

## Study on the Organization and Implementation of the Internal Managerial Control System at the Level of Public Institutions

Carina-Bianca Pătrînjă

Narcis-Alexandru Corman

*"1<sup>st</sup> of December 1918" University of Alba Iulia, Romania*

[carina.patrinjan.sdc20@uab.ro](mailto:carina.patrinjan.sdc20@uab.ro)

[narcis.corman.sdc20@uab.ro](mailto:narcis.corman.sdc20@uab.ro)

### Abstract

*The control itself has purpose and finality, permanently presenting an active role in the decision-making process, with implications on how the decision maker manages to choose the best option from the multitude of solutions, such as the trajectory followed to achieve the finality of the managerial act. The correct correlation between the management activity and the fulfillment of the objectives at the level of any organization cannot be achieved if an efficient internal managerial control system is not permanently implemented. This study is about the organization and implementation of the internal managerial control system at the level of public institutions and especially in the field of defense in Romania.*

**Key words:** internal managerial control, defense, economic, public institutions

**J.E.L. classification:** H83

### 1. Introduction

At the level of any public institution, ensuring compliance with economic and managerial standards can be achieved only by complying with a regulatory framework that implements various forms of control, both internally and externally to the institution. Thus, this control function is an attribute of management, which any manager must assign and apply, representing a permanent source of information for the optimal elimination of risks and deficiencies, allowing the achievement of objectives effectively and economic.

An effective internal management control system must ensure compliance with all legal rules and procedures, the code of conduct and other rules both internal and external to the organizational environment, this being considered one of the most important objectives of the control system internal managerial. At the same time, the efficiency of internal control is measured by the possibility of ensuring the governance of economic entities with useful and verifiable information, credible, easy to understand, and most importantly, qualitative and relevant to optimize business and ensure performance.

The most important objective of the study is to analyze how the internal managerial control environment specific to the development of each field of activity in public institutions, is implemented and organized. This being favorable and appropriate respecting and assigning all established rules and legal procedures, respectively unfavorable in which rules of conduct and internal rules are violated, thus the probability that the objectives of the organization will not be fulfilled.

### 2. Literature review

Internal managerial control is represented by all the elements and measures applied in an entity, at any level within its organizational framework, to ensure effective control leading to the achievement of the proposed objectives ( Hurloiu et al., 2014). Internal control is an ongoing process

by which the entire organization must identify existing deficiencies that diminish performance, and generate solutions to address them. At the same time, this type of control must also identify the risks related to the activity, thus contributing to the permanent development of the activity and the orientation towards improvement (Spatacean, 2014). Being a component of management that is encountered at any hierarchical level, internal control is closely linked to the management of any entity, directly influencing its functions. The purpose of internal control refers to the verification part of any management process, even designating a part of management governance, preventing irregularities and eliminating errors and possible risks to occur as the activity progresses (Saghi-Zedek et al., 2015).

In order to ensure uniform compliance with the rules of ethical conduct and legal norms and prerogatives, but also for the existence of a unitary control model, the General Secretariat of the Government has made available to economic entities a set of internal managerial control standards that allow a hierarchy and comparability of an entity's performance and evolution. These standards of internal management control are applicable to any field of activity, respectively to any specific of the economic entity, being formulated in general, easy to understand and accessible, and being classified according to control environment, risk management, performance, activities information and communication, control and evaluation, but also audit.

### 3. Research methodology

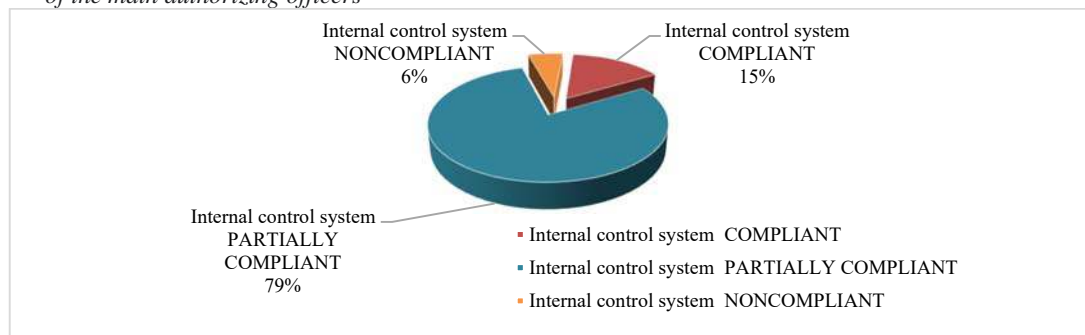
The main objective of the study was achieved by using different research methodologies, such as the analysis of the literature, economic analysis, empirical analysis, analysis and observation of various phenomena and information.

All the data from this article are extracted from different situations which were published on websites of the Ministry of Finance, on the websites of the Court of Auditors and also we extracted and analyzed economic data from the website of the Ministry of Defense.

### 4. Findings

The implementation of financial control in public institutions that fulfill the role of main credit officers in Romania, is analyzed by the Ministry of Public Finance through the Central Unit for Harmonization of Financial Management and Control Systems, which, since 2011, has published an annual report on these date. Thus, reports on internal control were published in 2011-2014, which assess both the stage and process of implementation of internal control and the activity of own or delegated preventive financial control to various public entities in Romania that have the quality of chief authorizing officer credit, and more. Following the analysis of the Reports on these internal management control systems at the end of each year, reports published on the official website of the ministry in the category "Official documents", some data and information on the degree of implementation of control at any level of the main authorizing officers, ranking according to their compliance with the standards in force. We analyzed this data in the following graphs, as follows:

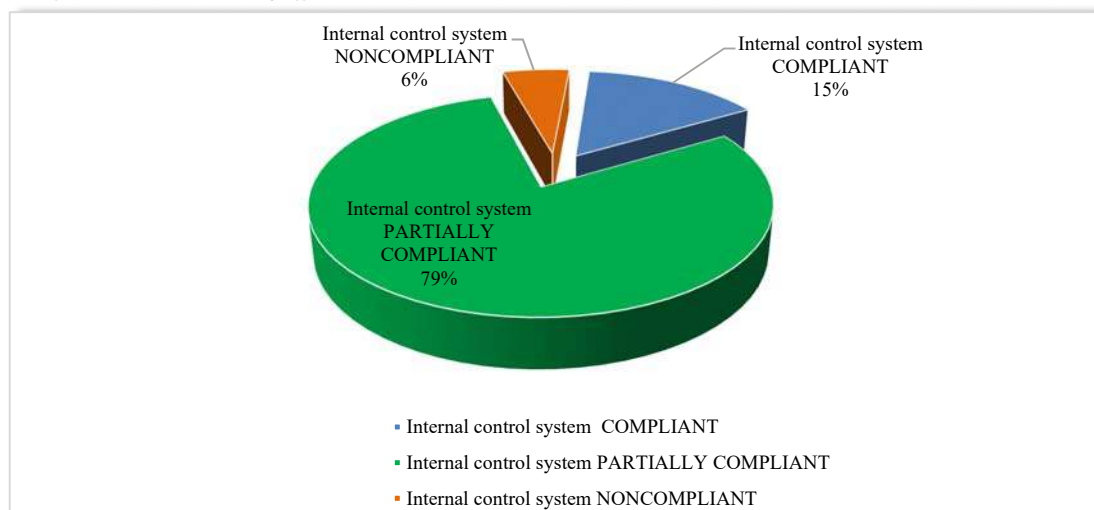
Figure no. 1: Degree of compliance of the internal managerial control system as at 31.12.2011 at the level of the main authorizing officers



Source: [https://mfinante.gov.ro/documents/35673/228074/raport\\_2011\\_controlintern.pdf](https://mfinante.gov.ro/documents/35673/228074/raport_2011_controlintern.pdf)

We find that the quality assurance of the management of the patrimonial resources within the public entities is achieved through the internal control, the implementation of which must be permanent. Although at the level of 2011, some authorizing officers were reserved regarding the reality of data and information concerning the internal managerial control system, the Central Unit for Harmonization of Financial Management and Control Systems subordinated to the Ministry of Public Finance, published in the report its annual classification of authorizing officers by the degree of implementation of internal control. The classification is made according to the measure of compliance with the standards in the field, respectively the compliant, partially compliant and non-compliant implementation, as follows: approximately 15% of the main authorizing officers, out of a total of 53 since then, have implemented internal control with the standards in place, about 79% of the public institutions in a number of 42, carried out a partially compliant internal system, and the difference of about 6%, 3 public institutions, reported that the whole control system was non-compliant with the standards in force.

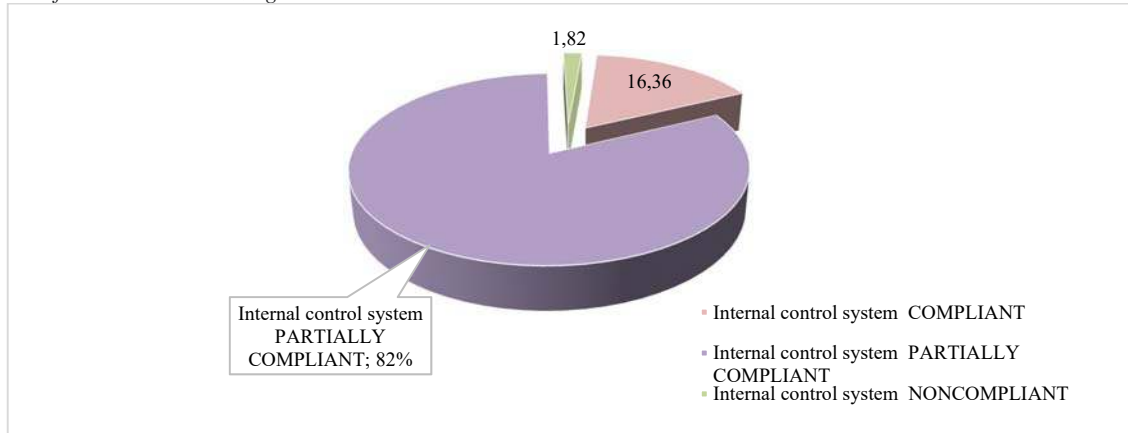
*Figure no. 2: Degree of compliance of the internal managerial control system on 31.12.2012 at the level of the main authorizing officers*



Source: [https://mfinante.gov.ro/static/10/Mfp/control\\_prev/raport\\_2012\\_controlintern.pdf](https://mfinante.gov.ro/static/10/Mfp/control_prev/raport_2012_controlintern.pdf)

At the level of 2012, the Central Unit for Harmonization of Financial Management and Control Systems did not report any significant changes, so that the data and information on the implementation of internal control at the level of the main authorizing officers were identical to those of 2011, in terms of percentage. At the level of compliance with the standards in the field, there were small, but not significant, developments, as follows: out of total of 53 of the main authorizing officers, approximately 15% implemented internal control in accordance with the standards in force, about 79% of public institutions partially implemented according to internal control, and the difference of about 6%, reported that the entire control system was not in accordance with the standards in force.

Figure no. 3: Degree of compliance of the internal management control system on 31.12.2013 at the level of the main authorizing

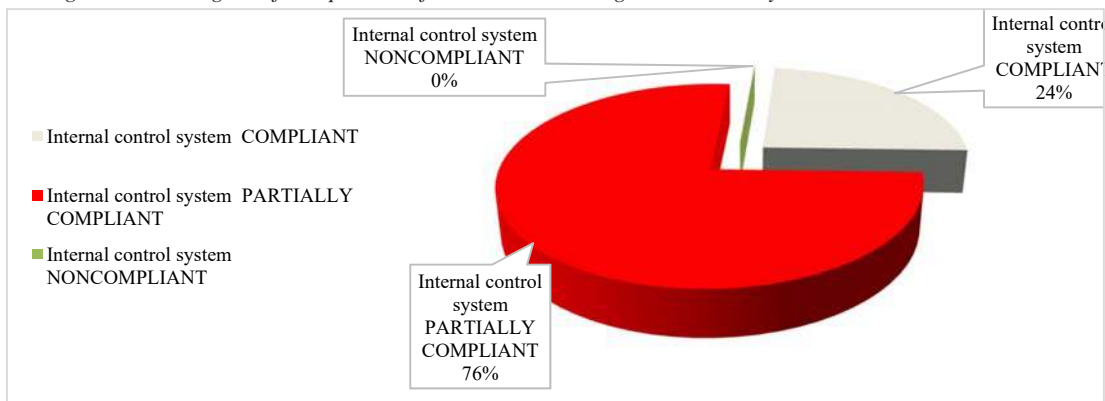


Source: [https://mfinante.gov.ro/documents/35673/228074/RAPORT\\_UCASMFC\\_2013\\_LG\\_FINAL.pdf](https://mfinante.gov.ro/documents/35673/228074/RAPORT_UCASMFC_2013_LG_FINAL.pdf)

In 2013, at the level of the 55 main authorizing officers, approximately 16% of them implemented internal control according to the standards in force, approximately 82% of the public institutions in a number of 45, developed a partially internal system according to, and the difference of about 2%, 1 public institution, reported that the whole control system was not in line with the standards in force.

Unlike in 2012, we identified little progress from one category to another, respectively from the non-compliant category, to the partially compliant one, and an advance was also registered for the category that complies with the standards in terms of implementing internal control. There was no regression between categories during this period.

Figure no. 4: Degree of compliance of the internal managerial control system on 31.12.2014

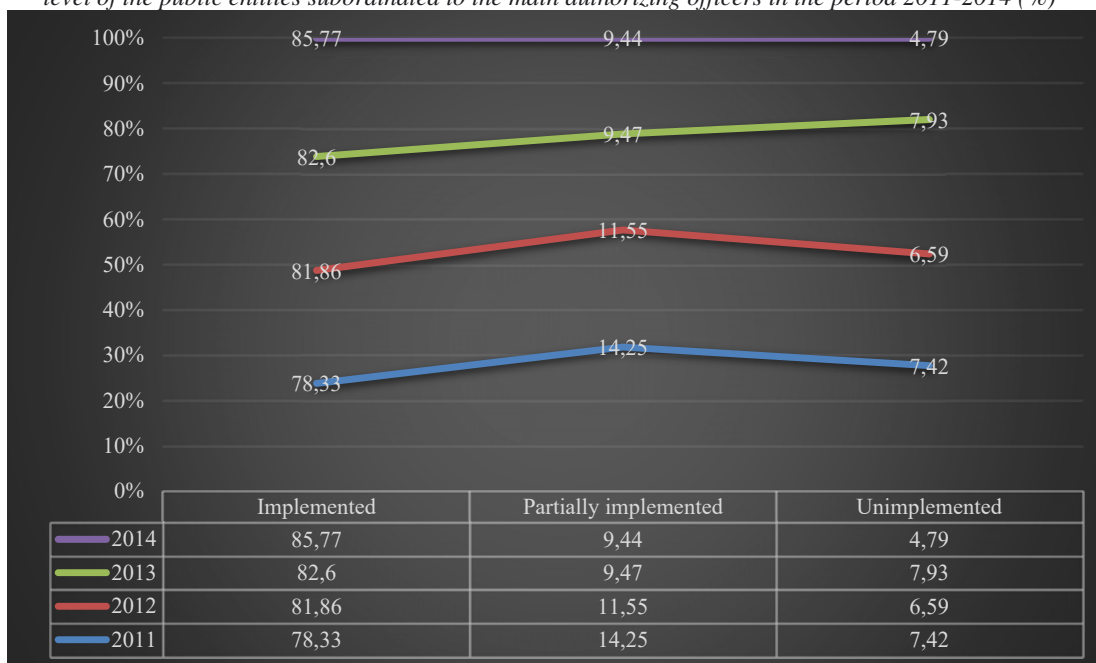


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Following the analysis of the Internal Control Evaluation Report from 2014, we identified that, at the level of the 54 main authorizing officers, approximately 24% of them implemented internal control according to the standards in force, approximately 76% of the institutions developed a partially compliant internal system, without any institutions that did not implement the internal managerial control system.

We noticed that in the period 2011-2014 there was an ascending degree of implementation of the internal control for all the categories of compliance with the standards, at the level of all the main credit authorizations in Romania. This evolution of the implementation of the internal managerial control system at the level of public institutions can be presented graphically in terms of percentage, as follows:

Figure no. 5: Degree of implementation of the internal managerial / managerial control standards, at the level of the public entities subordinated to the main authorizing officers in the period 2011-2014 (%)



Source: Authors' conception

All nine chief authorizing officers who in 2013 reported that they had implemented all 25 standards, namely: the Ministry of Public Finance; Ministry of National Defense; Ministry of Labor, Family, Social Protection and the Elderly; National Integrity Agency; Protection and Guard Service; Special Telecommunications Service; Office of the National Register of State Secret Information; AGERPRES National Press Agency; The National Health Insurance House kept them implemented in 2014.

Within the Ministry of National Defense, internal control is permanently implemented, and "The General Secretariat ensures the implementation, monitoring and evaluation, at the level of the Ministry of National Defense, of the provisions contained in public administration reform strategies and programs, developed on the basis of the Government Program. and the monitoring, coordination and methodological guidance of the implementation and / or development of the internal management control system."

The evaluation of the implementation of the control system is carried out by the Monitoring Commission of the ministry, which reports that the internal managerial control system has been implemented very correctly, ranking at the top of the public structures from this point of view. For this, implementation and action directions were provided for each standard, establishing a series of requirements. All directions and requirements have been published in the Official Gazette, thus ensuring the transparency of the entire process of implementing internal control at the level of the ministry and subordinate structures.

In the period 2011-2014, the Ministry of National Defense reported that both at the level of its own apparatus and at the level of subordinated public institutions, all 25 standards of internal managerial control were implemented.

We identified that after 2014, on the website of the Ministry of Public Finance, in the category "Public documents", no reports were published on the internal management control system implemented at the level of the main authorizing officers, which is why we could not perform study and other analysis after this year.

## 5. Conclusions

Maintaining and developing an effective system of financial control at the level of any public entity must ensure compliance with all applicable legislation and standards, by complying with their specific requirements. The coherence of the financial system is also verified through the efficient management of patrimonial resources, whose planning, regardless of the time horizon, is paramount. Only through their judicious use can correct decisions be made, based on elaborate studies, ensuring the fulfillment of the institution's objectives.

Considered an indispensable tool for the management of public entities, the control system must be flexible and constantly adapt to the specifics, objectives and roles of the entities, in order to fulfill the general goal at national level, of economic and efficient use of state resources. The formation of an organizational framework or environment in which an efficient flow of information is ensured, as well as the adaptation of the specifics of the activities with a set of clear procedures and effective risk management, allows at all hierarchical levels to maintain a balanced state to achieve performance, by permanently implementing the internal managerial control system.

We consider that the implementation and the rigorous performance of the control system in the financial-accounting field ensures the performance of the evaluation of the patrimonial situation of any public institution, reason for which this evaluation represents a real challenge, but also a major need to improve the organizational and management aspects characteristic of any entity significantly contributing to the progress and efficiency of financial activity.

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