

## Procedure for Exercise Economic-Financial Inspection

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### Abstract

*Control is at the micro and macro level, an efficient and necessary management function. Through this function the control ensures knowledge and improvement of the way of managing the patrimony and the way of orientation, organization of the production activity, distribution and sale.*

*Ensuring correctness, accuracy and the reality of information is a major problem of financial and accounting control. By control, the management ensures real, dynamic, preventive information that raises the value of the conclusions and the quality of the decisions taken.*

*Control focuses on the essence of the phenomenon and effectively contributes to scientific and effective leadership, sees the negative aspects and intervenes preventively for the prevention and liquidation of deviations, shortcomings.*

**Key words:** financial, report, deficiencies, economic operators

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### 1. Introduction

Control is constitutive in that it establishes measures to overcome the shortcomings found and supports management.

The financial control activity determines whether the economic and financial activity is organized and carried out according to established rules, principles and rules. Knowledge and improvement of economic and financial activity implies a scientific research and action pathway, a methodological system with which to reflect reality, equality and efficiency.

Financial control ensures the proper functioning of economic activity, acting to prevent deviations and deficiencies; has the role of preventing expense from being hired without economic justification, fund assets, insuring or increasing profits, etc.

### 2. Theoretical background: The powers of the economic and financial inspection bodies

The Ministry of Public Finance carries out the economic and financial inspection of the economic operators regarding:

- a) Measures to achieve revenue, reduce costs and reduce arrears;
- b) Compliance with the economic, financial and accounting regulations;
- c) Substantiating and justifying the amounts granted from the consolidated general budget for subsidizing products or supporting certain activities;
- d) Obligations to the general consolidated budget, except for the fiscal ones, according to the legal competences.

The objectives of the economic and financial inspection are:

- a) Increase the economic operators' responsibility in the exercise of economic and financial activity;
- b) Strengthening the budgetary and economic-financial discipline of the economic operators.

The bodies of economic and financial inspection have the following attributions:

- a) Verify the operations of economic operators in order to increase revenues, reduce costs and reduce arrears, substantiate and execute the revenue and expenditure budget;

- b) Verify the accuracy and the reality of the records in the financial and accounting records provided by the law and the acts of incorporation of the economic operators;
- c) Controls the observance of the economic and financial indicators approved by the economic and financial activity budgets, as well as the observation of their reporting;
- d) Verifies the reality of the information contained in the documentation related to the substantiation of the sums granted from the general consolidated budget to support certain activities, as well as in the supporting documents provided by the law for their granting;
- e) To verify with the economic operators how to organize and exercise internal control and preventive financial control;
- f) Verifies how the economic operators, beneficiaries of state-guaranteed or sub-loan able repayable financing constitute and provide the sources of repayment and payment of interest, commissions and / or other costs related to the reimbursable financing;

### **3. The procedure for the execution of the economic and financial inspection**

The economic-financial inspection shall be carried out at the premises of the economic operators or of the economic-financial inspection body, separately or in combination, in the following forms:

- a) Ex-ante control consisting in verifying the substantiation of economic operators' revenue and expenditure budgets, substantiating the sums granted from the general consolidated budget in support of some activities, as well as in the verifications regarding the establishment and insurance of sources of financing repayable or guaranteed by the State;
- b) The operative control, which consists in the verification of certain economic-financial activities or operations carried out during the current financial year; it can also be extended to other relevant ongoing operations;
- c) Ex-post control (subsequent), which consists in verifying the activity of the economic operators in accordance with the provisions of this Emergency Ordinance, related to the financial years concluded. Ex-post financial control is carried out at the request of the public authorities responsible for control over the formation, management and use of the financial resources of the state and of the public sector. In all cases where ex-post financial control actions are carried out, a copy of the control document drawn up, together with copies of the recovery documents, shall be sent to the authority requesting the verification. (Roman C., 2004)

The economic-financial inspection may apply the following control methods:

- a) General economic and financial inspection, which consists of the verification of all operations within the objectives set according to the law for the entire period under control;
- b) Partial economic and financial inspection, which is the activity of checking one or more operations within the objectives set for the controlled period.

In carrying out their duties, the economic and financial inspection bodies are entitled:

- a) To have unrestricted access to registers, records, documents and other documents and to request certified copies thereof, necessary for the economic and financial inspection;
- b) To carry out checks in the premises and in any other premises in which the activity is carried out, in the presence of "the legal representative of the economic operator or a person designated by him;
- c) To benefit from the economic operators controlled by adequate workspaces and adequate logistic access necessary for the proper conduct of the economic-financial inspection, provided such facilities exist;
- d) Request information and explanations, verbal and / or written, related to the subject of the economic and financial inspection;
- e) To request the presence of the legal representative of the controlled economic operator or of another authorized person at the premises of the economic-financial inspection body; with the request, as the case may be, also the documents which he is obliged to present;
- f) To establish the obligations stipulated by the law within the limitation period for the economic operators subject to the economic and financial inspection;
- g) To request the carrying out of the expert examinations or other specialized controls necessary to complete the economic-financial inspection. Expertise is part of the documentation and substantiation of the economic-financial inspection report;

h) Require other public authorities to provide information and documents related to the economic operator subjected to the economic and financial inspection;

i) To verify the manner of fulfilling the measures ordered by the financial administrative act;

j) To notify the criminal prosecution bodies about the finding of facts that could assume the constitutive elements of an offense under the conditions stipulated by the criminal law;

k) To carry out documentation, analysis and follow-up of the implementation of regulations to economic operators.

The economic and financial inspection bodies are entitled to establish, within the limits of their powers and competences, the relevance of the financial statements and to adopt the solution permitted by the law, based on complete findings on all the edifying circumstances in question. (Şaguna Drosu D., 2016)

The right of the economic and financial inspection body to establish obligations for the economic operators shall be prescribed within 5 years from the end of the financial year

The period undergoing the economic and financial inspection starts at the end of the previous verification period of the same nature and with the same objectives. If the economic operator has been audited by the Court of Auditors, the objectives pursued by the external public auditor can no longer be subject to the economic and financial inspection.

In case of deviations from the legality, which come from the financial years preceding those that were checked and which were not subject to previous control, the period submitted, the economic-financial inspection may extend to them.

The financial control procedure consists of a set of acts and operations concerning the organization, development and capitalization of the results of the control action.

The results of the control action are determined precisely by the way of programming and organization, thus ensuring the order of work. The procedure for financial control is based on a well-defined plan, in a certain order, which can be grouped into six steps. (Şaguna Drosu D., 2011)

The first stage consists in the preparation of the financial control team, by informing and documenting the legal provisions regarding the specificity of the unit to be controlled, the normative acts with economic-financial character, the analysis of the previous control acts, the measures taken after the verifications, the notifications made by the financing bank, those of the enterprises with which it has economic links. The training of the control team plays an important role as it gives the opportunity to establish the basic problems and to ensure the quality of the control.

The second step is the presentation at the unit where the control is to be carried out. Control bodies require the management of the unit to support the control in good condition by providing all the necessary materials.

The third stage corresponds to the organization of the control team's activity. Following the findings of the information, the documentation, a working plan is drawn up which foresees the objectives included in the control topic, the methods used, etc. The better the plan is, the higher the quality of control.

Another stage is the carrying out of the control action, which consists in the actual verification of the acts and operations, the legality, necessity, opportunity, economy and realization.

Control is primarily based on accounting records but is not sufficient, so other non-accounting documents and records are also controlled. By the thematic control of documents and records a complete picture can be obtained on the content of the operations and economic processes of the controlled unit. However, economic processes are clearly reflected in the synthetic and analytical indices included in the revenue and expenditure budgets. (Şaguna Drosu D., 2000)

Control bodies, in the event of fraud, embezzlement, lack of management, or if the documents are dubious, cross-checks must be carried out. For this it is necessary to raise the researched documents, leaving children for them. It is very important that the documents be picked up immediately so that they are not changed or destroyed.

During control, if deviations are detected, committed consciously or unconsciously, guilty persons will be required to provide explanations in connection with that issue.

Another stage consists in the drafting of the control documents, which consist in substantiating the conclusions, the findings and the proposed measures, the presentation of the violations and the legal provisions violated, the responsible persons, their position in front of the control team, the

opinion of the control team and the definitive conclusion. At this stage, the findings made during the control, the acts being done all the while, and not at the end of the control, are finalized, it will make it difficult to capitalize on the acts.

The last step consists in capitalizing the controlling action, which results in the taking of the measures and the follow up of the executions by the controlling unit as a result of the findings made in the documents.

Exploiting the results is primarily intended to address the deficiencies. For this, a plan of measures will be drawn up, and the control bodies will have the task of providing the necessary support to the unit in order to achieve it.

We can conclude that if all these moments are taken into account in the control, it will have the desired efficiency, finding the shortcomings in time, ensuring that the required measures are taken in an operative manner.

#### **4. The acts of financial control**

Control activity in the end involves the inclusion of the findings of control bodies in some documents. These documents, both in form and in structure, are either established by the specialized control bodies for this purpose or are left to the discretion of the inspection bodies.

The findings established following the check are recorded in: the control report, the act of finding the contraventions, the note of the presentation of the control report and the note of the report's conclusions.

The control report is the main control document that includes the deficiencies and deviations found, as well as the causes and consequences for the good management of the controlled unit.

This document is drawn up in chapters, in a chronological order, consisting of an introductory part, which contains the name of the control body, the controlling unit, the delegation on which the control was carried out, the stage of the implementation of the recommendations as a result of checks carried out previously, the period of control. The next chapter will list the deficiencies found in the activity of the unit, grouping on issues corresponding to the controlled objectives. For each deviation and deficiency found, it is indicated: the legal acts infringed, the persons responsible, the causes, the consequences thereof.

The control report records only the findings of the control team, based on precise data and facts, clearly and concisely presented in the document. The report does not record the personal opinions of members of the control team. (Văcărel I., 2007)

In the last part of the control report, it is stated that the control has been completed and all the documents used by the control body have been returned, it is shown how many copies have been signed and signed by the control body and the management of the controlled unit.

If there are facts that bring criminal liability, a separate act is signed that is signed.

Various documents such as: statements, tables, acts, explanatory notes, minutes of finding and sanctioning the contravention are annexed to the control report.

Explanatory notes shall be drawn up in the event of deviations or fraud giving rise to legal liability. These acts are prepared in response to the questions of the control bodies, which are given by the persons considered responsible for deviations and by other persons who can clarify the causes and circumstances that caused the non-observance of the normative acts. As a result of these notes, the findings of control are finalized.

The minutes of finding and sanctioning the contravention are terminated by the control team when there is a violation of normative acts regarding the financial discipline by the personnel in the controlled unit. It includes data on the committed facts, data on the responsible employee, the amount of the amount imposed as a fine, a time limit may be granted to remedy the deficiencies found, the identity and signature of the witness or the confirmation body's confirmation that it was concluded in the absence of witnesses.

This act is concluded in three copies as follows: one is handed over to the offender, another to the control body that handled the case, and another to the structure that executes the fine.

Note for the presentation of the control report is a personal report of the inspection body, with conclusions and proposals regarding the deviations, which will be attached to the control documents concluded.

If the inspection does not reveal any deficiency or unlawful fact, a control report is not concluded but a statement of the conclusions of the inspection, stating the objectives and the controlled documents.

Other situations that can not be recorded in the control report, such as: the presentation of the main positive results obtained by the controlled unit and which can be generalized in other units may also be present in the exposure note.

The way in which these control documents are presented is of particular importance, and it is up to them to remedy the deficiencies and to take measures to improve the activity of the controlled unit. For better finality of control, control body acts must be clear, complete, concise, objective, based on facts and documents controlled.

## 5. Conclusions

The economic and financial inspection is the control activity that verifies the implementation of the measures for increasing revenue, reducing expenses and reducing arrears, observing the economic and financial regulations and accounting, as well as substantiating and justifying the amounts granted from the budget generally reinforced for subsidizing products or supporting activities, fixing errors and deficiencies in the economic and financial activity in order to remedy them and avoid them in the future, as well as establishing the obligations to the general consolidated budget, except for the fiscal ones;

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