

## Exercising Own Preventive Financial Control in Military Organizations

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### Abstract

*The aim of this paper is to present how it is organized and exercised the own preventive financial control (abbreviated OPFC) in a military organization. Military organizations are the public institutions with responsibilities in the defense of the country or in the field of ensuring and restoring public order, such as the Romanian Army or the Romanian Gendarmerie. In the military organizations, the OPFC is conducted by the head of the financial structure. The granting of the OPFC visa certifies the legality, regularity and inclusion in the approved budget of all operations carried out on behalf of public funds. Taking into account the consistent budgets of the Romanian military organizations and the fact that all operations that affect these budgets receive the OPFC visa, it is necessary to organize this control activity in conditions of performance.*

**Key words:** financial control; military; public finance; accounting

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

### 1. Introduction

The field of defense, public order and national security is a sensitive one and must be treated as such, in the sense that its underfunding could produce quite serious effects.

Therefore, the Parliament, the body that annually adopts the Romanian State Budget Law, must be cautious when analyzing the sizing of the budgets of military organizations, in this case the Ministry of Internal Affairs, the Ministry of National Defense, the Romanian Intelligence Service, the Foreign Information Service, the Protection and Guard Service and the Special Telecommunications Service.

Analyzing the level of public funds allocated to defense, public order and national security, we believe that the requirements of citizens are high and are expected to enjoy a considerable level of trust and security.

An important role in achieving performance is the managerial activity of control over activities. For this reason, we believe that the head of the financial-accounting structure, namely the chief accountant, has a great responsibility in terms of planning and organizing tasks in performance conditions, hence the importance of exercising the financial control.

By organizing and executing the OPFC in a military unit, the aim is to achieve good financial management of public resources in terms of legality, regularity, economy and efficiency.

The Government Ordinance no. 119/1999 represents the main legislation which sets the limits of OPFC. Also, the Order of the Minister of Public Finance no. 923/2014 regulates the process of granting the OPFC.

In the military units, OPFC is coordinated by the chief accountant, at the level of the structure that he commands.

## **2. Literature review**

Despite the focus on management control packages in private sector research, public sector research addressing the management control package is still rare (Van der Kolk, 2019). Managerial autonomy is defined as the extent to which the organization can decide independently of political and administrative principles regarding the choice and use of resources (Wynen et al., 2013). In the case of military units, managerial autonomy is reduced. Public service organizations are exposed to a growing range of risks, far beyond those associated with their financial performance (Vasileios and Favotto, 2021). Therefore, we consider that special attention should be paid to preventive financial control, in order to eliminate the risks related to the management of public resources. The notions of risk and uncertainty are connected by the estimated probability and the potential consequences of the occurrence of an event (Kominis et al., 2021). Risk detection has gained substantial attention in recent years from regulators, investors, academia and other stakeholders (Weber and Müßig, 2022). In the public sector, the question of how to balance the different types of control is the subject of considerable debate. The new public management promotes private sector-inspired management and believes in the added value of business-like management and control practices (Van der Kolk et al., 2018).

## **3. Research methodology**

Regarding the research methodology, we have analyzed the legislation in force referring to the exercise of the preventive financial control visa and we have described the operations necessary to obtain the visa from the military personnel in the financial structure.

Also, we have analyzed the accounting data presented in the report on the activity of preventive financial control, published online by the Ministry of Internal Affairs.

## **4. Findings**

The OPFC visa shall be granted by the chief accountant and, as a rule, by another subordinate military officer or non-commissioned officer, before the authorizing officer shall approve the operations. The chief accountant is obliged to organize the internal / managerial control over the financial-accounting activity.

The object of the OPFC activity is the documents and information regarding the projects of operations concerning the organization's legal and budgetary commitments.

It is forbidden for the persons that grant OPFC visa to initiate or be involved in the operations subject to the visa.

Granting the OPFC visa mostly consists in the systematic verification of the operations from the point of view of the observance of the applicable legal provisions (legality control), the fulfillment of the applicable procedural and methodological principles and rules (regularity control) and the inclusion in budgetary and commitment approved to the institution.

The OPFC is exercised over the documents in which operations affecting the public patrimony are recorded, before they become legal acts by their approval by the commander of the military unit. The OPFC is exercised on the basis of the documents and supporting documents certified regarding the reality, regularity and legality by the head of the issuing specialized department, who is responsible, within these parameters, even after obtaining the OPFC visa.

The commanders of the military units, having the quality of tertiary authorizing officer, administer and manage public funds and the state patrimony.

They shall draw up checklists for each operation, those checklists being a guide in exercising financial control by persons appointed by order.

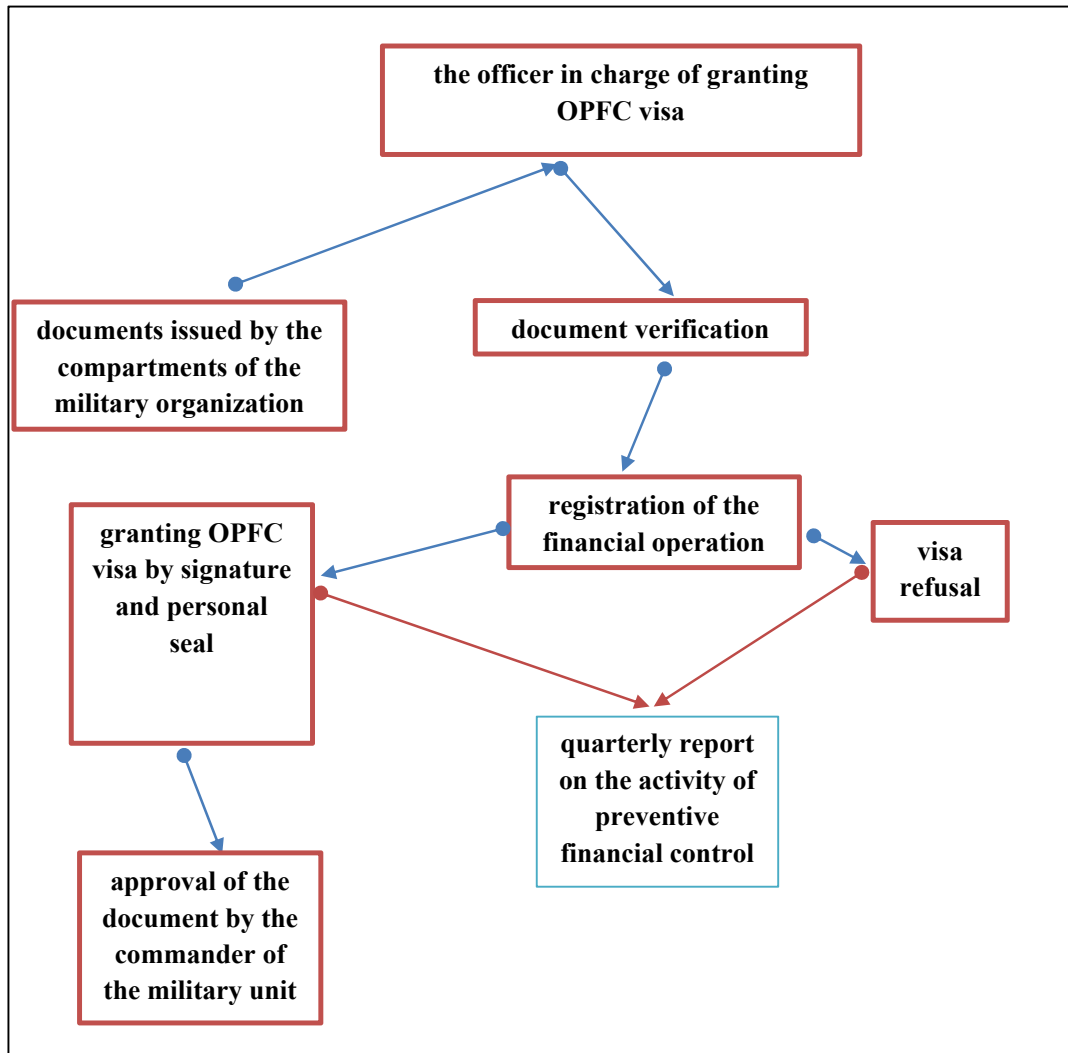
Draft transactions subject to OPFC shall be submitted to the chief accounting officer or his deputy for approval by the heads of the issuing departments who initiate the operation. These are accompanied by the opinions of the specialized departments, the opinion of the legal department and the substantiation notes.

The formal verification considers the completion of the documents, in accordance with their content, the existence of the signatures of the authorized persons within the specialized compartments (certification regarding the reality, regularity and legality of the operations).

The deadline for granting or refusing the preventive financial control visa is three working days from the presentation of the project of an operation.

The documents concerned, accompanied by the supporting documents, shall be returned, under signature, to the specialized departments that issued them, for the continuation of their circuit.

Figure no. 1. Process diagram regarding the granting of the OPFC visa in the military organizations



Source: own processing

The staff of the financial-accounting structure who exercise the OPFC are liable in relation to their fault in respect of the operations for which they granted the visa.

They can refuse to grant a visa in all cases where, following the verifications, they find that the operation subject to the OPFC does not meet the conditions imposed by law. The refusal of the OPFC visa is motivated in writing.

Except in the case of visa refusal operations due to exceeding the approved budget, the authorizing officer may order the operation that has been refused on preventive financial control visa to be carried out. In this case, the commander of the military unit is obliged to issue an internal decision setting out the reasons why he considers that the operation can be carried out.

The copies of this decision must be sent to the person who refused to grant the OPFC visa, as well as to the internal public audit structure of the Ministry of Internal Affairs or the Ministry of National Defense.

Following the receipt of the internal decision of the head of the entity regarding the performance of the operation without its endorsement for OPFC, the chief accountant or his subordinate designated to exercise OPFC must inform, as soon as possible, the economic-financial inspection bodies of the Ministry of Finance and the head of the hierarchically superior military unit. It is also mandatory to notify the Court of Auditors in this regard.

*Chart no. 1. The number of operations presented for the OPFC visa in the Ministry of Internal Affairs in 2019*



Source: own processing, using the data provided by the Ministry of Internal Affairs (<https://www.mai.gov.ro/bilanturi-contabile/>)

The information regarding the quarterly or annually report on the activity of preventive financial control published by the Ministry of Internal Affairs is available only for 31.12.2019, being the only organization to make this report public.

As can be seen from the graph presented, most of the operations that received the preventive financial control visa are those related to payment orders. Also, an important weight is represented by the legal commitments signed by the organization.

## 5. Conclusions

In this study we analyzed the process of granting the OPFC visa in the military structures, taking into account the legal provisions and the specialized literature.

Preventive financial control is a very important activity in the proper performance of the specific tasks of military organizations, given that all operations affecting public funds and public assets must be targeted for OPFC.

Therefore, military personnel exercising preventive financial control must demonstrate professionalism, competence and responsibility.

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