

## THE CORRELATION OF INTERNAL AUDIT - INTERNAL MANAGERIAL CONTROL AT THE ENTITIES OF PUBLIC INTEREST IN ROMANIA

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**Abstract:** For an operation in parameters expected by all those interested, any public interest entity takes steps to create a strong link between risk management, the degree of development of the internal management control system and corporate governance. The knowledge that management needs to direct its activities is obtained from the analyses performed in order to identify the vulnerabilities and opportunities for the development of the managed entity. This becomes achievable only with the well-positioned support of the relationship between the internal audit and internal managerial control.

**Keywords:** Internal audit, internal managerial control, corporate governance, risk management, public interest entity.

**JEL Classification:** M42.

### 1. Introduction

By providing objective assessments of public resource management in a responsible and efficient manner, the internal audit helps public sector organizations meet their responsibilities, maintain integrity, improve operational activities and, ultimately, increase the public confidence.

From the perspective of the specialized literature, the role of internal audit in the public sector is to “support the responsibilities of governance in identifying omissions and knowledge of internal activities and their forecasts” (Dittmeier and Casati, 2014).

In Romania, the *external audit* found, after evaluating the internal control system on management and control standards for public entities, that most territorial administration units and public institutions did not organize a department for internal audit (States, Tânase and Voinea, 2017). From this point of view, it can be seen that without conducting internal public audits, the management of public institutions do not have insurance for the proper management of public revenues and expenditures, do not have the opportunity to improve their activities and do not have support in achieving their objectives through a systematic and methodical approach that could enable them to improve the efficiency and effectiveness of their guidance system based on the risk management, control and administration processes.

Internal audits based on the outlook assessment answer the question: *What policies or implementations will need to be reviewed in the future and what is the risk?*

As public sector internal audit directs attention to trends, it helps to make decisions. Internal auditors also help managers understand and initiate risk assessment. Even the own risk assessment of the internal audit ensures that audit resources are also used efficiently in areas with higher risk exposures. Through these roles, the internal audit protects the basic public values. By providing an overall audit, an assessment of prospective activities for entities, public sector auditors contribute to the transparency, integrity and fairness of the activities conducted by managers and officials.

### 2. Literature review

Authors such as Iain, Stuart (Iain and Stuart, 2008) mentioned that internal audit is a function of management that seeks to establish recommendations for improving the real situation of the entity. Other experts believe that internal audit experienced a more pronounced development after the '80s, when the internal audit function began to take shape and the role of internal audit is to bring value to the entity (Renard, 2002).

Staciokas and Rupsys (2005) makes a dynamic analysis of the evolution of internal audit responsibilities and states that, “internal auditors provide counsellors and recommendations for general management, take part in risk management processes and provide recommendations for improving these processes”.

Addressing the relationship with the entity's management (Saam, 2007) considers that internal audit “supports the entity's management in fulfilling its obligations and strengthens the trust of the entity's owners in the integrity of management”, and J. Renard (2006) argues that “internal audit is everything he should make a person in charge to make sure that he has good control over the business if he has time or if he knows how to proceed”.

One of the studies published in the journal “*Maximizing the internal audit function*”, 2010, argues, for the internal audit function to be efficient, requires the existence in practice of eight key attributes, respectively: (1) *exploiting the opportunities offered by corporate governance*, (2) *optimizing the risk assessment process*, (3) *developing the scope of internal audit in order to increase the added value of internal audit*, (4) *improving existing skills*, (5) *reducing the cost pressures*, (6) *maximizing the benefits of use technology*, (7) *critical risk orientation and* (8) *alignment of audit objectives with the needs of beneficiaries*.

In Romania, internal audit first appeared in public sector entities and was recommended to private sector entities (Ghiță, 2004), unlike the global situation, where internal audit first appeared in multinational entities and then transferred to the national ones and adopted by the administration (Renard, 2002).

In our country, specialists support explanations regarding the internal audit practices and procedures necessary to achieve the purpose of the entity (Dobroțeanu and Dobroțeanu, 2002).

Authors such as Morariu, Suciu and Stoian (2008) and Sabău and Nagy (2009) analysed the importance of internal audit missions and their role in increasing the economic performance.

### 3. Research methodology

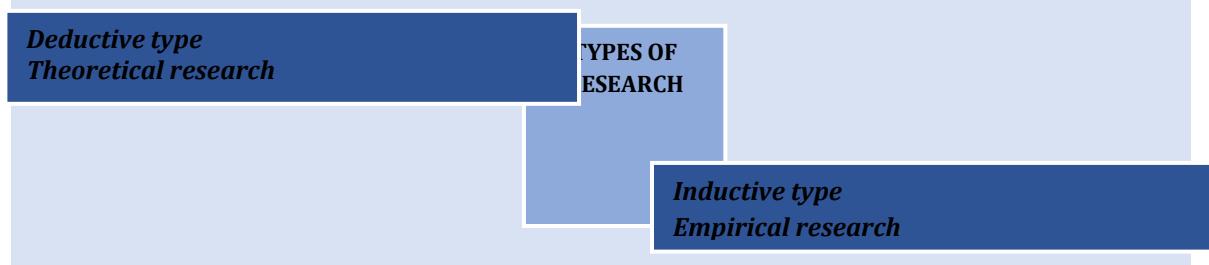
The methodology applied in this study is characterized by the combination of deductive-inductive research methods (data interpretation method: comparative and interpretive), respectively, mainly inductive (methods of data collection, information processing and their interpretation).

Referring to the systematization of research methods developed by Septimiu Chelcea, in the research conducted were used transversal (observation) and longitudinal (case study), experimental methods and observation methods (documentation), case studies methods (analysis of the organization of the internal audit approach at a public enterprise)

In the elaboration of this research we started from theory, applying a deductive type research, in order to reach the individual conclusions regarding the improvement of the internal audit, but also an inductive type research, starting from particular judgments to the formulation of general conclusions, by verifying the transposition into practice of the obtained information. In order to achieve the proposed objectives in this scientific approach, the methodology used was based on:

Theoretical research, inspired by the following sources: corporate governance codes, international and national regulations on internal audit activity, specialized books, and information published on the Internet. Empirical research, by applying research methods to verify the research hypotheses and establish their own general conclusions.

The conclusions of the theoretical and empirical research that contributed to the argumentation of improving the correlation between internal audit and internal managerial control and increasing their efficiency at the level of public interest entities.



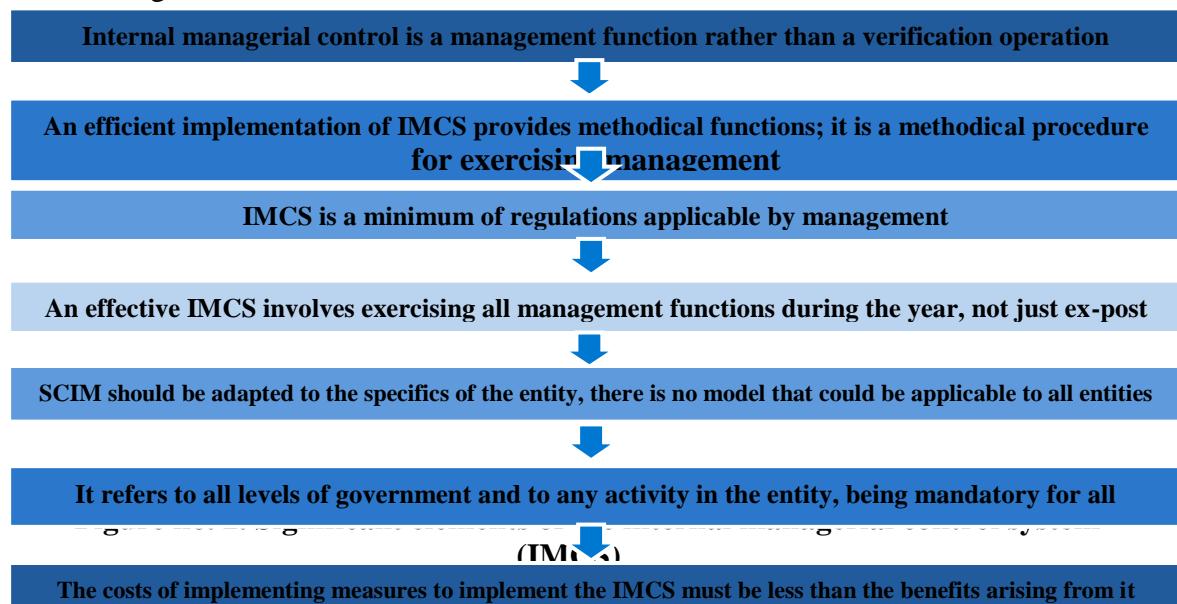
**Figure no. 1. Research methodology**

Source: Own projection

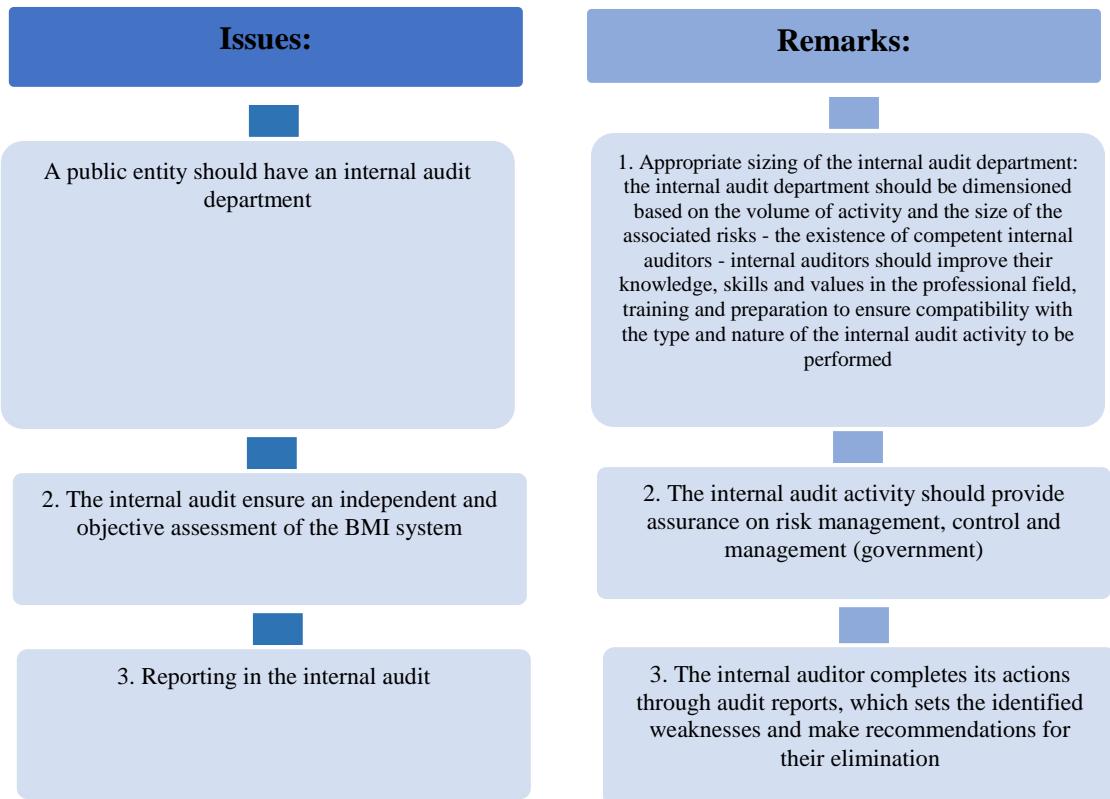
#### **4. Internal audit - the supporting pillar of the Internal Management Control System**

When we refer to the internal control, we refer to 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, to ensure the management of funds in an economical and efficient manner, that include the organizational structure, methods and procedures. Regarding the implementation of the *internal managerial control system* (IMCS) in public entities, a series of laws and regulations have been adopted in Romania.

According to the legislation, the public entities are required to implement a Code of internal managerial control by adopting 16 control standards. In (figure no.2), there are presented some of the representative elements for the internal managerial control that are considered significant.



The connection between the internal audit and the internal managerial control system is presented in (figure no.3).



**Source: Own projection**

**Figure no. 3**

Mainly by implementing these standards, an internal managerial control system aims to provide reasonable assurance that the entity is functioning well at all levels, in line with the expectations of the beneficiaries.

It is noted that this is a reasonable assurance: the fact that IMCS is fully implemented by an entity, this does not guarantee 100% that the entity would record a profit and that it will continue its activity based on the principle of business continuity.

Implementing an internal control system is cumbersome due to employee reluctance and the fact that many do not understand the importance of a control system and do not understand the terminology used in this area.

## **5. Approaching and applying the internal managerial control system in public entities in Romania**

Internal managerial control (IMC) is a dynamic and integrated process of permanent adaptation of the public institution to changes taking place in the external environment.

The IMC approach is in fact a specific way of analysing the institution's activities. Thus, by adopting and applying a new type of internal management that is frequently associated with the knowledge activity, IMC allows the management of the public institution to coordinate its activities in a more efficient way. Therefore, internal control should be considered as a managerial function and not as a verification operation.

This is not just a general notion, a doctrine or a multitude of reports and tables that need to be completed, but a set of methods by which a public entity can be managed, capitalizing on the most appropriate ways to organize the activities carried out.

Community legislation in the field of *internal managerial control (IMC)* is largely made up of general principles of good practice, which are also accepted internationally. The way in which these principles are transposed in the internal control systems is specific to each country, being determined mainly by the legislative, administrative, cultural conditions, etc. It is necessary to deepen these aspects of IMC from the perspective of developing managerial decision making.

In the public domain, according to the requirements of specific normative acts in Romania, as well as of the European Commission, the essential, efficient, and transparent use of public funds is essential. For the monitoring of managerial decisions in order to meet these requirements, the IMCS in public entities is established both nationally and internationally.

The implementation of IMCS is a necessary measure, in the context in which public institutions manage both the public funds allocated to them and the public patrimony under their administration.

From this perspective, it is clear that, in the absence of IMCS, it is not possible to reasonably ensure the efficiency, effectiveness and economy of the operations carried out by the public entities.

IMCS organized at the level of public entity materializes in the responsibility of the institution's management and represents the set of measures taken by management and implemented by all staff on the organizational structure, procedures, tools and techniques applied to achieve the following objectives (DCIMRI, 2019):

- a) Performing functions and duties in an economical and efficient manner;
- b) Compliance with legal regulations and management provisions;
- c) Protection of resources against abuse, loss or fraud;
- d) Developing, maintaining and providing accurate and complete financial information in order to have reliable support for management decisions.

The management of the public entity must ensure the design and implementation of IMCS that has been calibrated to the needs of the public entity, as well as monitor its operation and intervene for the correct resizing of the system so organized, whenever such a measure becomes necessary.

At the same time, IMCS can be considered a dynamic and integrated process of permanent adaptation of the public institution to changes taking place in the external environment.

Management and staff at all levels must be involved in the risk management process in order to have good results in terms of certainty of achieving the institutional objectives.

In Romania, IMCS applied to public entities is regulated, mainly, by the Order of the Secretary General of the Government no. 600/2018 and the Order of the Secretary General of the Government no. 1054/2019, which provides:

- to be adapted to the size, complexity and specific environment of the entity depending on its object of activity;
- to cover all levels of management and all activities / operations in the organization and also the internal regulations applied, the management system, staff structure, relationships established and recognized at different organizational levels;
- to be built using the same tools in all public entities: objectives, means, information system, organization, procedures and control;
- to provide a reasonable assurance that the objectives of the entity will be met - designing all activities in terms of objectives, establishing resources, responsibilities and the way of achieving.

- the costs of applying the internal control system must be lower than the benefits resulting from it;
- to be governed by the minimum management rules contained in the Standards of internal managerial control.

*IMC* standards define a minimum of general management requirements that must be met by all public entities.

The purpose of these control standards is to create a uniform and coherent *IMC* model that allows comparisons between entities of the same type or within the same entity, at different times and thus allows the results of the entity and its evolution to be highlighted. This standard package contains 16 standards grouped into 5 reference categories.

The evaluation of *IMCS* on each public entity is done annually by completing the self-assessment questionnaire and explaining the answers with supporting documents specific to the applied system.

The questionnaire reflects the state of implementation of the *IMC* standards for the last year of activity, in accordance with the results of the self-assessment made by each relevant department of each public institution.

For a standard there are 3 possible resolutions, depending on the answers in the questionnaire: implemented, partially implemented and not implemented. Based on the results of the questionnaire, a general report will be prepared by the top manager for the *IMC* system applied to the organization.

Depending on the number of standards that are implemented by the public entity as a whole, the implementation resolution of each *IMC* standard may have the following frameworks: fully compliant system, partially compliant system, partially limited system and non-compliant system.

The public entities that represent the main credit issuing authority collect the reports from the subordinated entities and all these must report the final situation to the Legal Authority on this matter - *Directorate for Internal Management Control and Interinstitutional Relations (DIMCIR)*.

## **6. Expectations regarding the application of the internal managerial control system in the Romanian public entities**

Starting with the most recent report published in August 2020 by the *Directorate of Internal Managerial Control and Interinstitutional Relations (DIMCIR)* from the Secretary General of the Romanian Government (DIMCIR, 2020) on the implementation of *IMC* in Romania, the purpose of the study is to highlight problems identified in the practice of implementing *IMC* standards and judge the results in terms of expectations.

In this context, the study proposes a holistic analysis of the correlation between expectations and achievements regarding the application of *IMCS* in Romanian public entities.

According to Law no. 174 (2015), the mission of DIMCIR is to support the Romanian public entities for the implementation and development of the internal management control system, to regulate the instruments that compose it and also to respond as well as possible to the management needs of public entities in order to effectively control their own activities.

In the last 4 years, DIMCIR is the main actor, which has developed several guidelines and application methodologies to provide support for a better implementation of *IMC* standards in the public entities.

DIMCIR also publishes annually a complete report on the state of implementation of IMC standards by public entities. Otherwise, *IMC* is an area where very little has been written and published.

For internal control systems, a comprehensive evaluation model was proposed by Dittmeier et al. (2014). The European Commission (2015) published a study on the principles of public internal control.

INTOSAI GOV 9100 (2010) highlighted several guidelines for internal control standards for the public sector.

Expectations regarding the degree of implementation of *IMC* standards are correlated with managers' concerns about the quality of the steps taken to have a solid management system.

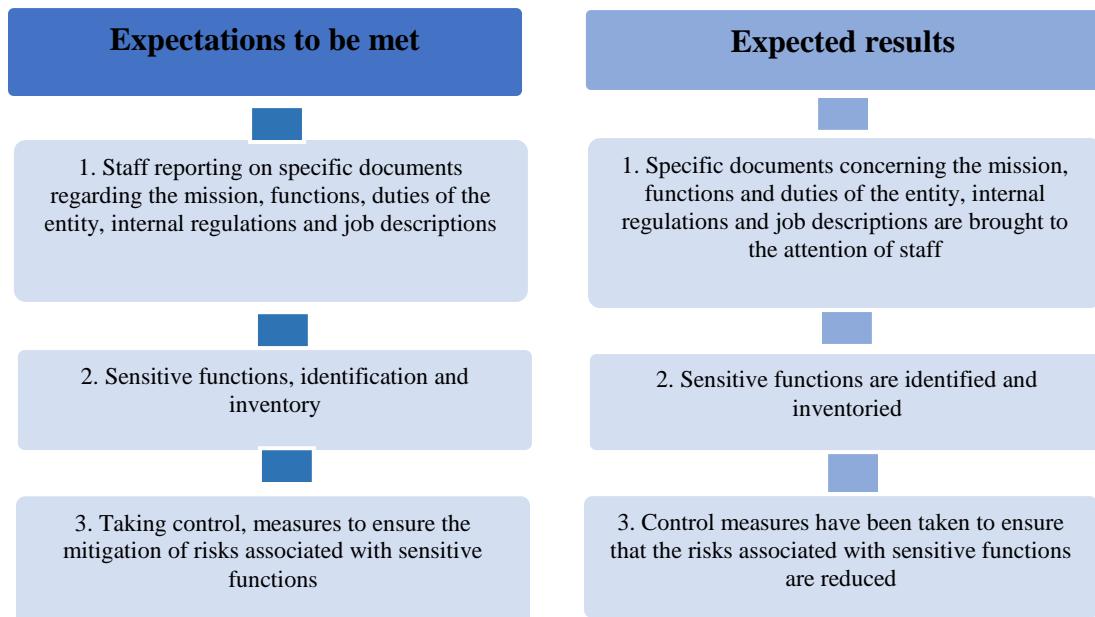
Moreover, the standards are also dependent on each other, which makes the succession of specific actions of particular importance.

For example, it is practically impossible to improve the level of implementation for Standard no. 3 - *Competence, performance* without having a higher level of implementation for Standard no. 2 - *Duties, functions, tasks*.

Taking as reference the results recorded by DIMCIR (2019), this study presents analyses of expectations in correlation with the degree of implementation presented of the *IMC* standards for 2019.

The following is an exhaustive list of potential causes that explain the poor resolution of these standards, based on the results of the 2018 Report on the implementation of the IMC standard and in correlation with the expected reasons. Also, some comments are presented on the expected results of the full implementation of each standard.

#### **6.1. Expectations to be met, expected results and comments on Standard no. 2 - *Attributions, functions, tasks*, are presented in (Figure no. 4)**



**Figure no. 4.**

**Source: Own projection**

*Comments:*

1. Management concerns should take into account informing staff of specific documents relating to the mission, functions and duties of the entity, internal regulations and job descriptions.
2. Only informed staff may act on behalf of the public body. It can be informed about all aspects of documents specific to public entities. If this is done, the best prerequisites are met for the performance of the tasks required.
3. Sensitive functions in a public entity are subject to a very important topic of discussion. Given that some staff members may be involved in some subjective actions that may disrupt the functioning of normal activity, it is necessary to judge very well the conflict of interests, misjudgement, exposure to corruption, abnormal interests, access to information, this for to stop any temptations or mistakes that may be made knowingly or by mistake.

The recommended way to assess the sensitive function is to develop a specific procedure to have the correct identification context and to propose control measures. Once there is the general approach context for the sensitive function, it is up to the representatives of the public entities to implement the approved control measures to ensure the reduction of the risks associated with the sensitive functions.

The main dysfunctions that cause and contribute to the fulfilment of the expectations regarding the *IMC Standard no. 2 - Duties, functions, tasks*, are the following:

1. specific documents relating to the mission, functions, duties of the entity, internal regulations and job descriptions are not disclosed to staff or to only part of them;
2. lack of evidence regarding the information of the personnel regarding the documents specific to the public entities;
3. total or partial negligence or technical deficiencies in informing the staff about the documents specific of public entities;
4. lack of information procedure when changes, revisions or new editions appear or when documents specific to public entities are adopted;
5. there is no specific definition or information stipulated or approved in the public entity regarding the sensitive functions;
6. there is no specific context to correctly identify sensitive functions and to propose control measures for this situation;
7. sensitive functions are not identified;
8. sensitive functions are not analysed in terms of risk management;
9. there is no procedure to be applied for the analysis of sensitive functions;
10. there is no action plan on sensitive functions;
11. there are no proactive measures associated with the risk induced by sensitive functions;
12. there is no control measure to ensure the mitigation risk associated with sensitive functions.

**6.2. Expectations to be met, expected results and comments on Standard no. 3 - Competence, performance are presented in (Figure no.)5.**



**Source: Own projection  
Figure no. 5**

*Comments:*

1. In order to carry out the tasks and duties associated with each employee, it is mandatory to involve the appropriate staff.
2. In order to meet the performance requirements of the management of the public entity, in terms of efficiency, time consumption, budget, transparency and fairness, each employee should have the competence, knowledge and skills to perform, with the required productivity, the tasks data.
3. The correlation of the qualities necessary for the fulfilment of the specific tasks given with those held by the staff is the duty of each management team of the public entity. In this regard, it is crucial to know the requirements of each organization chart and to correlate them with the staff's ability to perform their tasks.

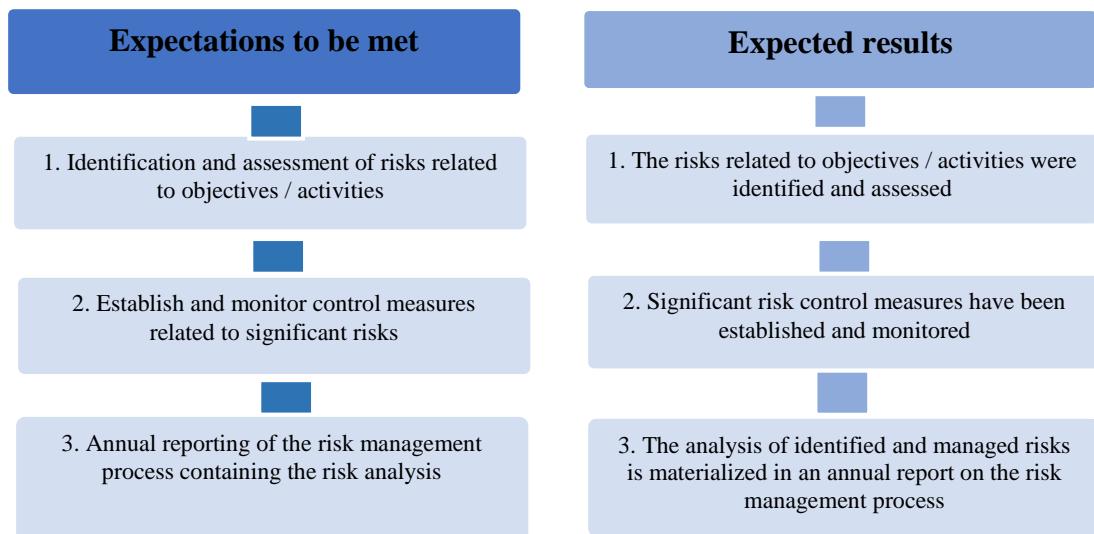
Based on the results, a report is prepared containing the needs to be met, as well as the needs for training and staff development in terms of the courses and training programs in which staff should be involved.

Once the annual professional development plan is approved by the head of the public entity, the staff must participate in that training. It is management's primary concern about training costs and training planning, as all staff training will help the entity perform better. The main dysfunctions that cause and contribute to the fulfilment of the expectations regarding the *IMC Standard no. 3 - Competence, Performance*, are the following:

1. the necessary knowledge and skills have not been analysed and have not been established, in order to fulfil the tasks/duties associated with each function;
2. performance requirements were not analysed in terms of efficiency, time consumption, budget, transparency and fairness;

3. the management of the public entity staff did not analyse the knowledge and skills of the employee to perform the given tasks with the required productivity;
4. the requirements of each function in the organizational chart have not been analysed and/or have not been correlated with the staff's ability to perform the specific tasks included in the job description;
5. no training needs assessment was developed involving the staff of the public entity;
6. the annual report on vocational training and staff development needs has not been prepared;
7. the annual professional development plan was not approved by the head of the public entity;
8. in general, there are no professional training or staff development activities in the public entity;
9. there are no budgetary provisions for the professional training of the staff or the development of the staff;
10. Lack of interest in staff training or staff development in terms of staff.

**6.3. Expectations to be met, expected results and comments on Standard no. 8 - Risk management are presented in (Figure no.6)**



**Source: Own projection**

**Figure no. 6**

*Comments:*

1. Risk management may be the main approach to the safety of achieving objectives. This should be considered an active tool for analysing disruptive factors that may affect the achievement of objectives.

2. The head of the public entity shall organize and implement a solid risk management process that facilitates the achievement of objectives in terms of economy, efficiency and effectiveness.

To achieve useful results, the risk management policies must include a risk register in which to write down all important information about risk events that may occur.

3. Based on the monitoring and evaluation risk approach, decisions should be taken to improve the risk management policies applied. For the public entity, these decisions should lead to an improved approach to risk management and a modern culture of risk management.

Regarding the risk management process, the awareness of the entity's staff is still low, its usefulness and necessity not being sufficiently understood for the well-being of the current activity of the public entity. From these points of view, some of the main dysfunctions that cause and contribute to the non-fulfilment of the expectations regarding the *IMC Standard no. 8 - Risk management* is presented as follows:

- there is no risk management approach applied to the public entity or an incipient one;
- the problems are generally solved on the spot, without previous major/minimum analyses;
- no proactive approach is applied to the public entity for the activities carried out;
- there are only reactive measures established on the spot;
- there is no risk identification in the public entity related to objectives/activities/results;
- there is no risk assessment in the public entity related to objectives/activities/results;
- no risk is monitored in the activities of the public entity;
- there are no control measures related to significant risks;
- there are no reports on the risk management process;
- risk management reports do not include the risk register;
- the annual reports on the risk management process do not contain the risk analysis;
- the annual reports on the risk management process contain only the identification of risks;
- there are, from time to time, partial reports on the risk management process.

In order to perform a justified risk analysis, but also to reduce the degree of subjectivity of the risk analysis, it is necessary to use well-defined risk analysis criteria. These criteria that are taken into account must include sufficient information and the necessary details on how to effectively perform the risk analysis and establish the risk score or risk classification.

Unfortunately, there are only a few cases in which public entities have developed a clear and useful system adapted to that public entity for specific risk analysis criteria.

Therefore, it is advisable to take a proactive management approach. This means that it is necessary to design and implement some measures that focus on identifying possible risks before the risks materialize and before they produce unfavourable consequences for the objectives and activities that have been set.

On the other hand, by applying proactive management, a balance must establish a balance between excessive risk and oversized control.

Other causes that affect the outcome of the risk management approach that should be considered to increase the accuracy of implementation can be considered the following:

- the training needs in the field of risk management were not identified;
- the risk management process is not functional;
- the stages related to the risk management process were not completed chronologically and successively, which led to an inadequate treatment of the identified risks;
- the activities regarding the identification, assessment and response to risk are not based on a system procedure on risk management that is related to the needs of the public entity;
- there is no responsibility of the staff regarding the risk management activities to be performed, by not mentioning the specific attributions regarding the risk management in the job descriptions;

- risk assessment and classification of the type of risk response are not in accordance with internal procedures;
- the confusion created between the risk and the cause that generated its occurrence, as well as in the ranking and prioritization of the risk treatment;
- The risk registers used by public entities are incomplete and are not updated in the format established for use.

The expression of the risks analysed by exposure to risk leads to the achievement of the risk profile of the public entity.

For a public entity, this risk profile is unique and personalized in terms of objectives, activities carried out and the general context. There is no risk profile for the same type of public entities, thus being particular to each.

In order to achieve a coherent risk management, the process involves:

- preliminary analysis of the risk exposure taken into account, because the identification of risk sources is a fundamental and decisive step towards a correct risk assessment for the public entity;
- identifying risks that may affect the efficiency and effectiveness of activities related to specific objectives, without ignoring the rules and regulations;
- confidence in the financial information and in the applied management strategy;
- protection of goods, respectively prevention and detection of fraud;
- defining the acceptable level of risk exposure and the level of risk tolerance;
- assessing the probability of risk materialization, determining the risk impact and exposure to risk;
- Establishing the type of risk response and mapping the adopted strategy.

The impact of a risk may concern the qualitative component, the budgetary patrimonial component, the effort component (human resources) and the time component, depending on the proposed risk tolerance.

Establishing the risk tolerance limit is the responsibility of the entity's manager and has implications for the costs associated with control measures.

In relation to risk tolerance, the risk tolerance limit is set, which is a limit that is analysed from the following perspectives:

- *Cost-benefit perspective* - the purpose of this analysis is to determine whether or not the proposed tolerance limit involves excessively high "costs" in relation to the benefit;
- *Total perspective of resources* - that the public entity can allocate to be used in the application of control measures.

If resources are insufficient, there is a classification of risks according to the priorities of the public entity and also a readjustment of the tolerance limits for less priority risks.

An important part of the identified risks is caused by non-compliance with existing procedures and, in some cases, the circumstances that favour their occurrence are even the result of inadequate control of activities. In general, too many risks are due to a lack of procedures.

Ignorance or ambiguity of rules is often invoked as an explanation for failure. It is the obligation of the manager to clarify what needs to be done and how it needs to be done by those involved, without leaving to subjective interpretations. It is recommended to develop a system procedure based on a risk management approach that applies to the public entity.

The procedure should be designed so that it can be used by all departments within the public entity to manage the risks that may affect the achievement of the specific objectives of these departments.

Its role would be to provide the staff of the public entity with a functional working tool to support risk management activities in a methodical and efficient way, in order to meet the objectives of the public entity.

This ensures the continuity of the risk management process over time, even in conditions of staff turnover. For effective risk management, each department manager at the first level of management of the public entity must appoint by internal decision the person responsible for risk management. This person also assists him in approaching the risk management applied to the public entity.

The risk manager of the department is responsible for the staff who advise the activities within the risk management approach.

The action plan represents the activities that need to be carried out to achieve the objectives. Through a risk management approach, this plan must be doubled by the risk mitigation plan.

From a risk management perspective, achieving the objectives means:

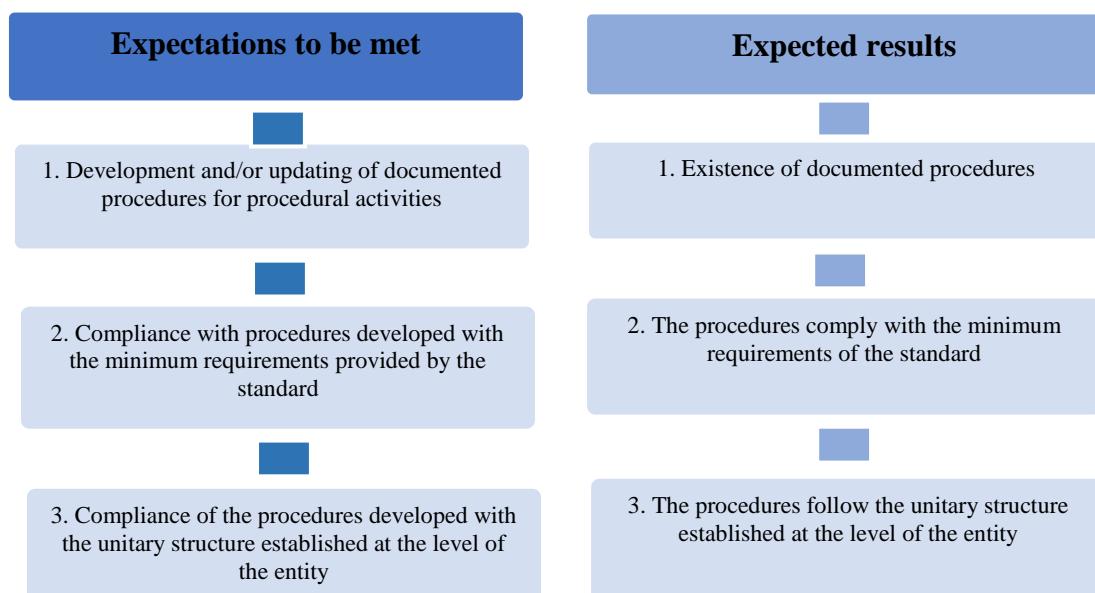
1. to plan the activities and actions to be carried out in order to achieve the proposed objectives (plan A);
2. to plan the necessary internal control actions for risk management and to integrate these actions in the general plan of activities (plan B);
3. To plan the actions to be taken if the risks materialize (plan C).

All these 3 plans are the essential elements of an effective general management approach that also integrated a risk management approach. It is necessary to ensure a favourable and appropriate information framework to inform all employees about the risk management process by creating an intranet section in which experiences are presented and communicated to those who can benefit from them.

The risk management process is of particular importance and has a high impact on achieving the objectives of the public entity. This requires adequate protection regarding access by unauthorized persons from the external environment.

#### **6.4. Expectations to be met, expected results and comments on Standard no. 9 - Procedures are shown in (Figure no.7)**

**Figure no. 7**



**Source: Own projection**

*Comments:*

1. Rules based on procedures must be an effective control tool in the IMC system. A procedure is meant to standardize the activity it describes, thus being in fact a detailed analysis of the parameters and factors influencing that particular/specific activity.

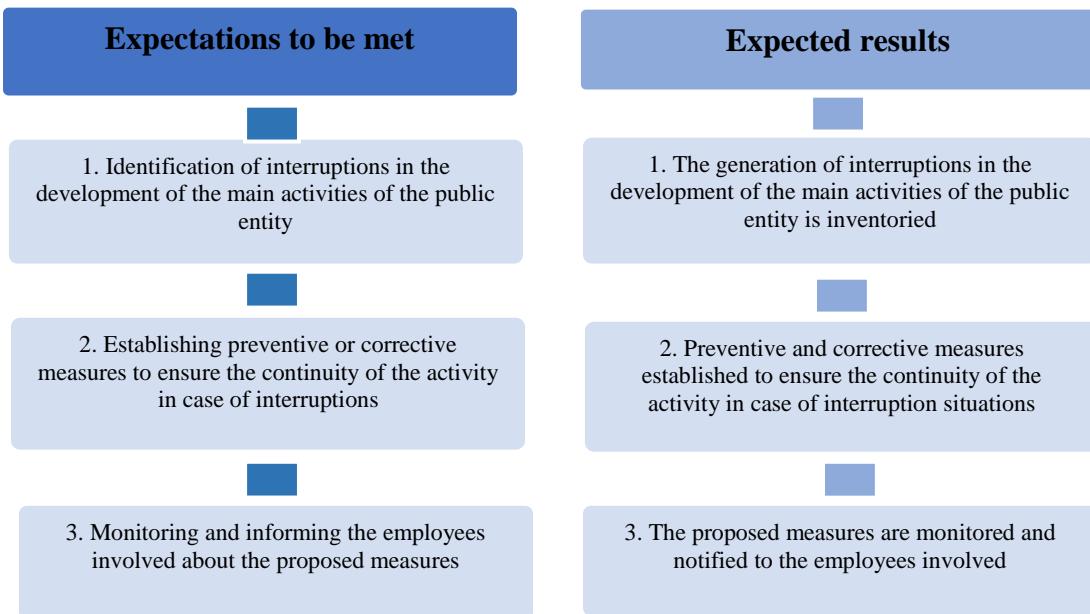
2. A procedure brings predictability and stability in the development of the respective activity, being a presentation, step by step, of all the dependence and correlation factors that influence the respective activity. By using rules based on procedures, it is possible to better plan and monitor the development of that activity in order to achieve the best results, including the ability to set performance indicators.

3. The procedures must ensure a separation and delimitation for each phase, which means that the role of involvement in their initiation, elaboration, verification and approval is entrusted to different persons.

The main dysfunctions that cause and contribute to the fulfilment of the expectations regarding the *IMC Standard no. 9 - Procedures*, are presented below:

- no documented procedures were developed within the public entity;
- instead of procedures, the methodologies and regulations are still used, which include all the necessary information that should have been used through rules based on procedures;
- there is still a lack of vision on the usefulness and usefulness of descriptions of activities based on the procedure compared to regulations that are full of details about all activities carried out;
- the activities that require the elaboration of the procedures were not inventoried;
- the elaborated procedures do not agree with the content and minimum requirements of the standard;
- a procedure for the unitary development of all the entity's procedures has not yet been developed;
- the main procedure for the elaboration of the procedures is not applicable or is not adequate for all the procedures that have been developed;
- there are gaps in the conformity of the elaborated procedures with the framework of the main procedure used for the development of other procedures;
- There are no trained or trained personnel in the elaboration of the procedures.

**6.5. Expectations to be met, expected results and comments on *Standard no. 11 - Continuity of activity*, are presented in (Figure no. 8)**



**Figure no. 8**  
**Source: Own projection**

*Comments:*

1. Situations that can lead to major disruption or even disruption of the activity of the public entity are a huge problem for the stability of the entity. It is mandatory to analyse the factors that may affect the normal activity of the public company. In general, this analysis is done in a formal way, without a strategic plan or an action plan subject to the approval of the senior management of the public entity.

2. It is very important to identify the causes that can lead to a major disruption of the activity of the public entity in order to prepare, in time, the appropriate measures to be taken. This plan should contain 2 types of measures, depending on the applicable moment: predictive actions and corrective actions.

Both points of view are important, because the public entity must be prepared in both situations - be prepared and responsive if necessary. From this point of view, this plan of measures focuses on proactive measures to reduce the vulnerability of the public entity to any situation that may lead to business interruption.

3. The provisions of this plan must be well known among employees, so that they can understand and act consciously, with maximum performance and have an open mind.

The main dysfunctions that cause and contribute to the fulfilment of the expectations regarding the *IMC Standard no. 11 - Continuity of activity*, are presented below:

- the situations that can lead to the major disturbance of the activity of the public entity are not identified;
- the situations that can lead to the major interruption of the activity of the public entity are not analysed;
- the causes that can lead to the major disturbance of the activity of the public entity are not analysed;
- the consequences and the impact generated by the occurrence of cases that can lead to the major disruption of the activity of the public entity are not analysed;
- the situations that can lead to the interruption of the activity of the public entity are not identified;

- the situations that can lead to the interruption of the activity of the public entity are not analysed;
- the causes that can lead to the interruption of the activity of the public entity are not analysed;
- the consequences and the impact generated by the occurrence of cases that may lead to the interruption of the activity of the public entity are not analysed;
- in order to ensure the continuity of activities, no preventive action plan is established for cases that may lead to the interruption of the activity of the public entity;
- in order to ensure the continuity of activities, a corrective action plan is not established for cases that may lead to the interruption of the activity of the public entity;
- the action plan prepared in case of interruption of the activity of the public entity is not monitored and/or updated periodically or when necessary;
- Employees are not informed about the provisions of the action plan to be used in case of interruption of the activity of the public entity.

## 7. Conclusions

The achievement of the mission of public entities depends on the objectives set as a final result of the strategies developed and the activities planned and, at the same time, on the climate created within a public entity that must be favourable to ensure the performance and quality of services provided.

From this point of view, there are differences of perception regarding the organization of the internal managerial control system at the level of public entities depending on the application of the amendments to the Code of internal managerial control by Order of the Secretary General of the Government no. 600/2018.

It is very important to establish the level of trust in the approach and application of a standard of internal managerial control and the analysis of the importance of the stages of evaluation of the internal managerial control system to be performed by internal public auditors.

A special importance is the analysis of the relationship between the results of implementation and those of the development of the internal managerial control system at the level of public entities.

Currently, implementing rules are established for all the above IMC standards and specific activities are being carried out to maintain and develop these standards, but, as in any field, there is possibility of improvement. It is important to maintain and develop a coherent internal management control system, taking into account the minimum requirements of internal management control standards.

Particular importance must be given to *Standard no. 8 - Risk management*, which is a key element of the internal management control system. Risk management involves a series of complex activities, because the risks are found in various fields and categories: security, war scenarios, financial, environment, IT, reputation, occupational health, etc.

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