

AXIOMS AND INTERNAL CONTROL REQUIREMENTS MANAGEMENT IN THE PUBLIC INSTITUTIONS. APPLICATION MODE IN ROMANIA AND OTHER EUROPEAN COUNTRIES

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Abstract:

The goal of any institution is to have a management that would implement public policies, programs and projects aimed at fulfilling the mission of the institution and the objectives of the government, through the rational use of resources (often limited) and at the same time to satisfy stakeholders. Implement a system of internal control has emerged as a necessity from globalization and liberalization of financial markets, free movement of capital, information, people and goods through the application of internationally recognized standards and to be understood in a uniform manner.

The research was focused on the one hand, the literature review Romanian and foreign legislation and internal control management system, providing a theoretical and practical approach, but on the other hand, we considered appropriate to perform a research on the application of internal control management system in member states of the European Union.

Keywords: accountability, system of internal control objectives, mode of implementation, efficiency

Classification JEL: H11, H21

1. Introduction

The public sector must ensure integrity, transparency and accountability.

Requests for government transparency have increased due to the financial crisis and economic, and governmental integrity unit occupies the central role of good agenda global governance and the role of internal control in preventing corruption and ensuring transparency is recognized in international conventions against corruption.

Internal control management system is an integral and essential component management organization covering the entire activity, having a huge impact on credibility of the government and the operations they conduct.

The internal control system management is a commitment of Romania Chapter 28 "Financial control" negotiating with the European Union, the current chapter 32 [15]. Following negotiations conducted by Romania to the Union accession European enter into force in 2005, the Ministry of Finance Order no. 946 supplemented by Order no. 1649 of 17 February 2011 approving Control Code internal / managerial, implementation of internal control standards / managerial level public entities in Romania became mandatory. Order was repealed by the issuance by the General Secretariat of the Government order no. no. 400 of 12 June 2015 for approval of the Code of internal control / management of public entities, which he in turn amended and supplemented by the General Secretariat of Government Order no. 200 of April 12, 2016.

The existing legal framework presents internal control / management as representing all forms of control exercised at the level of the public entity on the use of public funds and property management public efficiency, effectiveness and economy and establishes responsibility of the head of the public entity to develop its own system of internal / managerial control through standards implementation internal / managerial control. To allow nations to understand and communicate the unitary nation's confidence level was necessary to develop internal control standards providing guidelines for the implementation of the internal control management system, which all public entities must follow. The standards define the minimum management rules that you must follow all public entities. They aim to create a reference model, uniform and consistent in relation to which assesses / evaluates internal control systems / management at the entity level public identify risk areas and future directions of action.

Therefore, internal control / management refers to all activities, programs and procedures, the entire patrimony to all members of an entity and at the same time acting permanent. The manager has the obligation to organize, improve and update its internal control / management. According the General Secretariat of the Government no. 400 of 12 June 2015 for approval of the Code of internal control / management of public entities (art. 4). Programs developed and updated, including administrative provisions amending the constitution and structures, will be sent to inform and harmonize, to the superior public entities, the time limits laid down by them, but no later than March 15 of each year.

2. The internal control / management and its application in various European countries. Comparisons and examples

There is no single model that could serve as reference for all, diversity organizations is as high as it can be diverse public entities: size, nature activities, objectives, legal framework, method of financing, environment, are all variables that will generate different organization. The essential principle is that the organization must be "adapted" every time these specific elements [16]. Adopting the internal control / management is the responsibility of each public entity management. Design and implementation of internal control management system of an organization is based on standards developed by the General Secretariat Government by Order no. 400 of 12/06/2015 amended, and completed by OSGG 200/2016 approving the Internal Control Code / management of public entities and are influenced by:

- mediul its organizational changes in that environment and risks that environment;
- its specific obiectivele;
- serviciile / products they provide;
- procesele they use;
- size and its organizational structure.

The four general objectives of internal control are: responsibility (reporting), compliance (laws and regulations), operations (systematic, an ethical, economical and effective) and protect resources [5]. Since 2005, implementation of internal control standards / managerial level public entities in Romania became binding with the entry into force of the Ministry of Public Finance Order no. Approving the Internal Control Code 946 / managerial, including internal control standards / managerial public entities and developing internal control systems / management were taken over the five elements of internal control (control environment, risk assessment, control activities, information and communication, monitoring) and were developed based on their number 25 standards of management / control applicable to public entities, but this was repealed in accordance with the SGG order no. 400 of 12 June 2015 for approval of the Code of internal control / management of public entities being promoted 16 standards, grouped in five key elements of internal control, as follows [5]: control environment, performance and risk management activities control, information and communication, evaluation and audit software [6].

The issue of control and supervision of the economy and especially of public funds is an issue which raises important concerns. You probably know the phrase attributed to Lenin: "Trust is good, control is better." I would say "Control is good, trust is still smooth, but with a gram of control".

Public internal control has always existed in all countries, and lately has been developed as a concept recognized and widely used, using elements of modern management system. Public internal control was modernized in the last 10-15 years across the EU. In some countries modernization began in the 80s, but more reforms were started in 2000 and the rise of reforms was triggered by waves of accession to the European Union in 2004 and 2007. The modernization process was initiated because it was in need of reform administrative (central devolution of powers), the need to manage risk and not least the need to reduce the budget deficit as a result of the financial crisis.

Next, we give a brief overview of the most important institutions that have responsibility for establishing, managing and implementing the internal control system management, then took a brief overview of how it is applied to internal control management system-wide public especially as it is designed in the Ministry of Education (where applicable) also tried to provide an overview on the most important laws, national policies and regulations on internal control management system.

Belgium

Denmark [7] is a constitutional monarchy organized as a parliamentary democracy, the monarch is the head of "symbolic" ala State and the Prime Minister is formally appointed by him in consultation with party leaders after the election or after the fall of the previous government. Parliament is the supreme legislative authority, elected every four years. Denmark itself is divided into five regions and these in total in 98 communes.

The Danish system is highly decentralized, the Ministry of Finance issues a broad framework rules and guidance on accounting and control procedures for ministries and agencies which are required after that to develop its own system according to its own characteristics. The control system developed by ministries / agencies be open to public scrutiny. There is no centralized system of monitoring or evaluation of control systems in ministries this is done through internal audit procedures developed within ministries / agencies concerned [8]. Denmark focus increasingly more on objectives and performance management to effectively fulfill its responsibilities and to implement performance targets. This is accomplished by providing and monitoring performance contracts with ministerial agencies, which has strengthened internal control and monitoring using [9].

The Danish state has not established the internal public control through a separate document or set of rules. However, based on existing regulations (eg order concerning public accounting) and the guidelines rewritable ("The responsibility for management - guidance on the management of the group to the institution"), there is a clear framework for the responsibilities allocated to state institutions to ensure checks appropriate internal management of the institution.

Danish public sector is divided into ministerial portfolios, each portfolio has a department with subordinate agencies and institutions, together representing a group of portfolios. Minister responsible for the final policy portfolio.

Objectives and performance requirements are set in a dialogue between the management of the institution and that department and the basic conditions ministerial portfolio management, legislation and applicable legal requirements.

The Danish state has no central coordinating units set up to harmonize the internal controls within the state or the functionality of the internal control systems and internal audits within the state. State institutions are obliged to set activity goals and monitor results through annual reports preparers [9].

United Kingdom

United Kingdom is a constitutional monarchy where the executive power is attributed to the Government (the "Government of His Majesty") .is one of the few countries that have no current Constitution. The Prime Minister is Head of Government and is responsible to the House of Commons, the lower house of Parliament. This system of government has been emulated in other parts of the world and is known as the Westminster model. Government ministers are chosen by agreement of the House of Commons, although some also come from the House of Lords. Ministers are vested with executive power and legislative. The Prime Minister is generally the head of the party with the most representatives in the House of Commons [10].

In 2004, the United Kingdom (UK), an updated framework for corporate governance that defined the principles that should underpin the governance of each local authority in five dimensions of its business, one of which is risk management and control internally. This framework provides that good governance means making decisions to meet you cause, transparent and risk management.

Risk management is important for the successful delivery of public services [11].

UK public internal control is carried out within a framework of governance and financial discipline developed specifically for central administration environment. Align with corporate governance requirements used in the private sector, but have been adapted to reflect the unique structures of responsibility in the government sector. In this respect, the duty to oversee public funds is fundamental [10] Bodies have as a main concern control systems are: Treasury, the National Audit Office (NAO) and the Public Accounts Committee (PAC). Treasury is the government department responsible for determining public spending as a whole; National Audit Office (NAO) is responsible for the external audit of public spending by the central government; and the Public Accounts Committee (PAC) is responsible, on behalf of Parliament for supervision of maintaining a proper control of public spending [8]. The Minister is responsible for government policy, but is not part of the executive of the organization responsible for the implementation and execution of policies. Usually, executive director with the greatest seniority in the organization is designated Accounting Officer and apart from supporting the minister is accountable to parliament separately and personal and public opinion feasibility business organization. Accountant clerk must establish an adequate system of internal control and solid, including a robust risk management framework. Guidelines from the center on the principles of good risk management are set centrally in treasury Orange Book [11].

Being at the helm of this organization must sign an annual declaration to the effect that this issue was reviewed, noting any significant weakness in internal control statement that is included in the Annual Report and Accounts [10]. Control activities vary by department and type of services provided, each organization will implement specific policies to control arrangements and their activities, including decision-making, monitoring results, the response to fraud, financial management, risk management arrangements etc.

3. Conclusions:

To see the consequences of not implementing SCIM, we must know first implementers under the legal provisions of GEO 119/1999 on internal control / management and preventive financial control, republished, with subsequent amendments and the General Secretariat of Government Order no. 400 of 12 June 2015 for approval of the Code of internal control / management of public entities, they are:

- The head of the organization / public entity;
- Members of the implementation of SCIM;
- Chairman of the SCIM implementation;
- The heads of departments parts of the organization / public entity;
- The remaining employees - through extrapolation.

At a time when the management and control of public finances became the subject of national and international research and analysis, we believe that this study is a source valuable information on the perception of the internal control system in the Member States of the EU and contribute to better governance and increased transparency of public institutions.

This study was developed based on the Compendium of the public internal control systems of the Member States of the European Union 2012/2014 by the European Commission, the national websites of the 28 EU Member States and also studies on internal control system. Internal control was introduced by the European Commission as a model for the management and control of public finances in the modern environment to support governments in their efforts to modernize and strengthen internal control systems in the public sector.

The internal control system covers all methods that help to achieve the objectives and contribute to the successful management of the organization and a set of activities that are continuously taken and built by employees as part of the processes that are performed daily.

The internal control system implemented by management and employees, in order to provide reasonable assurance regarding the achievement of the objectives that are related to reliability of financial reporting, compliance with legislation and the effectiveness and efficiency of operations within the organization. Aim of the internal control system development / management is the implementation and development of standards for management / control (included in the provisions OSGG no. 400/2015 approving the Internal Control Code / managerial public entities) in the apparatus of mayor formalized procedures and developing the activities in line with the specific institution (size, complexity, specificity of the institution). SCIM aimed at all levels of government and any activity in the entity (compulsory for all and there is no situation like: "We not applicable"). SCIM is a common toolkit for all (objectives, risks, procedures, ethics, internal audit, etc.).

The aim is that through the implementation of SCIM to provide reasonable assurance that the entity works as expected beneficiaries concerned and compliance with the law. Through SCIM:

- It provides a methodology for the exercise of management to ensure the success of location for each public entity (if understood and applied under the provisions);

- Implementation and operation of SCIM is a "reasonable assurance" that the entity "going well".

Costs of applying measures to implement the SCIM inferior to the benefits from it (ie to avoid excessive bureaucracy and without finality standards, eg undue complication; establishment of commissions shape, completion of formal documentation etc. ; it is also recommended to avoid amount by sacrificing quality / functionality, for example, but not many goals procedures or application / use of defined).

SCIM order should be governed by the rules contained in the minimum management standards SCIM (to comply with the principles and requirements of the standard text and spirit). According O.S.G.G. no. 400/2015 approving the Internal Control Code / managerial public entities, has a layered approach, based on 16 standards. Therefore, internal control standards / managerial define the minimum management rules that all public entities must follow. The purpose of standards is to create a model of internal / managerial control uniform and consistent to constitute a reference system relative to assessing any SCIM to identify the areas and directions of change.

Internal control systems / management should be developed taking into account the specific legal, organizational, personnel, funding etc. of each public entity basis. Internal control / management is the responsibility of the leaders, who are required: define it, project it, implement it and perfect it continuously.

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