (CFC) approved NBC TSP 34, which revokes NBC T 16.11 and imposes on public entities at the national level, as of January 1, 2024, the mandatory implementation of cost control systems.

Ten years have passed since the publication of NBC T 16.11, a period that has seen major changes in Public Sector Accounting (CASP) in Brazil, with the participation of agents such as the Advisory Group (GA NBC TSP) of the CFC and the National Treasury Secretariat (STN), currently linked to the Ministry of Economy.

According to Lima and Lima (2019), although it was officially launched in Brazil in 2008, the reform of Public Accounting towards IPSAS is still in its infancy. Considering that there are deadlines until the 2025 financial year for municipalities to adopt IPSAS-compliant procedures, it is not yet possible to ascertain the level of convergence in the country.

According to Moraes, Vicente, and Platt Neto (2012), NBC T 16.11 “standardized the concepts, objects, objectives, and basic rules for measuring and disclosing costs in the Brazilian public sector.” Souza and Neivas (2022), members of GA NBC TSP, explain that this standard is more conceptual in nature, while agents require more technical guidance for cost implementation. In addition to filling this gap, NBC TSP 34 aimed to increase awareness (enforcement) for cost implementation in the public sector.

In terms of objectives, the Standard aims to establish standards and guidelines to be observed in the implementation of the cost system. It is a public governance instrument that establishes criteria for generating cost information and reinforces the importance of the manager's role in the effective adoption of cost management models. Intended for public sector entities, the Standard is to be applied in accordance with the scope defined in NBC TSP Conceptual Framework.

The support of senior management is essential for the successful implementation of a cost management model that enables the use of the information generated as a tool to aid in the processes of planning, decision-making, monitoring, performance evaluation, transparency, accountability, and responsibility, since the Standard deals mainly with the use of cost information for management purposes.

The cost system has several objectives, including: (a) measuring and disclosing the costs of goods and services made available to society, as well as other cost objects; (b) supporting performance evaluation, allowing comparison between the entity's costs and those of others, whether public or private, encouraging their optimization; (c) supporting decision-making in processes such as buying or renting, producing internally or outsourcing a particular good or

service, introducing new products and services, discontinuing old ones, and setting rates; (d) supporting planning and budgeting functions by providing information that allows for projections and definitions of rates and prices compatible with reality based on projected and incurred costs; (e) support for planning, cost monitoring, and spending quality improvement actions; (f) production of information that meets the needs of the entity's various management levels; (g) support for studies aimed at promoting and seeking efficiency in public sector agencies and entities; (h) guidance on public spending contingency policies with the aim of minimizing their impact on government actions; and (i) support for the monitoring of strategic planning.

The Standard must be applied by public sector entities as of January 1, 2024, unless a national regulatory act is issued establishing different deadlines, in which case these shall prevail.

### *2.5 Contingency theory applied to public administration*

Researchers Woodward (1958), Burns & Stalker (1960), and Lawrence & Lorsch (1967) were the driving forces behind contingency theory in the middle of the last century. These authors conducted studies demonstrating that the economic performance of companies was highly affected by their organizational structure, technology, and the external environment (Fagundes, Petri, Lavarda, Rodrigues, Lavarda, & Soller, 2011).

The application of Contingency Theory to Public Administration arises from the uncertainties caused by the external environment.

Contingency theory advocates that there is nothing absolute about organizations or administrative theory; everything depends, everything is relative. The contingency approach explains that there is a functional relationship between environmental conditions and the administrative techniques appropriate for achieving organizational objectives. Environmental variables are independent variables, while administrative techniques are dependent variables within a functional relationship (Ferreira, 2002).

The core of Joan Woodward's studies is based on the inexistence of a single adequate way to compose an organizational structure, since there are always several alternatives and the choice of the best one depends on each specific case. The conclusion is that for an organization to perform well, its organizational structure must be designed to adjust to the situational demands that derive from the technology being used, its market position, its diversity of products or services, the speed of change, and its size (Lacombe & Heilborn, 2006).

Tom Burns (1961) presented two types of organizational structures:

Mechanical system – one in which specialized functional structures have a rigid classification, as well as power, obligations, and various responsibilities. The command hierarchy is well defined, supporting a flow of communication that transmits orders from top to bottom and information from bottom to top.

Organic system – this offers greater flexibility, with the allocation of power and distribution of duties and responsibilities being more adaptable. Communication tends to be a two-way flow, transmitting queries from top to bottom and bottom to top.

As organizations are subject to environmental changes, they must be prepared to adapt to them. The adoption of a mechanical system by the organization may be appropriate for stable environmental situations, while the adoption of an organic system is more flexible to environmental changes. Organizations often adopt systems that fall somewhere on the scale formed by mechanical and organic systems (Ferreira, 2002).

## *2.6 Previous studies*

In this section, we briefly present some studies related to the topic, carried out in municipalities and other spheres of Brazilian public administration. Through this brief literature review, it is possible to identify several studies on cost management applied to public administration, including the following.

When investigating the level of understanding and adoption by the 67 main municipalities in the state of Paraná in terms of the importance, feasibility and usefulness of the cost control system, Franco, Nascimento, Espejo & Voese (2013) found, as main results, a lack of knowledge about the importance, feasibility, and usefulness, in addition to limitations regarding the budgetary and financial feasibility for its adoption in the municipalities. As for the positive findings, they found that most respondents report the existence of professionals with knowledge about cost regulations aimed at the public sector, as well as operating systems prepared for the implementation of cost subsystems, showing that the difficulty in implementation lies in the integration of these tools. In addition, for 79.10% of respondents, the implementation of the cost control system would meet the operational needs of the entity, which demonstrates awareness of its importance (Franco, Nascimento, Espejo & Voese, 2013).

Considering the advent of NBCASPs, Araújo, Carneiro & Santana (2016) assessed the level of understanding regarding the implementation of the cost system in the Public Administration of the Municipalities of the State of Rondônia, through a *survey*, with the application

of a questionnaire to accountants, controllers, and public managers. It was possible to observe that by the end of the 2014 financial year, no cost control systems would be implemented in those municipalities, since the respondents were not concerned with the issue. With regard to the respondents' lack of concern, it was found that they disagreed and were undecided about the existence of an implementation schedule and budgetary and financial availability for a SIC to be implemented in the respective fiscal year. A different study, which measures the benefits and possible contingencies in the implementation of a SIC in Rio Grande do Sul, also based on the requirements established in the NBCASPs, Lorenzato, Behr & Goularte (2016) found that the SIC is an efficient tool, capable of providing benefits such as improved management, structuring of administrative units, and improved quality and transparency of public spending. In this study, two professionals who work directly with the SIC at the State Finance Department were interviewed. However, despite the likely benefits, the implementation of an SIC encounters problems such as a lack of trained civil servants.

The study by Drehmer, Raupp, and Tezza (2016) aimed to detect the perception of accountants in Santa Catarina municipalities regarding the difficulties and possible contributions resulting from the implementation of Public Sector Cost Information Systems (SICSP) in city halls. The authors describe that, even though there is evidence that accountants are predisposed to seek improvement in the area of costs, the implementation of SICSP is not yet a reality in the municipalities surveyed. The study's findings show that the main limitation to the implementation of the system was the lack of technical staff, in addition to the need to create comparison factors and standards for the preparation of the Multi-Year Plan (PPA), Budget Guidelines Law (LDO), and Annual Budget Law (LOA).

Regarding the challenges for implementing a SIC in the Regional Labor Court in Rio Grande do Sul (TRT4), Colussi and Souza (2018) interviewed the agency's managers and analyzed documents related to the single cost system for the Labor Court. The results of the research concluded that among the main challenges for implementation are the lack of awareness on the part of management, budgetary deficiencies, resistance to change, the absence of specific systems, lack of knowledge about the system, and lack of dissemination by management.

Soares, Rosa & Zonatto (2020) investigated the impacts of using the cost system on the quality of public management based on the perceptions of municipal managers in Santa Maria (RS). Interviews were conducted with twelve managers, from which the authors concluded that the use of the cost system in municipal administration depends on the willingness of managers, emphasizing that the attributes of cost information related to utility and purpose are perceived

as means of creating a culture of decision-making based on the information obtained.

Of the studies mentioned, those conducted by Lorenzato, Behr & Goularte (2016) and Soares and Parcianello (2018) are the most relevant to the present study. These studies aimed to analyze how municipalities in the central region of Rio Grande do Sul were preparing to implement a cost system in compliance with NBC T 16.11, as well as the benefits and contingencies arising from it. In this regard, the present study seeks to understand the challenges and limitations faced by municipal public managers in implementing a cost system, considering that, according to Alves and Nascimento (2007), its implementation may have an impact on the survey, monitoring, and analysis of economic and social indicators of these entities.

From all of the above, this study can broaden the field of study on the implementation of cost systems by the Public Administration, by presenting the experiences carried out so far to the scientific community. It should be noted that most of the studies identified in the literature review were conducted in states and municipalities in the Southeast (Franco, Nascimento, Espejo & Voese, 2013; Lorenzato, Behr & Goularte, 2016; Soares, Rosa & Zonatto, 2020) and that no studies were identified that were applied in city halls that investigated the limitations and challenges for implementing a cost control system, based on the perceptions of managers and technicians who participated in a pilot project, factors that attest to the uniqueness of this research.

### **3. METHODOLOGY**

Methodology is the course of action for achieving the objectives and consolidating a research project. Considering the approach to the problem, this research is classified as qualitative, since, according to Richardson (2012), “[...] it seeks a detailed understanding of the meanings and situational characteristics of phenomena.”

This study is characterized as basic research and deductive reasoning, since it seeks to understand the contingent relationships faced during the process of implementing a cost management and control system to meet regulatory obligations. The aim is to use the analysis to describe the perceptions of public accountants and internal controllers regarding the procedures for implementing the cost system, in accordance with the provisions of NBC TSP 34. For this purpose, the method of data collection and analysis was used through interviews that will be the subject of narrative analysis.

To collect the research data, a semi-structured script was used, adapted from the study

by Nottar (2022), which provides a *survey* of the participants' profiles, understanding of the cost system implementation process, its relevance and control, and contingency factors that impacted this process.

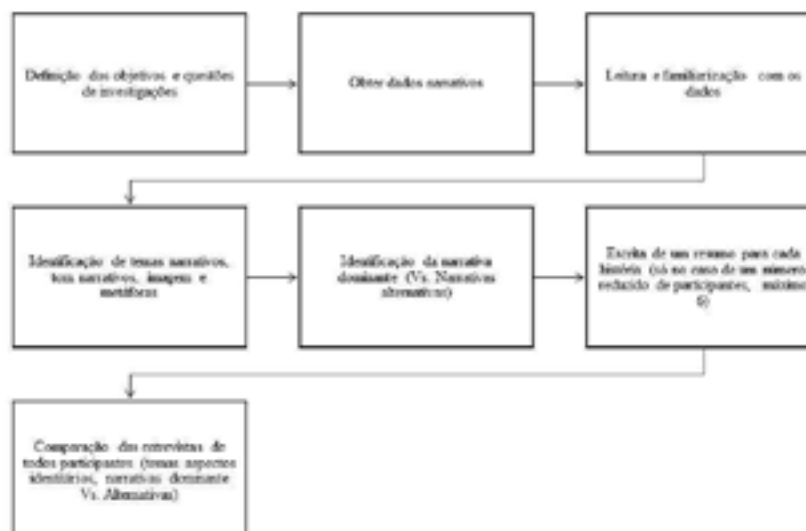
Table 1: Interview script

Blocks		Questions
Profile of Interviewees		1) How old are you? 2) What is your gender? 3) What is your educational background? 4) Current position? 5) How long have you been in this position? 6) Current role and length of time in that role? 7) Previous positions held? 8) How would you rate your knowledge of cost management and control in public administration? (Cost Information Manual, Federal Government Cost Portal, NBC T 16.11 – Public Sector Cost Information System, Draft NBC TSP 3 Costs in the Public Sector).
Understanding of the process of implementing a cost control system and the importance of cost control in public activities		9) Does the municipality have a cost measurement system? If so, what stage is the implementation at? 10) Talk about your perception of the need/usefulness of cost measurement in public administration. Do you think this can contribute to improving the application of resources in a more effective and efficient manner? Or even to reducing waste? 11) In your opinion, can a reliable cost management and control system bring benefits to the planning and management of public resources? Why? 12) Do you understand that the entity's calculation of the costs inherent to the services it provides, and their disclosure to society, result in greater transparency in public administration?
Contingency Factors	Environment	13) Discuss the costs of public administration. In your opinion, what was the main need that gave rise to the idea of knowing and measuring the costs of an entity's activities? 14) In your opinion, is the implementation of cost management and control systems driven by society in general? By the demand for greater transparency from public entities? 15) What about legislation and regulatory agencies? In your opinion, do these factors drive the implementation of a cost management and control system in the municipality? 16) Do political changes, whether due to electoral processes or <u>management changes</u> , interfere with implementation?
	Structure	17) How is the municipality organized? By departments? Sectors? Is it a flexible or inflexible structure? 18) In your opinion, does this structure hinder the implementation of cost management and control systems? Why? 19) What is the turnover rate of employees in the departments/sectors? Is there a high turnover rate? 20) If so, do you think this could be a factor that hinders the implementation of new systems, such as cost management and control, in the municipality? 21) In your opinion, are there enough qualified personnel to carry out this activity? Would a specific department be necessary to deal with costs? 22) When the municipality implements a new organizational practice, what is the implementation process like? Is any type of manual/regulatory instruction prepared? Could this contribute to the implementation of a cost system?
	Strategy	23) Does the way in which government programs are defined in budget documents, when preparing the PPA, LDO, and LOA, have an impact on the implementation of a cost management and control system in the municipality? 24) In your opinion, does information about costs contribute to the achievement of the entity's budgetary goals and objectives, as defined in the budget documents?

		<p>25) Is the implementation of a cost management and control system influenced by the need to improve management processes? Do managers use accounting information for decision-making?</p> <p>26) Can the strategic objectives of other municipalities influence or serve as a model for the entity's implementation of cost management and control systems?</p>
	Technology	<p>27) Would staff training be necessary for the successful implementation of a cost management and control system? In your opinion, do the managers or agents involved have sufficient technical knowledge to make decisions based on this information?</p>
	Culture	<p>28) Are the personnel, equipment, and systems currently available in the municipality, such as SIAFIC, useful and sufficient for the implementation of a cost management and control system? Why?</p> <p>29) Do you perceive resistance from civil servants regarding the implementation of a new system? In your opinion, does this hinder the implementation of the cost management and control system?</p> <p>30) In your opinion, is public accounting limited to generating accounting records and not to generating management information that can contribute to the improvement of public spending?</p> <p>31) Finally, in your opinion, what are the biggest barriers or difficulties to the implementation of a cost control system by the Public Administration?</p>

Source: Adapted from “Cost Accounting in the Public Sector: Contingency Factors Affecting Its Implementation in Brazilian Federal Universities,” by D. I. S. Nottar, 2022, Master’s Thesis

The interviews will be conducted remotely, recorded, and transcribed for analysis. With regard to the analysis process, narrative analysis was chosen. Narrative analysis, despite the term narrative, is a qualitative method that emerged in psychology (Conde & Souto, 2023). It is noticeable that this method of analysis is not yet a constant in the procedures for evaluating results. For the present study, the system developed by Conde and Souto (2023) was used, which consists of ten stages, as shown in Figure 1.



**Figure 1.** Steps in the narrative analysis process

Source: Adapted from “Narrative analysis and qualitative research in psychology: why and how to do it.” R. Conde and T. Souto, 2023, *Psychology, Diversity, and Health Journal*, p.6. <http://dx.doi.org/10.17267/2317-3394rpds.2023.e4589>

The stage of defining the objectives consists of limiting the research topic, and what is sought in the present study is to understand how contingent factors impacted the process of implementing the cost system in the municipalities. Narrative data will be obtained through interviews with accountants and public controllers working at the municipal level. The interviews were recorded and later transcribed.

The transcripts were thoroughly examined in order to familiarize the authors with the data. During the process of identifying narrative themes, the transcripts were thoroughly reviewed to find patterns among the interviewees' responses, identifying narrative tones and images/metaphors. According to Conde and Souto (2023), narrative tones go beyond the analysis of what was said, but aim to see the narrative as it was told. "For example, we may have reports of negative experiences, but which end with a positive outcome or perspective, taking on an optimistic tone" (Conde & Souto, 2023).

The image/metaphor, on the other hand, translates into signs that the interviewee uses to clarify their narrative (Conde & Souto, 2023). "For example, someone may use the image of crucifixion to express that life involves sacrifices for the sake of others—and these metaphors may reveal something about their immediate context (a mother who endured abuse for the sake of her children) or the broader cultural context (Judeo-Christian culture)" (Conde & Souto, 2023). Identifying the dominant narrative versus the alternative narrative is the stage that most demands analytical power from researchers, where all the previous stages will be unified, making it possible to identify alternative narratives, i.e., those that are less dominant in speech (Conde & Souto, 2023).

Writing interview summaries is feasible when there are few interviewees, at most six participants; above this number, it becomes too extensive, requiring an individualized analysis of the intended objectives, thus justifying the reduced number of participants (Conde & Souto, 2023). Finally, to seek a comparison between all the narratives, they are divided into three different levels:

- a) common among the themes;
- b) seeking to analyze whether there is a common narrative among the participants, and

c) verify if there are alternative narratives.

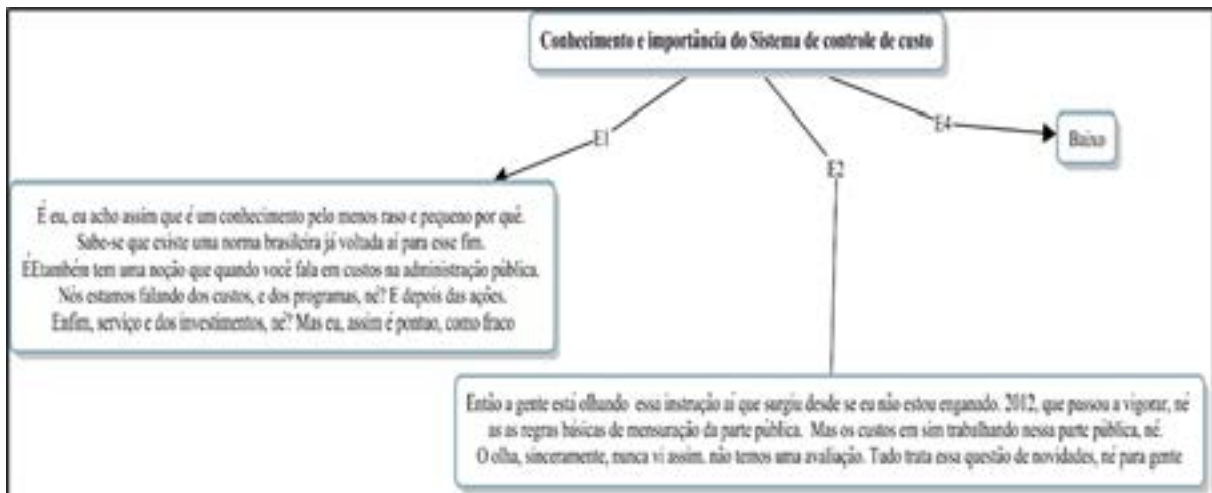
#### 4. DESCRIPTION AND DATA ANALYSIS

This topic presents the analysis of the interviewees' narratives for discussion of the research topic, with the interviews being conducted separately with the four research participants. In these initial moments, each interviewee will be introduced and their trajectory analyzed. According to Table 1

Table 1: Presentation and trajectory of the interviewees

Interviewees	Narrative
E1	"I am 47 years old and have a degree in accounting with a specialization in public policy and municipal government management from Unioeste. I have been working as a municipal accountant for 16 years. Before becoming an accountant, I held a technical position in human resources, totaling 23 years of experience in public service."
E2	"I am male, 43 years old, and work as a municipal accountant. I have a degree in accounting and two specializations. I have been an accountant since 2006, working in this field for 16 years. Before working as an accountant, I worked in treasury in the purchasing department."
E3	"I am female, 51 years old, have a postgraduate degree in public management and a degree in accounting. I currently hold the position of municipal controller, but I also worked as finance secretary for eight years and for a year and a half I worked in the health department as a controller and was invited to take over internal control last year."
E4	"I am 56 years old and have a postgraduate degree in public management. I am an internal control auditor, but I am currently working as an internal control coordinator (commissioned position). I have been an auditor for 15 years and a

As shown in the table, 75% of the interviewees are female. The average length of service in public administration is 19.75 years, demonstrating the experience of these professionals. Another point worth noting is related to their education and pursuit of professional development, with 100% of professionals holding degrees in accounting and postgraduate degrees in areas related to public administration. After learning a little about the profile of the respondents, we sought to understand how each professional assesses their knowledge of the Cost Control System (SCC), as shown in Figure 1.



**Figure 1.** Analysis of knowledge and importance of the SCC

The question sought to understand the degree of knowledge about cost management in their activities in the public sector. [Interviewee 3] did not answer the question, [Interviewees 1, 2, and 4] rated their knowledge as low, but [Interviewee 4] did not provide any additional information in their response, while [Interviewees 1 and 2] demonstrated knowledge of the existence of accounting standards on costs, but there is an understanding of the practical functioning of the cost management system.

One point raised by [Interviewee 2] was the lack of cost teaching in the public sector during undergraduate studies. "As we work in this area of accounting (public accounting), we studied at college a long time ago, right, we always had a part focused on costs, unfortunately not in the public sector, but in several private areas [Interviewee 2].

After understanding whether the SCC is implemented in the entity, we sought to understand the degree of implementation as shown in Figure 2. The SCC is not implemented in the municipalities of the interviewees. [Interviewee 1] reports that there are still no plans for its development and subsequent implementation and use, while [Interviewee 2] states that the system used by the municipal government contains the cost module, but it is not used.

In the subsequent questions, we sought to understand whether cost measurement will contribute to improving the use of resources or reducing waste, in addition to whether managing costs would bring benefits to the planning and application of resources and greater transparency to society in relation to public policies. [Interviewee 1] believes that it will contribute to both situations, since it is through the application of resources that the population sees the work of the public administration, but managers need to understand that there are other costs involved in administration. "But it should be noted that this view of the population is not wrong, but it



In order to identify the perceptions of the accountants interviewed regarding the contingency factors that influence the implementation of the SCC, we will present the results in terms of environmental factors. The environment is a key factor in research on contingency factors in organizations (Chenhall, 2003). Its objectives are to analyze physical and social aspects that impact organizations (Rovaris, 2008). It consists of four questions, as shown in Table 2, which aims to understand how the subfactors influence, namely Legislation, Society, and Management Change.

Table 2: Environment factor questions

Subfactor	Question
General perception	What was the main need that gave rise to this idea of knowing and measuring costs?
Society	Is the implementation of cost management systems driven by society in general? Or by the demand for greater transparency?
Legislation	Factors such as legislation and regulatory bodies drive the implementation of a cost management system.
Management Change	Do political changes (whether due to electoral processes or management changes) interfere with implementation?

Source: from "Cost accounting in the public sector: contingency factors affecting its implementation in Brazilian federal universities," by D. I. S. Nottar, 2022.

According to [interviewee 1], knowing your costs will improve management and facilitate the use of budgetary tools, and implementation will be demanded by society, as it will enable analysis of where the collected resources are going. However, external regulatory bodies will need to demand its implementation for this to occur, given that regulations already exist. Another point raised for discussion by [interviewee 1] is related to the change in administration, since this fact may influence the implementation or not of the SCC. Due to the time committed to this process, the new administration may treat it as non-priority at that moment and paralyze activities.

**What was the main need that gave rise to this idea of knowing and measuring costs? And is the implementation of cost management systems driven by society in general? Or by the demand for greater transparency?**

"I think we've already answered the main need, which is this: how much are you going to collect? And how much will you really need to develop certain services and make certain investments? I

think it's much easier, speaking from a technical perspective, to prepare budget items, isn't it? I believe it would facilitate and even ensure the correct use and allocation of resources." [Interviewee 1]

**Do factors such as legislation and regulatory agencies drive the implementation of a cost management system?**

"So it's what I said, I just know it's going to happen. From the moment external agencies started demanding it, not before, because that's how administration works." [Interviewee 1]

**Do political changes (whether due to electoral processes or management changes) interfere with implementation?**

"Yes, they can. As we said earlier, unless it is a requirement that comes from external control and they ask us to, say, follow a schedule. Yes, then no, there's no way.

But if, for example, it's a management issue.

It's because this implementation is not a quick process, right? It will have to be planned, it will have to be. Yes, if it starts with one administration, it's very likely that if another one comes along, they won't want to continue, right?" [Interviewee 1]

[Interviewee 2] explains that the need to know the cost arose from the need to improve the management process, since the standard has been in force for 11 years since its first edition. It is a requirement both for improving transparency and a desire of society, given the need to control costs and present these costs to society so that it can oversee management. However, if there is no enforcement by external control bodies and inspectors, perhaps this implementation will take time to become a reality, requiring more specialized professionals and the need to increase the workforce. Another point discussed by [interviewee 2] is that political change has the same weight in the implementation process as internal control bodies and that, unfortunately, the entire budget process developed from the government plan does not consider managerial aspects.

**What was the main need that gave rise to this idea of knowing and measuring costs?**

"The need to look at costs, to tell you the truth, has been around since 2012, when this rule was implemented. And now, look, we are in 2023, 11 years have passed, right?

And we still haven't had the feedback we need to create. In my experience, this year the court of auditors really went after the tax system. They had to make adjustments. The talk behind the scenes is that next year's assets will come with strong demands for us to do so .

Because, in fact, it is not exploited by almost any professional. Unfortunately, I don't see it. I don't see any professionals other than teachers who keep up to date in the area of costs."

**And is the implementation of cost management systems driven by society in general? Or by the demand for more transparency?**

Look, I think it should be both options, transparency and also for the community, because a while ago we didn't hear about inventory. Let's suppose that if you have one, you have a cost department and you tell the mayor. That there will be an increase in a certain product next month. I'm talking about soybean oil, for example. Who is going to see that? If there is a department that takes care of that and passes on some information to the mayor, some guidance, that it might be worth it, it's worth stocking up, that no, don't exceed the product's expiration date. And you can work on that and suddenly do a good job of managing it.

**Do factors such as legislation and regulatory agencies drive the implementation of a cost management system?**

From what I can see, the CRC is slowly starting to send emails to public accountants to discuss balance sheets and cash books.

I think that city governments will have to start scrambling to hire professionals in this area.

For example, as I just mentioned to you, starting next year, accountants will need to depreciate assets.

**Do political changes (whether due to electoral processes or management changes) interfere with implementation?**

They interfere, they interfere a lot with implementation.

During all these years here, if you look at government plans, right? From any mayor today, nothing is returning to the area of cost management.

The need to measure costs is linked to the need to improve management for [Interviewee 3]. Consequently, there will be greater transparency surrounding the actions of the administrator, which will help society to monitor compliance with their government plan. As for the

participation of control and oversight bodies, there was none, as they were monitoring and had not received any notification. The interviewee pointed out that sometimes there is an overlap of political interests with public interests, demonstrating that the influence of politics and the resulting change of manager can indeed impact the SCC implementation process.

**What was the main need that led to this idea of knowing and measuring costs?**

I think the main thing is to improve and save money. By improving spending, right, the level of management is higher there and you can do more.

For healthcare, which receives a lot of resources but is somewhat limited, it's because they don't have this tool.

**And is the implementation of cost management systems driven by society in general? Or by the demand for more transparency?**

The government will be able to actually execute a program. A program that was suddenly promised during a campaign, right? And today, I don't think it can be done.

**Do factors such as legislation and regulatory agencies drive the implementation of a cost management system?**

Look, I don't know, I'm not following it yet, I haven't received anything in that regard, you know.

**Do political changes (whether due to electoral processes or management changes) interfere with implementation?**

I think it's very much in the interest of politicians, really. And that interferes, whether in the City Council, when you go to present something, I'm speaking sincerely, because when it's in the interest of a council where the majority here in our municipality is made up of municipal employees, it's really complicated, because it's all about interests.

For [interviewee 4], the need to know the cost is related to better management, which will promote greater transparency to meet this need of society. As for legislation and control and oversight bodies, yes, they can exert an influence, just as a change in management will influence the implementation process.

**What was the main need that gave rise to this idea of knowing and measuring costs?**

I believe it was the need to obtain better control and tools for good management.

**Is the implementation of cost management systems driven by society in general? Or by the demand for greater transparency?**

I believe both.

**Do factors such as legislation and regulatory agencies drive the implementation of a cost management system?**

Yes.

**Do political changes (whether due to electoral processes or management changes) interfere with implementation?**

Yes, they do.

## 5. FINAL CONSIDERATIONS

The objective of this study was to analyze how environmental factors influence the implementation of the SCC, given that municipalities will be required to implement it, in accordance with NBC TSP 16.11/CFC, as of January 1, 2024. According to the data obtained in this study, the SCC will

enhance management improvement, bringing greater transparency to the actions taken by mayors in the conduct of public administration, constituting yet another support tool. However, despite these benefits, the municipalities *surveyed* do not yet have the system implemented or in the process of implementation.

Demonstrating the importance of the existing legislation, it is necessary for supervisory and external control bodies to intervene and demand the implementation of the SCC, as this is the only way that public administrators will propose its implementation. Failure to implement the system could result in the application of sanctions by external control bodies, such as the rejection of accounts, which would render the administrator ineligible, in addition to the possible application of other penalties provided for by law.

Although this entire system will benefit managers by serving the public interest through the promotion of transparency, allowing for greater oversight by the population, political interests still override the public interest if there is no mandatory implementation following notification by external control bodies. the interviewees still believe that a change of manager as a result of the electoral process could indeed interfere with the SCC implementation process.

A limitation of this study is the low response rate from interviewees, as many are currently preparing their budgets for the next fiscal year.

As a suggestion for future studies, it is recommended to analyze the other factors of contingency theory, analyze the cognitive implication, seek a larger sample, and draw comparisons between different agencies and even different federal entities.

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