

STUDY REGARDING THE INTERNAL MANAGEMENT CONTROL AT THE LEVEL OF THE CITIES IN ROMANIA

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ABSTRACT: *Internal control is found in the composition of each activity within the City Hall and is formalized through procedures in conjunction with job descriptions and the Organization and Operation Regulation (ROF), which are accompanied by lists of activities and responsibilities attached to them in the form of practical implementation instructions of internal control.*

KEY WORDS: *control, management, accurate, efficient, cities.*

JEL CLASSIFICATIONS: *B21, M42.*

1. INTRODUCTION

The research methodology of this paper is based on the appliance of the notion of "internal control" defined by Government Ordinance no. 119/1999 republished and then replaced by "internal / managerial control"; it includes "all forms of control exercised at the level of the public entity, including internal audit, established by management in accordance with its objectives and legal regulations, in order to ensure the efficient management of funds; it also includes organizational structures, methods and procedures".

The concept has been created and promoted by the European Commission in the procedures and systems that countries adhering to the European Union have to adopt in order to harmonize the structural and operational models to be used in the application of practices within the Union to establish good governance in the public sector.

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Although based on a complex system of documents, structures, normative acts, specific procedures and even different control models applied internationally - so many theoretical documentation - internal / managerial control is based on several general objectives that must generate applicable practical formulas to each public entity, according to its specificity, structure and conditions, for:

- performing a public activity at an appropriate level of quality;
- efficient and effective management of public funds in compliance with the legislation, norms and actual legal regulations;
- providing accurate data and information to management and the entity's external environment.

As a component of internal financial control, internal / managerial control must provide management with the tools and means by which the status of the entity's objectives can be controlled at each moment, corrective or forward-looking measures can be taken for disruptive situations, supporting managerial accountability and financial management and the legality of public funds management.

However, provided that these means of control applied at the level of the public entity are not established and implemented only formally at the theoretical level, without the involvement of internal management and executive structures.

In Romanian legislation, internal control is defined as representing all the forms of control exercised at the level of the public entity, including internal audit, established by management in accordance with its objectives and legal regulations, in order to ensure the management of public funds in an economic, efficient and effective manner; it also includes organizational structures, methods and procedures.

According to the International Standards on Auditing issued by the International Accounting and Auditing Standards Board (IAASB) of the International Federation of Accountants (IFAC), internal control is defined as "The process conceived, implemented and maintained by those charged with governance, other categories of staff to provide reasonable assurance that an entity's objectives regarding the reliability of financial reporting, the efficiency and effectiveness of operations, and compliance with applicable laws and regulations are met. The term "controls" refers to any aspect of one or more components of internal control".

2. RESPONSIBILITIES FOR INTERNAL CONTROL AND THEIR DUTIES

According to the legal provisions (GEO 119/1999 republished and OSGG No. 400 / 12.06.2015 amended), the persons responsible for the SCMI implementation are:

- Institution leaders;
- Responsible for the SCIM implementation structure
- Members of the Implementation Structure of SCIM;
- Leaders of the compartments of the public institution;
- The rest of the employees.

The general manager / authorizing officer, as well as the other persons holding a leading position in the public institution, are responsible for defining, designing, implementing and further improving the internal control system.

3. INTERNAL CONTROL STANDARDS

Internal control standards define a minimum of management rules that public institutions must apply. The purpose of the standards is to create a reference system that allows assessment of control systems in public institutions of the same kind or within the same institution at different times and to highlight the areas and directions of change. They are grouped on the basis of five key elements of internal control:

Table 1. The area of internal control

Elements	Description
1. Control environment	Covers elements such as honesty and other ethical values; management and professional skills of employees (level of knowledge, skills and experience); the purpose and tasks, the rights and responsibilities of each organizational unit.
2. Performance and risk management	The probability of achieving the unit's objectives is increased by: establishing and monitoring the implementation of tasks, risk identification, risk analysis, risk response and action remedy. Leadership can focus on identifying and measuring opportunities, threats related to operational plans, measurable objectives defined as strategic documents on budget-related activities.
3. Control activities	It is a response to a specific risk that the unit intends to reduce by: documenting the control system (documentation, registration and approval of operations, sharing key obligations, checking operations before and after implementation, recording deviations from procedures, instructions or guides, continuity of operations, selective and controlled access of people to information, material and financial resources); system control mechanisms (communication of attributions, responsibilities and limits of competence, systematic assessment of the activity of each employee, assignment of tasks that allow detection and correction of errors).
4. Information and communication	It groups the issues related to the creation of an adequate information system and a reporting system on the implementation of the managerial plan, the budget, the use of resources and the management of documents. The information used for the preparation of the annual accounts and financial statements must be accurate, complete and timely provided.
5. Evaluation and audit	Monitoring: inherent risks (complexity, decentralization, recurrent problems, lack of response to previous deficiencies); risk exposures (changes in regulatory environment, staff fluctuations, system and process changes, rapid growth, new programs, services and staff).

4. MANAGERIAL INTERNAL CONTROL TOOLS

The internal / managerial control system of any public entity operates with a variety of processes, means, actions, provisions that address all aspects of the entity's activities, being established and implemented by the entity's management to enable it to have good control over the entity's operations as a whole, as well as of each activity/operation.

The internal / managerial control instrument can be classified into six large groups: objectives; means; informational system; organization; procedures; control.

Starting from global objectives, managers set the derived, specific activities in the compartment they coordinate.

The set objectives must:

- be realistic and in full compliance with the department's mission and attributions;
- be distributed within the execution staff compartment;
- be measurable, is expressed in quantitative or, where appropriate, qualitative indicators;
- can be monitored through the existing / necessary information system to be created;
- have a realistic deadline.

As the priority issue is quality, and only secondary the quantity, the internal control instruments aim both at recruiting and selecting, as well as improving the professional training of staff.

Achieving permanent match between the objectives of the public entity and its financial means determines the use of internal control tools specific to the stages of budget preparation, approval and execution, such as:

- analysis of the substantiation documents within the specialized departments;
- ensuring that all necessary information is communicated in the approval process;
- tracking the coherence between the objectives and the allocated budgetary appropriations;
- the quarterly allocation of approved budget appropriations;
- the influence on the budget of donations and sponsorships;
- organizing program evidence and monitoring;
- updating the procurement program (value / quantity) according to priorities;
- updating the value of the investment objectives, according to the evolution of prices;
- keeping a rigorous record of budgetary and legal commitments;
- making budget transfers, within the limits of approved credits;
- withdrawal of open and unused credits.

Considering the link between material and financial means, the main internal control instruments are:

- rigorous analysis of the degree of coverage of real needs;

- accurate identification and determination of nature, volume, structure and characteristics;
- developing and approving a detailed annual procurement program.

The organization as a managerial function is a set of measures, methods, techniques, means and operations, whereby the management establishes - according to certain principles, rules, norms and criteria - the procedural and structural components of the public entity in order to achieve the proposed objectives.

Any organizational system has two forms of real action, closely interdependent, namely:

- the procedural component, which consists in delimiting the functions of the mayor's office, as well as in establishing, separating, ordering and grouping the activities, duties and tasks, according to the requirements of accomplishing each function in order to achieve the predetermined objectives;
- the structural component, which, taking the results of the organizational process and using certain objective criteria, transposes them into organizational structures such as the departments, services and offices, establishing, at the same time, the functions and posts within them, as well as the hierarchical, control and representation between / within organizational structures and in relation to third parties legal entities or, as the case may be, physical ones.

The procedure is defined as the totality of the steps to be followed, the working methods established and the rules to be applied in order to perform the task. In practice, the procedures are of great diversity and are regulated by different normative acts.

The procedures must therefore be:

- defined for each activity carried out within the public entity;
- fully integrated into the components of the public entity's organizational system;
- specified in written documents;
- simple, complete, precise and tailored to the specific object;
- updated on a regular basis;
- brought to the attention of the staff concerned, including in the form of computerized documents;
- well understood and, above all, well applied.

In order to exercise control, the following premises are absolutely necessary:

- precise definition of their activities, tasks, and objectives (expressed by quantitative or qualitative indicators), executive and management departments and posts;
- the assignment of adequate, precisely defined competencies for the accomplishment of the assigned task;
- establishing individual responsibilities in order to carry out the assigned tasks;
- the existence of written procedures for each activity.

5. IMPLEMENTING INTERNAL CONTROL WITHIN MAYORALTIES

The stages of the SCMI implementation process within city halls can be considered as follows:

Table 2. Steps of implementing SCMI

Steps of implementing SCMI	
Step I	Establishment of the general and specific objectives of the public institution
Step II	Identifying the activities / actions needed to meet the established objectives
Step III	Establishment of results and performance indicators on the institution's activities and objectives and description of the SCMI architecture
Step IV	Identifying the risks that affect the achievement of objectives
Step V	Establishing the modalities of developing the internal managerial control system
Step VI	Inventory of documents, information flows and processes
Step VII	Establish a system for monitoring the implementation of actions and activities
Step VIII	Self-assessment of the achievement of objectives and improvement of the monitoring system
Step IX	Elaboration of operational procedures
Step X	Elaboration of the training program in the field of internal managerial control system

The internal / managerial control system of any public entity operates with a variety of processes, means, actions, provisions that address all aspects of the entity's activities, being established and implemented by the entity's management to enable it to have good control over the entity's operations as a whole, as well as of each activity/operation.

Internal control is found in the composition of each activity within the City Hall and is formalized through procedures in conjunction with job descriptions and the Organization and Operation Regulation (ROF), which are accompanied by lists of activities and responsibilities attached to them in the form of practical implementation instructions of internal control.

Internal control is the set of policies and procedures designed and implemented by the City Hall's management and staff to provide reasonable assurance of:

- achieving the objectives in an economical, efficient way;
- compliance with external rules, policies and management rules;
- protecting goods and information;

- preventing and detecting frauds and mistakes;
- quality of accounting documents and timely production of financial and management information.

The internal control system within the mayoralty represents the set of measures, methods and procedures undertaken at the level of each structure within the entity, established in order to achieve the objectives at a suitable quality level and to achieve the economic, effective and efficient policies adopted.

In order to monitor, coordinate and train the specific field, the mayor of the city provides, through a commission, a monitoring, coordination and methodological guidance on the development of the internal / managerial control system within the institution, approving the organization and functioning regulation and approval of the internal / managerial control system development program.

6. CONCLUSION

The role of internal managerial control is manifested in all phases of production, design, supply, production, sales and recording of the obtained results. Financial control as an integral part of management and financial management is the expression of an objective need, a broad-based form of knowledge and multiple meanings.

Following this ideas, we conclude the following:

- the implementation of an internal control system refers to the control of disturbing factors - the risks that may affect the achievement of the objectives;
- decision makers must assume the SCMI implementation;
- implementation of the Internal Control Code should be supported by appropriate tools;
- SCMI is not a singular event, it is a series of actions in a permanent dynamic.

Internal control does NOT mean:

- constantly practice excessive supervision of what is being done;
- to run races for discovering errors.

Legislation on SCMs does not only mean the development of procedures organized on activities identified as procedural but it means passing public institutions to a new type of management appropriate to a flexible organization that includes strategic management, performance management and risk management.

Under the provisions of Art. 4, par. 3 of O. G. nr. 119/1999, the mayoralties have an internal / managerial control system whose design and application allow the management to provide reasonable assurance that the public funds managed for the fulfillment of the general and specific objectives have been used under conditions of legality, regularity, effectiveness, efficiency and economy.

The internal / managerial control system includes self-monitoring mechanisms and the implementation of measures to increase its effectiveness is based on risk assessment and is in line with the standards contained in the Code of Internal / Managerial Control.

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