

IMPLEMENTATION OF INTERNAL MANAGERIAL CONTROL STANDARDS WITHIN AN ECONOMIC ENTITY

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Abstract: *The internal managerial control system is an integral and essential component of the institution's management that covers the entire activity. Internal managerial control, represents the set of forms of control exercised at the entity level, including internal audit, established by management in accordance with its objectives and legal regulations, in order to ensure the administration of own funds in an economic, efficient and effective manner, it also includes , organizational structures, methods and procedures. The internal managerial control system is a commitment assumed by Romania within the chapter 281 "Financial control" of negotiations with the European Union, the current chapter 32. By exercising the control function, the management of the entity ascertains the deviations of the results from the established targets, analyzes the causes that determined them and orders the necessary corrective or preventive measures. The proper implementation of the internal control system is the premise of exercising a correct management, according to the legal provisions, and gives assurance that the entity achieves the proposed objectives and that the management of the activities is efficient. The monitoring, coordination and methodological guidance of the implementation and development of the internal managerial control system is carried out by the Monitoring Commission (constituted by internal decision).*

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The organization of the internal managerial control system aims to achieve three categories of permanent objectives, which can be grouped as follows:

1) Effectiveness and efficiency of operation - includes the objectives related to the purposes of the entity and the use of resources in conditions of economy, effectiveness and efficiency, including the objectives regarding the protection of resources from inappropriate use or losses, as well as the identification and management of liabilities;

2) Reliability of internal and external information - includes the objectives related to the management of adequate accounting, the quality of information used within the entity or disseminated to third parties, as well as the protection of documents against two categories of fraud: concealment of fraud and distortion of results;

3) Compliance with laws, regulations and internal policies - includes the objectives related to ensuring that the entity's activities are carried out in accordance with the obligations imposed by laws and regulations, as well as with compliance with internal policies.

The internal managerial control system operates with a diversity of procedures, means, actions, dispositions, which concern all aspects related to the detailed activities, being established and implemented by the management to allow it to have a good control over the functioning of the entity as a whole, as well as to each activity/operation separately. Internal managerial control standards define a minimum of management rules, which the entity must follow.

The standards constitute a reference system, in relation to which the internal managerial control system is evaluated, the areas and directions of change are identified.

The development of the standards had as its objective:

- creation of a uniform and coherent internal/managerial control model;
- their application by all organizations, regardless of type, size and the product/service provided;
- the realization of a reference system and their use by internal and external parties for:

- to evaluate the organization's ability to satisfy the requirements of the internal/managerial control system;
- identifying areas and directions for change and/or improvement.

For the efficient implementation of the internal control system, an important role belongs to the Monitoring Commission.

Among the powers of the SCIM Commission we list, but are not limited to:

- coordinates the development of the organization's objectives and performance indicators;
- coordinates the inventory of activities within the organization, by fields of activity;
- reviews, approves and submits for approval the organization's system procedures and revises these procedures when it decides to do so;
- analyze, approve and present to the manager of the organization, for approval, the "Inventory of sensitive positions", "List of employees occupying sensitive positions" and "Plan for ensuring the rotation of employees from sensitive positions";
- coordinates the activity of establishing risk management measures and decides on the appropriate risk management measures;
- analyze, approve and submit for approval the "General Register of Risks" and the "General Plan regarding the implementation of risk management measures";
- permanently monitors and coordinates the activities of implementing risk management measures;
- aims, at the request of the leaders of the structures/microstructures, for new actions or revisions of terms, when dysfunctions occur in the implementation of risk management measures;
- decides on the way of managing the risks that were reported by the leaders of the structures/microstructures as being impossible to control through internal measures at the level of each department or direction, as the case may be, establishing the mechanisms for managing them hierarchically, up to the hierarchical level that can ensure their management.

In order to develop the internal managerial control system at the level of the economic entity, the responsible persons are obliged to carry out the following actions:

- Approving, updating and informing all employees of the code of ethical conduct. The designated ethics advisor is required to monitor compliance with the norms of ethical conduct;
- To permanently update the documents regarding the mission, internal regulations and job descriptions and communicate them to the employees;
- Identifying sensitive functions based on risk factors, as well as establishing an appropriate policy for their management by developing measures, so that the negative effects on the activities carried out within the company are minimal; the list of sensitive functions has been centralized and updated;
- Annual evaluation of the professional performance of employees in relation to the job objectives. Both managers and employees have the necessary knowledge, skills and experience to carry out the tasks assigned to them in order to achieve the established objectives;
- Establishing the organizational structure of the entity in accordance with the mission and purpose of the company, so that it supports the decision-making process through an appropriate delegation of responsibilities and serves the

achievement of the established objectives in conditions of economy, efficiency and effectiveness;

- Translation of general objectives into specific objectives and into expected results for each activity. The specific objectives respond to the "SMART" package of requirements, they are realistic, include relevant, measurable indicators, with deadlines and specifying the expected results;
- Development by department heads of strategic and annual/multiannual activity plans, which include specific objectives, activities, performance indicators, risks associated with the objectives and periodic reporting on the realization of the plans and the achievement of performance indicators;
- Performance monitoring for specific objectives by means of quantitative and/or qualitative indicators, including regarding economy, efficiency and effectiveness;
- Elaboration of documented procedures in accordance with the system procedure regarding the elaboration of procedures; for the processes and activities, declared procedural, there is adequate documentation and the operations are recorded in documented procedures;
- The managers of the departments initiate, apply and develop appropriate tools for supervision and control of the processes and activities specific to the department, in order to carry them out in conditions of economy, efficiency, effectiveness, safety and legality;
- Heads of departments check and approve the activities of employees, give the necessary instructions to ensure the minimization of errors and losses, the elimination of irregularities and fraud, compliance with legislation and the correct understanding and application of documented procedures;
- The inventory at the departmental level of generating situations that can lead to discontinuities in activity and the business continuity plan is drawn up, which is based on the identification and evaluation of the causes that can affect operational continuity. The business continuity plan is known, accessible and applied in practice by the employees who have established tasks and responsibilities in its implementation;
- The types of information, their content, quality, frequency, sources, recipients are established and an effective internal and external communication system is developed, so that management and employees can perform their tasks effectively and efficiently;
- Rules are defined regarding the registration, dispatch, drafting, classification, filing, protection and preservation of documents;
- Creation of an own document archiving system, according to a system procedure, in order to ensure their preservation in good conditions and to be accessible to the staff to use them;
- Carrying out an evaluation of the internal managerial control system through the departments, in accordance with Annex 3 and Annex 4 of OSGG no. 600/2018;
- Elaboration, annually, of a report on one's own managerial internal control system by assuming managerial responsibility;

Regarding the non-implementation of SCIM, according to OG 119/1999 on internal control and preventive financial control with subsequent amendments and additions and the order of the General Secretariat of the Government no. 600/2018 for the approval of the Code of internal/managerial control of public entities, this may lead to:

1. Illegal and inefficient use of own funds;
2. Illegality of administrative and management acts;
3. Exercising an illegal management;
4. Registration of sanctions due to non-implementation of SCIM.

Internal control is now widely used in governance systems and stakeholders are demanding better quality outcomes, accountability and transparency.

The implementation of the internal control system is a continuous process to which all the entity's personnel contribute.

In order to implement the internal managerial control, the staff with attributions in this regard face difficulties, of which we mention:

- Bureaucratization specific to entities;
- Resistance to the application of new concepts by employees in carrying out activities;
- Insufficient support given by the manager to the employees;
- Limited knowledge in this field;
- Lack of examples of practical cases.

In order to improve the internal managerial control activity in Romania, the specialists in the field propose the following solutions:

- The center of gravity of the internal control evaluation, to be based on the results obtained from the activity and less on the fulfillment of job duties, respectively the responsible person identified small risks, performed his activity, but did not identify significant risks;
- Establishing the general evaluation criteria of the implementation stage of the internal managerial control standards, which would impose the emphasis on the results obtained and not on the preparation of documents. In this case, the designated person established control measures, but there were cases of significant risks that were manifested beyond the tolerance limit allowed by the entity's management. The documents were drawn up but the result was not what was expected;
- The evaluation of the activity of the entity's manager regarding the results obtained in the implementation of the internal managerial control system, to be carried out by fulfilling some performance indicators established by legislation. The realization of these indicators should be mandatory, thus motivating the management to comply with the requirements listed in the internal managerial control standards;
- Updating the sanctions for non-application of the Internal Managerial Control Code. The new sanctions should target important elements in the field of internal managerial control system that must be applied in practice by the management.

Recent reforms and increased professionalism demonstrate the dynamic character of internal public control; internal control in different member states is still in transition and the European Commission in partnership with member states helps to implement the internal control system by:

- Creation of a Compendium of internal public control systems in the Member States of the European Union (2012, updated in 2014);
- Management of an internal public control network;
- Initiating and managing an internal control working group;
- Organization of conferences with member states on the topic of internal control.

Experts recommend that all countries adopt an internal control system, even if it requires time and a change in administrative culture.

The biggest challenge to the effectiveness of internal control is largely represented by deep-rooted informal practices. Control can be an effective tool in the fight against corruption and waste of public resources, when it is independent of political power.

The basic principle of Romanian managerial internal control can be "learning from one's own mistakes, by applying the Trial-Error-Correction method".

We can conclude that, "Non-implementation or deficient operation of the internal managerial control system is likely to raise questions about the way the entity operates, as well as the quality of the managerial act, especially regarding legality, economy, efficiency and the effectiveness of its activities."

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