The Role of the National Agency for Fiscal Administration in Combating Insolvencies Generated by Economic Frauds in Romania

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Abstract

The insolvency of an economic entity is determined by a number of exogenous or endogenous factors. Among the exogenous factors can be included the controls of the control bodies (in the financial, sanitary, environmental field, etc.), and among the endogenous factors are the company's employees, the decision-making management, the shareholders, etc.

The role of control bodies is to combat illicit elements in the management of the company, imposing through their controls, warnings, contraventions or subsequent disciplinary investigations compliance with the law and business ethics.

The aim of this paper is to establish whether there is a direct correlation between the number of controls performed by public control bodies in the variation of the number of insolvencies declared in the last 6 consecutive financial years (2014 - 2019)

Key words: public controls, insolvency procedure, economic fraud, prejudice
J.E.L. classification: G40

1. Introduction

Taken into account starting with Regulation (EC) no. Regulation (EC) No 1346/2000 of the Council of the European Union on insolvency proceedings, the need to harmonize and standardize legislation on economic insolvency is considered a priority in the future stages of economic and political union of the Member States. The need to draft unitary legislation applied to the whole Community bloc is the first step towards increasing the economic performance of the Member States and opening up to free movement of citizens who can practice professions throughout the community bloc, no longer conditioned by their skills and knowledge. acquired in a particular country.

The need to standardize insolvency law has been discussed among economic experts since 1996, three years after the Maastricht Treaty (establishing the European Union), the economic potential of this act being considered very significant, the fiscal control bodies are in the situation of not being able to carry out specific fiscal controls sometimes precisely due to a fiscal legislation that cannot be applied *ad-litteram*.

Through this paper I propose to analyze if there is a direct correlation between the number of controls performed by the fiscal control bodies, the amount of damages found by them and the number of officially declared insolvencies, in a time gap of 6 consecutive financial years, more precisely between the period 2014-2019.

2. Theoretical background

From a legal point of view, tax evasion is generically defined as an evasion of individuals or economic entities from the payment of taxes due to the state budget and local budgets. The form and size of tax evasion start from the size of the distortion of the financial statements reported to the competent bodies. The most used methods of evading taxes and duties are given by the declaration of profits or incomes lower than the economic reality or the oversizing of expenses. Considered as the most common economic crime at the international level, tax evasion takes various and varied forms, each method wanting to have the same purpose (Trif, 2015). The European Anti-Fraud Office

details the forms in which tax evasion is encountered as follows (cf. Report no. 1/2019 of the O.L.A.F. to the European Commission):

   - Preparation of distorted financial statements, which do not reflect the economic reality;
   - Preparation of accounting records that do not reflect the reality or keeping of double accounting records;
   - Intentional destruction of documents regarding deliveries of goods;
   - Practicing modified prices or commissions in the financial reports (both collected and paid);
   - Forgery or preparation of false payment documents;
   - Preparation or deliberate modification in favor of the economic entity of false customs or intra-community declarations (either for intra-community imports / acquisitions, or for intra-community exports / deliveries);
   - Unjustified rectification of the purchase price, transport or storage costs;
   - Preparation of distorted tax returns, mentioning only part of the income earned.

Tax evasion is often correlated with the informal economy (or underground economy). As a way of measuring the degree of tax evasion in an area, the method of undeclared income is used, which generically represents the difference between the amount reported to the competent bodies and the value of income that should have been reported (Richardson, 2006).

The most common form in which tax evasion manifests itself is that of tax evasion of value added tax, according to the Annual Report of the Office for the Fight against Fraud in the European Union (published in 2019). Value added tax is a worldwide consumption tax in the second half of the twentieth century. Tax evasion in the case of VAT occurs when traders who collect the tax report a value of goods and services usually sold less than the actual value provided to consumers. Unlike the European Union, the United States charges a sales tax.

3. Research methodology

The selection of the database was made by analyzing the annual reports published by the anti-fraud department of the National Agency for Fiscal Administration, available on the presentation site of the institution. The present study required data such as the number of tax audits performed by the anti-fraud department, the amount of damages found and imputed to legal entities that were subject to control and the number of insolvencies declared, in a time gap of 6 consecutive financial years, more precisely period 2014 - 2019. This last database was extracted from the annual reports published by the National Office of the Trade Register, data that can be found on the presentation site of the institution.

The chosen study criterion was that of **the ratio to the time factor**, of interest in the chosen research being the longitudinal method, to study the evolution of phenomena over time, together with a mathematical-statistical analysis of the two variables, the number of controls performed by the antifraud department. of the National Agency for Fiscal Administration and the number of declared insolvencies.

The processing of the database was done using the Excel spreadsheet program, of interest in this study being strictly the data provided by the competent bodies in this segment, without the need for additional processing, apart from the statistical program SPSS.

After processing the database in an intelligible format for the SPSS statistical program to recognize the data, the latter was used to determine whether the statistical data are correlated, if there is a reasoning to be able to deduce the premises from which this study starts (if the number of controls influences - H0 - or does not influence - H1 - the number of declared economic insolvencies, in the established temporary gap). For our interest in this study was the value taken by the Durbin-Watson indicator, the simple regression analysis, the sig coefficient, the ANOVA test and the Skewness analysis, respectively Kurtosis, in order to assess if there is a statistical possibility that the number of controls performed by anti-fraud department would affect the number of insolvencies declared.

The establishment of the time gap between 2014 and 2019 was made by applying a reasoning related to 2014, which amended the law on the functioning of economic insolvencies (in this case the transition from Law no. 85/2006 to Law no. 85/2014), the year 2019 representing, until the date of the study, the last year of reporting by the control bodies that provide the databases, the information related to the year 2020 being not available to the public until the date of the study.

One of the purposes of the Anti-Fraud Department of the National Agency for Fiscal Administration is to combat economic fraud, especially those that may lead to the insolvency of the companies concerned, with effects not only on them individually, but also among employees of the entity concerned (customers, suppliers, credit agencies, state institutions, etc.).

One of the variables chosen for our study is the number of controls performed by the Antifraud Department of the A.N.A.F.

The theory from which we start in the elaboration of our study is that a more efficient control of the state institutions on the way of managing an economic activity can lead to a smaller number of declared insolvencies. The data from which we start in the elaboration of our study are presented in table number 1 and graphs number 1, 2 and 3.

Table no. 1: Number of controls performed by the Anti-Fraud department in relation to the number of insolvencies, period 2014 - 2019

| Year	ANAF Antifraud reports		Number of insolvencies
	Number of fiscal controls performed	Value of prejudices found (mil Eur)	
2014	24.160	779	20.696
2015	35.514	1.059	10.269
2016	36.318	741	8.371
2017	32.518	411	9.103
2018	48.601	218	8.304
2019	37.575	122	6.777

Source: Annual reports of the National Agency for Fiscal Administration

Graph no. 1: Number of controls carried out by the Anti-Fraud Department in relation to the number of insolvencies, period 2014-2019
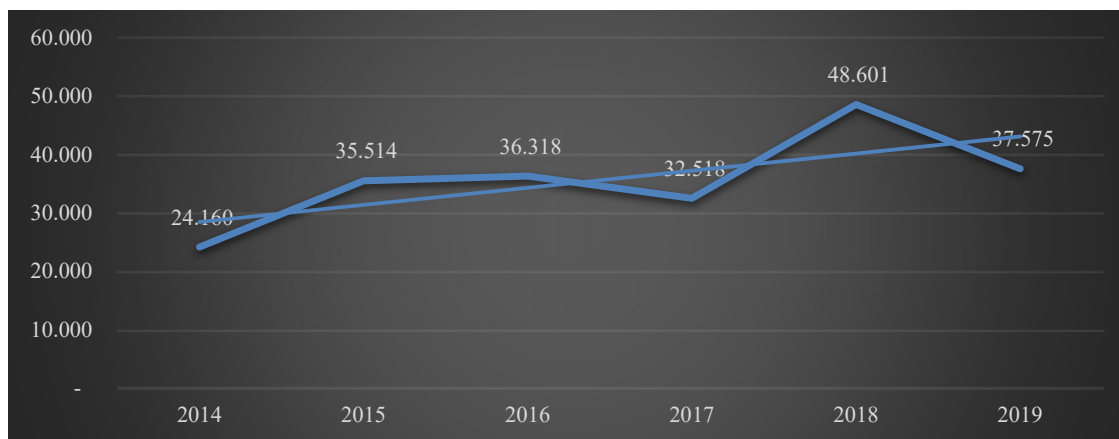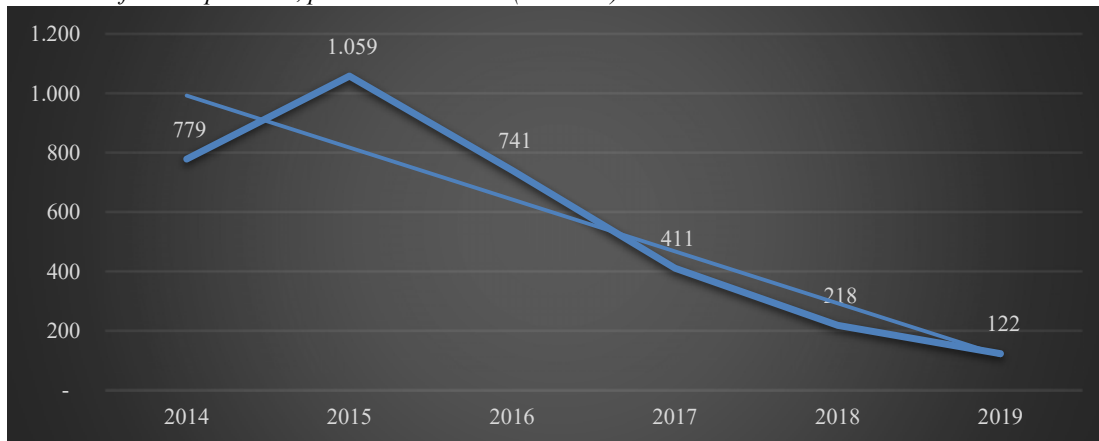

Source: Annual reports of the National Agency for Fiscal Administration

Graph no. 2: Number of declared insolvencies, period 2014 - 2019
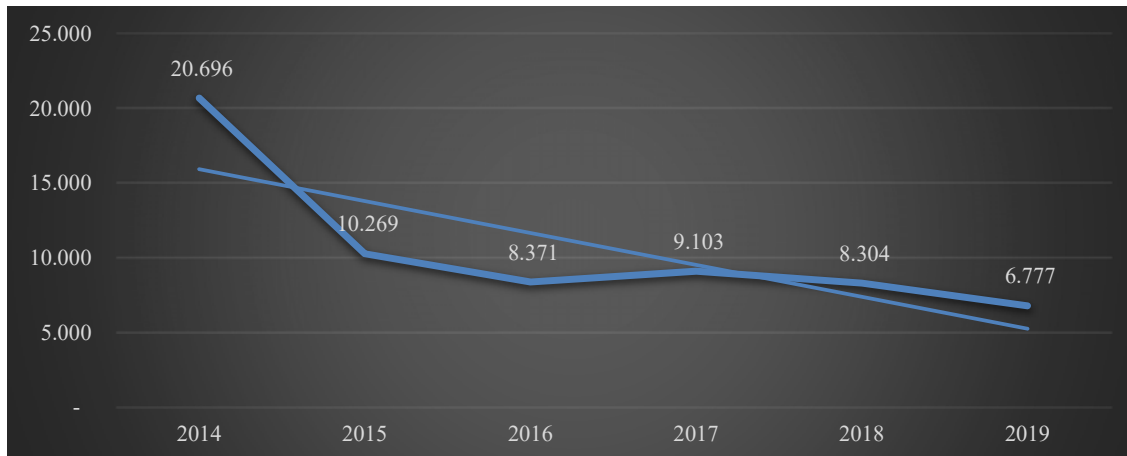
Source: Reports of insolvent professionals published by the National Office for Trade Register

Graph no. 3: The value of the damages brought to the state budget following the controls performed by the Antifraud department, period 2014 – 2019 (mil. euro)

Source: Annual reports of the National Agency for Fiscal Administration

The two indicators taken into account in explaining the trend of the number of insolvencies from 2014 to 2020 (the number of controls performed and the amount of damages found) explain by a negative correlation the variation of the number of declared insolvencies. As can be seen in the graphs presented, as the number of controls performed increases, the response of the indicator "number of declared insolvencies" decreases in value each year of the analysis.

Regarding the amount of damages found, the correlation is this time positive, in the sense that the value of damages found from one year of reporting to another decreases, the trend is similar in terms of the number of insolvencies declared, there is a direct correlation between fraud (or attempted fraud in this case) and the number of companies experiencing financial difficulties.

Thus, as the number of inspections of state control bodies increases, the number of insolvencies decreases, thus explaining the impact of effective controls on the proper functioning of an economic enterprise and the elimination of fraud or attempted fraud.

In order to strengthen our opinion, we also considered a statistical analysis using the SPSS program, detailed in Figures 1, 2 and 3.

Figure no. 1: Correlation of the number of controls in relation to the number of insolvencies

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,745[a]	,554	,443	5910,861	,554	4,977	1	4	,090	2,896

a. Predictors: (Constant), Insolvencies declared
b. Dependent Variable: Number of fiscal controls

Source: SPSS own processing

Durbin-Watson statistics is a statistical test used to detect the level of autocorrelation in a regression analysis. Using linear regression analysis, the Durbin-Watson indicator takes the value of 2,896. This value is equivalent to a negative correlation between the number of controls performed and the number of insolvencies, in the sense that as one of them increases, the other registers decreases.

The value of the Durbin-Watson indicator strengthens the correlation explained above, whereby the impact of increasing the number of controls of control bodies has a favorable impact (in the sense of decreasing) on the number of insolvencies from one reporting period to another.

Figure no. 2: Descriptive analysis of the number of controls in relation to the number of insolvencies

Descriptive Statistics

|	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Numar controale efectuate	6	24441	24160	48601	35781	3233,29	7919,91	62725060,8	,307	,845	1,823	1,74
Numar insolvente	6	13919	6777	20696	10586,6	2074,72	5082,01	25826821,6	2,176	,845	4,991	1,74
Valid N (listwise)	6											

Source: SPSS own processing

The descriptive analysis of some indicators represents a summary of some characteristics that evaluate the connection between two statistical variables.

Of interest in our analysis is the value of the Skewness and Kurtosis indicators, calculated above, the Skewness indicator measuring the level of symmetry between the two variables, and the Kurtosis indicator the vaulting of the two variables analyze).

Regarding the number of checks performed, the Skewness indicator takes the statistical value of 0.307, which means an almost perfectly symmetrical distribution of the indicator, in this case it is positively asymmetric to a small extent. The Skewness indicator is an indicator of the central trend of a variable calculated as the difference between the mean and median relative to the standard deviation indicator. Knowing this indicator is of interest in determining the probability of asymmetry of a random value compared to the actual value that could influence the final result. For simplicity, the Skewness curvature is shown in Figure 3.

Figure no. 3: Asymmetry of the distribution of the "number of checks performed" indicator
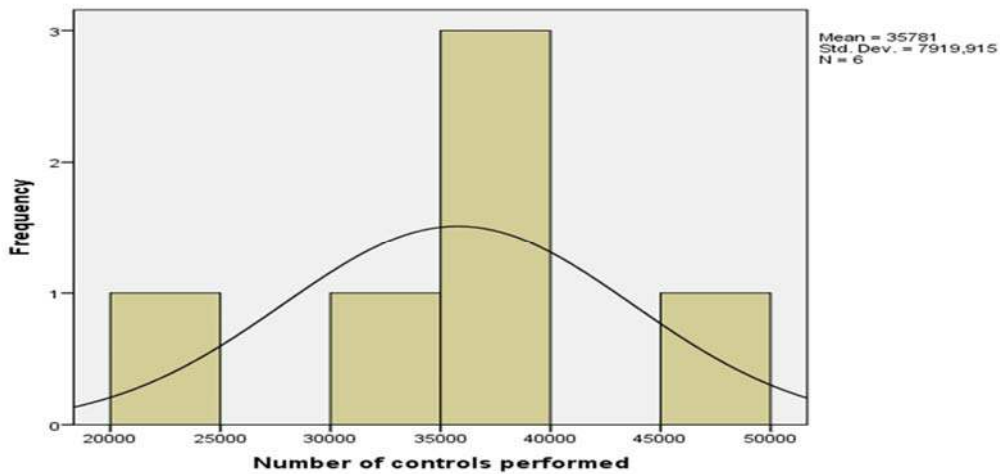
Source: SPSS own processing

Regarding the Kurtosis analysis, the indicator "number of controls performed" keeps the same trend as in the case of the Skewness indicator, in the sense of a normal distribution (also called mesocurtic distribution or medium vaulted distribution).

Therefore, according to figure number 2, the value of 1,823 of the Kurtosis indicator indicates a normal distribution, a value higher than 3 representing a leptocurtic or sharp distribution.

However, the "number of insolvencies" indicator does not enjoy a distribution as normal and symmetrical as in the case of the "number of controls performed" indicator.

According to figure number 2, regarding the Skewness analysis, which takes the value of 2,176, it results in a positive asymmetric distribution, which means that the values taken in 2014-2015 influence our database, which is perfectly normal in this instance, given the double number of insolvencies in 2014 compared to 2015.

The positive asymmetry of the indicator can be observed in Figure number 4.

Figure no. 4: Asymmetry of the distribution of the "number of insolvencies" indicator
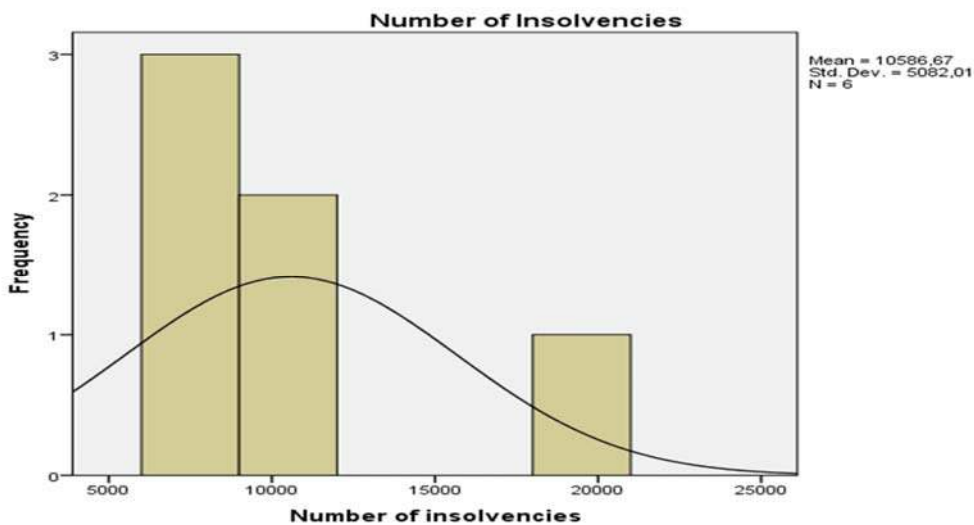
Source: SPSS own processing

The positive asymmetry of this indicator does not impact our correlation in terms of the impact of the controls carried out by the Antifraud department on the number of insolvencies reported because, in this case, the positive asymmetry was observable with the naked eye and in table number 1.

The Kurtosis indicator in this case takes the value of 4,991. This suggests a sharp leptocurtic distribution, due to the number of insolvencies in the first two years of analysis (2014 and 2015), but without a real impact in supporting the opinion circulated at the beginning of the subchapter.

Starting from two general hypotheses (H0 and H1), we assume that from a statistical point of view the group averages are equal (in the first stage - H0) or not (rejection of hypothesis H0 and acceptance of hypothesis H1). Thus, we proceeded to use the ANOVA test to observe the structure of our data groups, selected for analysis, according to Figure number 5.

Figure no. 5: Anova test

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	173872189,618	1	173872189,618	4,977	,090[b]
1 Residual	139753114,382	4	34938278,596		
Total	313625304,000	5			

a. Dependent Variable: Number of fiscal controls
b. Predictors: (Constant), Insolvencies declared

Source: SPSS own processing

With a risk threshold of 10%, we can conclude that the H0 hypothesis is accepted, which means that the averages of our data groups are equal and the statistical analysis compares two normally distributed, correlated and interpretable data structures.

4. Findings

The analysis undertaken between the number of controls performed by the financial control bodies, the amount of damages found and the number of insolvencies declared at the National Office of the Trade Register between 2014 and 2019 showed that there is a negative correlation between the two variables, in this case as the number of tax controls increases, the number of insolvencies shows a decreasing trend.

The value taken by the Durbin-Watson indicator, the simple regression analysis, the sig coefficient, the ANOVA test and the Skewness analysis, respectively Kurtosis show that the variables chosen for the study are correlated, the almost perfect symmetry of the number of controls performed and the positive asymmetry of the declared insolvency number lead as to assume that from a statistical point of view the group averages are equal (in the first stage - H0) or not (rejection of hypothesis H0 and acceptance of hypothesis H1).

The theory from which I started in the elaboration of this study is that a more efficient control of the state institutions on the way of managing an economic activity can lead to a smaller number of declared insolvencies, aspect that was confirmed through the analysis performed.

5. Conclusions

There is a disruptive element that can negatively affect both the statistical analysis using the SPSS software and our final interpretation regarding the impact of the number of controls performed on the number of declared insolvencies. Analyzing the trend of the number of controls performed in relation to both the number of damages to the state budget detected and the number of insolvencies, we observe a significant increase in the number of controls performed in 2018 (by 49.45% compared to the previous year), but a value of however, the damages found were lower than expected (by 46.95% lower than in the previous year). Analyzing especially this year, the impact of these figures is due to changes in legislation, namely the adoption of Government Emergency Ordinance no.

88/2018, measures presented and detailed in subchapter 1.1 that had a negative impact on the economic sector and in particular harming creditors.

Following the study performed using the statistical program SPSS Statistics 20 we can conclude that there is a direct correlation between the number of controls performed by public control bodies and the number of insolvencies declared in the last 6 financial years, between these two variables there is a negative correlation. in which the number of controls performed increases, simultaneously with the decrease of the number of declared insolvencies, which shows an effectiveness of the fiscal controls on the phenomenon of fraud and the deliberate desire to enter insolvency of certain debtors.

6. References

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