

These four functions will now be discussed in more detail:

PLANNING

Planning relates to the main purpose(s) of the organisation and includes the setting of both short-term and long-term objectives. It requires knowledge of or research into the technological aspects of the business that the organisation is in, the physical and mechanical resources available, the operating methods, techniques or strategies, and policy and the staff situation. All of these elements must be considered within the limits imposed by the capacity and marketing potential of the products that the organisation manufactures or trades in, or the service that the organisation renders. Organising, directing and controlling should always be planned properly in advance to ensure the most harmonious relationship possible between these basic elements of successful management.

Sawyer and Dittenhofer (2003) have the following to say about the planning function of management:

*Planning precedes all other management functions. It is necessarily the first of the four functions of management, because from plans flow organisation, direction, and control. Every organisation must fit the plans of the entity. All direction is pointed at moving people toward planned objectives and goals. All controls should be designed to make sure that plans will be carried out **effectively, efficiently, and economically.***

All planning is strategic or tactical. Strategic planning is long range, whereas tactical planning is short range. A primary purpose of strategic planning is to help managers cope with future contingencies. It involves developing the organisational mission and objectives, and the means to achieve them. Strategic plans include tax planning, capital budgeting, personnel planning, and product planning. Tactical plans relate to the day-to-day operations of the enterprise; production scheduling is an example.

Planning involves managers at all levels of the organisation. Plans are decisions to take certain steps. However, they should be flexible, adjusting to

circumstances. If they are to be successful, they should be coordinated among functions and cost effective.

Planning addresses a number of management fundamentals, such as setting and determining the following:

- mission, that is, the basic function or task of an organisation.
- objectives and goals of the organisation that guide the enterprise toward its mission.
- authoritative direction and control (governance) of the organisation, of which risk management is an important aspect.
- strategies that implement the objectives and are the broad, overall concepts of an operation.
- principles that are general guides for action.
- policies that are general guides, namely, individual thinking for action.
- procedures are specific guides that prescribe action, a sequence of steps to accomplish a task.
- rules are the simplest form of plans, which must be followed as stated and allow for no discretion. Standards are norms against which activities are measured.
- premises are the assumptions on which plans are based.
- budgets give quantitative expression to an entity's plans.
- decision making is problem solving. It is a planning function and is therefore future-oriented.

ORGANISING

Organising brings together people and processes in logical groupings to carry out plans and meet objectives. Good organisation is no guarantee of success, but poor organisation will almost inevitably bring about failure, because it breeds conflict and frustration.

Organisation charts show the structure of the organisation. However, they illustrate only a small part of an executive's activities and interfaces. Since they are static representations, they need to be revised constantly if the organisation is dynamic. They may imply what is not stated, namely that departments on the same level of the hierarchy do not have the same status. Some executives feel that organisation charts do more harm than good because of the danger of misinterpretation, rigidity, and the failure to record changing and complex relationships.

Organisation charts do have benefits, however: they can show the chain of command – the hierarchy, accountability, and responsibility of the organisation's executives. They can be designed to show the basic function of each position, and they do provide a valuable overview of the organisation.

The following basic management concepts fall under “organising”:

- Responsibility, the obligation to perform.
- Authority, the right to perform, to command, to enforce compliance, derived from responsibility.
- Accountability, the obligation of workers and managers to give a reckoning/feedback and take responsibility for what they have accomplished or failed to accomplish, derived from responsibility.
- Delegation includes assigning responsibility, granting authority, and exacting accountability.
- Span of Control refers to the number of subordinates a supervisor can efficiently and effectively manage.
- Staff and Line – Line people make “line decisions”. Staff people advise them. Functional authority is the assignment of some of the chief executive's authority to a staff organisation or an individual.
- Departmentalisation divides the organisation into distinct groupings to perform assigned tasks.
- Decentralisation divides large complex organisations into smaller business units that are relatively compact and simple.
- Committees, a committee is a group of people who work together on some aspect of a management function.

- Informal groups are composed of unstructured relationships among members that disregard the organisation chart.
- Staffing includes personnel planning and recruiting, and selecting and developing people to operate the organisation competently.

DIRECTING

Directing or guidance, as a management function represents the following:

- Communication of organisational or managerial policy to subordinates, especially heads of departments
- The communication of goals and strategies through procedural manuals (or the holding of staff meetings or even the establishment of guidance committees)
- The motivation of staff so that they adhere to managerial policy. Because of the practice of delegation, the most important aspect of directing is the communication along a descending line of authority of information regarding general procedures, goals, objectives and strategies.
- Directing is also dependent upon knowledge of what is happening at the operating levels. All forms of reporting, but especially reporting of operational and accounting information, are essential elements since directing involves decision making, adaptation to changing circumstances, and the resulting reformulation of policy, goals and strategies. A continuous two-way flow of information is needed, which ensures feedback from the bottom up as input for management; this in turn leads to a top-down flow of guidelines or policies to ensure a continuous adjustment of operations to reach objectives.

Sawyer and Dittenhofer (2003:p1085) define directing as:

the function of moving resources toward objectives and goals. Successful directing depends on the motivation of those directed. The reason why people are motivated to perform well is based on many complex factors. These include their

background and training, the group with which they work, and the work situation itself.

Early theories of directing were founded on the classical school of thought, and grew out of the military concept of a commander issuing orders. This changed with the advent of the behavioural school. Effective leadership was seen as stemming from acceptance by subordinates of the leader and their willingness to obey. Executives must find the link between the individual's needs and those of the organisation, and achieve a harmony between them. Authority is effective only if subordinates accept it.

CONTROL

Control over all forms of delegated duties is not only a managerial aid, but is actually the achievement of efficient and successful management.

Control is associated with achieving the following objectives:

- Ensuring adherence to managerial policy
- Ensuring correct utilisation of all physical, mechanical and supervisory resources
- Achieving compliance with planned procedures
- Ensuring obedience to the rules regarding documentation and authorisation
- Achieving the delimitation of executive powers in the decentralised and delegated areas of authority
- Setting minimum standards of compliance
- Measuring results against expected standards
- Introducing and maintaining an efficient system of internal accounting controls
- Achieving efficient reporting on all activities

Management's control functions endorse their involvement and responsibilities regarding the entire undertaking and all its business operations.

Sawyer & Dittenhofer (2003:p1093–1099) define controlling as:

the process of making certain that directed action is carried out as planned to achieve some desired objective or goal. Controlling and planning are linked. Indeed, controlling cannot operate effectively without the tools provided by planning. Some devices, such as budgets, are used both to plan and to control.

Control is exercised by managers at all levels, from chief executive officer to floor supervisor. Different terms have been used to describe various forms of control – these include management control, executive control, administrative control, financial control, and accounting control. However, they all refer to the same function; the difference lies in the objectives they are designed to meet.

Control can be described as a closed system consisting of a series of six main elements:

1. Setting performance standards to provide a means of measuring and comparing events and establishing permissible variations.
2. Measuring performance or progress to accumulate information on existing conditions.
3. Analysing performance or progress and comparing it with standards to determine variances.
4. Evaluating deviations and bringing them to appropriate attention to determine causes, and effective corrective action.
5. Correcting deviations from standards to see that objectives and goals will be met.
6. Following up on corrective action to determine its effectiveness.

In conclusion, we can say that planning, organising, directing and control are the distinguishing subprocesses of active management. The success with which they are applied is reflected in the results achieved. These results, in turn, are the measures of the effectiveness with which management has discharged its responsibilities. When examining and evaluating the organisation's operations, the internal auditor should take each of these subprocesses into account.