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## Organizing Inspections Regarding Managerial Internal Control and Preventive Financial Control

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### Abstract

The control environment is the foundation of the whole system of internal control. It constitutes the basis of all other components of internal control. He sets the tone of the organization.

It provides discipline and climate that influence the overall quality of internal control. The control environment forms the basis for creating a vision and response to risks and controls from the staff of an organization. This paper presents the control environment that influence the way of establishing the strategy and objectives and how to structure control activities. The essence of any business is the people behind it - their individual tasks, including integrity, ethical values and competence - and the environment in which they work.

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### 1. Introduction

Management and control refers to the ability of individuals to understand and perform their duties. Management's responsibility for activities lies in better use of the skills.

An effective control environment is essential to allow other financial accounting management components, for example, risk management and control activities to function properly. Establishing a sustainable control environment requires management to a procedure of setting objectives and the objectives chosen to support and be consistent with

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the mission of the entity. Objectives must exist before management to identify potential risks that could affect their achievement.

Following the objectives and risk assessment of the entity's control environment can change. For example, the strategy can be adjusted to the opportunities that arose during the risk assessment or otherwise. Legislative changes and other external conditions, such as new information technologies, are other examples of changing control environment.

At the start of system implementation in accordance with national standards of financial accounting management control in the public sector, a well-conducted evaluation of existing control environment is essential. This assessment should focus on issues that have a real impact on the establishment and achievement of the objectives of the institution and where risks may appear essential - components of the control environment.

## 2. Accounting Management

Accounting management focuses on managerial control to internal control.

Managerial control is the organization's policies and procedures used to ensure that:

- a. Programs achieve their intended results;
- b. Resources used for the programs are consistent with the goals and objectives entity;
- c. Programs are protected against fraud and mismanagement;
- d. Information is obtained in time, maintained, reported and used for decision making.

Responsibility to establish and monitor the management of the management control system is of the trader. Management information systems form a key element of management control.

Essential in information systems is the accounting system represented by the set of procedures and documents of the entity, which enables transaction processing as means of keeping financial records. Such a system allows identifying, collecting, analyzing, calculating, classifying, recording, summarizing and reporting transactions and other events.

Technical and operational records and accounting is a means of continuous control over financial and economic activity, a necessary condition for ensuring the integrity of heritage and efficient expenditure of material and financial means.

The most important issue of keeping the technical -operative management and accounting documents is perfecting the economic and financial operations, as incurred.

Accounts, records and financial statements are a basic element of order and fiscal discipline as they make it possible to know the financial situation of economic management.

Double entry of accounting records ensures accuracy immediate measures to rehabilitate the script errors. To summarize legal real economic and financial activity, it is necessary that the tracking of system to be accurate correct and complete.

With regard to technical and operational records and accounts, management includes:

- Organizing and keeping technical - operational storage in places and kinds of material resources , highlighting accurate, and timely means and economic and financial transactions must be recorded in documents;
- Proper application of the doctrine and methodology of accounting;
- Organizing and bookkeeping, synthetic and analytical to ensure coverage in cash heritage and exercise permanent control of the existence and movement of property values;
- Providing technical and operational correlations between records, accounting and statistics of synthetic and analytical accounts of the data in this reality and financial statements;
- Accurate and up to date management accounting;
- Establishing and evaluating capital and assets;
- Ensuring accuracy and reality records to establish financial and tax obligations to the State;
- Inventory of heritage and exploitation its results;
- Preparation, approval and audit of financial statements, (Burtea, E., Hurloiu, L.R., 2013).

Increasing the role of accounting in the process of consolidation and control over financial and economic activity requires continuous improvement of its regulations, the use of modern means of calculating and recording, and organizing its rational, scientifically.

Evidence is essential in the management of economic and social activity based on income criteria, involving economic and financial order and discipline. Rational management and provides clear evidence of economic discipline, contractual, and financial reporting. To obtain a true picture of economic and financial activity is necessary that the information contained in the financial statements to be true, legal, accurate and quality.

### 3. Arrangements

In the entity must exist or must be created conditions for a functional organization of a financial accounting management system. These conditions relate to raising awareness and training.

#### 3.1. Raising awareness

Awareness of the importance of financial accounting management needs to be strengthened in all entities, especially, it is important for managers. Round tables, conferences, communication are tools for raising awareness. These activities must be supported by the Central Harmonization Unit of the Ministry of Finance.

#### 3.2. Training

Training on the implementation of financial accounting management could include the following:

- The concept and principles of financial accounting management,
- The role and responsibilities of persons involved in financial accounting management,
- Setting objectives (strategic and operational) and performance indicators (results),
- Risk Management and organization of control,
- Documentation of processes,
- The benefits and role of internal audit.

The training should be based on an analysis of training needs to be appropriate and coordinated plans and programs developed by the Ministry of Finance.

### 4. Organizing financial accounting management

The organizing and operation of the financial accounting management in an entity is that of being adjusted according to their specific needs and circumstances. However, the following two stages are identified:

#### 4.1. Preparation phase

Financial accounting management organization starts with the following training activities:

- Appointment of a Coordinator of financial accounting management;
- Establishment of a working group, led by financial accounting management coordinator responsible for organizing and initial implementation of financial accounting management;
- Development by the Working Group, an Action Plan for the implementation of financial accounting management.

#### 4.2. The implementation phase

Having made the conditions of organization and preparation steps, the organization of financial accounting management continues with the following activities:

- Assessing the current system and identify gaps financial accounting management;
- Establishing the mission, strategic objectives and operational;
- Implementation of risk management;
- Evaluation of the control;
- Basic process documentation;
- Establish a system of information, communication and internal documentation.

These activities should not be viewed separately, but as interconnected activities. It is essential that all be part of the Action Plan, some of these may already exist within the entity and to have proper functionality. These issues / factors have to be considered by the Working Group during the preparation of the Action Plan for implementation of financial accounting management, (Burtea, E., Hurloiu, L.R., 2013).

## **5. Detailed Financial Accounting Management Organization**

### *5.1. Stages of training*

#### Appointment of a Coordinator of financial accounting management

Financial accounting management coordinator is responsible for organizing, coordinating, support, monitoring and reporting activities financial accounting management initial implementation within the entity, thus accomplishing management activities of the Working Group for the implementation of financial accounting management.

As Coordinator of the financial accounting management is advisable to designate one of the operational managers or deputy manager entity that knows the activities, processes, employees and the entity's objectives.

#### Establishment of a working group to implement financial accounting management

The working group is responsible initially for the development of the Action Plan subsequently ensuring its realization. Some of his additional duties as assistance or training in the execution of the action plan activities by other employees of the entity, (Boulescu, M., 2006).

It is beneficial that the working group members, preferably - operational managers to be experts with knowledge and experience in the entity also have decision-making authority in regard to the working group, as well as specific areas responsibility they hold.

The working group should include representatives of both business processes (industry-specific entity), and support (human resources, economics and finance, strategic development, information technology etc.).

To achieve operational management commitment and involvement in achieving the Action Plan, it is extremely important that the Working Group to include representatives of the management level.

The composition of the Working Group may also include an internal auditor (if the entity has IAU) as a member of a support, guidance and advice.

#### A development of the action plan

This is one of the most important stages as the basis for the following steps.

Financial accounting management coordinator, in consultation with the Working Group is responsible for developing the Action Plan for implementation of financial accounting management.

The action plan will stipulate (in text form paragraphs) the need to implement financial accounting management, objectives, scope, objects (processes and activities), authority and responsibilities and not least, the necessary organizational changes. Also, the Action Plan will provide guidance on the resources (budget, human resources, training, and information technology) and the time required.

The action plan must include (in tabular form) all the activities necessary for improving the financial accounting management, deadlines for their implementation, responsible for implementation of activities, results indicators and preconditions for implementation.

Activities should cover eventually all the areas listed in the implementation phase.

### *5.2. Implementation Stages*

An assessment of the current system and identify gaps in financial accounting management -establish a mission, strategic objectives and operational

#### Implementing a risk management

Manager entity and operational managers must identify, assess, record and monitor systematic risks that may affect achievement of planned objectives and to develop measures to reduce the probability and/or impact of risks.

Since internal and external circumstances are constantly changing, the process of risk management must be a continuous or repeated, so risk management is a pillar of financial accounting management system that must evolve and address changing risks.

An evaluation of the control activities

Control activities are the policies and procedures that help to ensure that risks are managed properly and timely, and the entity's objectives are achieved. Control activities are the ex-ante and ex-post current, and feature for preventing, detecting and correcting.

Basic process documentation

Basic Process mapping requires that operational managers must identify and develop narrative or graphic descriptions of the processes that are responsible. To facilitate the identification and description of the processes is required to use the methodological guide for identification and description of processes, which is part of this manual.

Making a system of information, communication and internal documentation

Establishing a system of information and communication (internal reporting) is vital for financial accounting management development within the entity. The internal reference is required for monitoring progress achieved and is part of the evaluation of financial accounting management.

The documentation must be organized to areas like risk management, revision control activities, identification and description of processes, evaluation and monitoring of financial accounting management system.

The type, amount and method documentation is determined by each entity according to their needs. Documentation should be sufficiently detailed to allow review, monitoring and reporting effective implementation of financial accounting management system.

Economic and financial inspection bodies have the following attributions:

- a. Check the financial effect on public funds and/or public property on the applicable legal provisions in force at the time, as well as the principles and procedural and methodological rules, whenever there are indications of deviations legality or regularity in their performance;
- b. Check operations on their own responsibility without a visa officer preventive financial control, in all cases where there is a referral from the economic chief accountant/manager or, where appropriate, the person designated to exercise preventive financial control;
- c. Trigger inspections if they are perceived by the head of the internal audit of an institution that Finance Minister has appointed one or more controllers delegates in connection with performing within its operations were considered illegal and visa the delegated financial control, a situation resulting from the completion of an internal audit assignments;
- d. Have measures to protect public funds and public property and/or product damage, as appropriate, if the finding of misconduct;
- e. Set out the obligations provided by law, within the statutory period of limitation on the persons responsible;
- f. Establish contraventions and penalties provided by law.

In performing their duties, the economic and financial inspection bodies entitled:

- a. Unrestricted access to the books, records, documents, other documents and request certified copies of these required inspection;
- b. Seek information and explanations, verbal and / or written about the inspection economic-financial public institution staff;
- c. To notify the criminal investigation where certain facts which might meet the elements of a crime as provided in the penal law.

At the request of the economic and financial inspection, staff controlled institutions has by law, the following obligations:

- a. To provide information and explanations verbal and / or written, as appropriate, in relation to the inspection;
- b. Comply with the taken deadlines and measures.

## 6. Conclusions

For management and administration, control mechanisms are means of guiding or self-restraint to prevent, as a pilot controls the aircraft. A control means to verify and analyze to have a picture of the accounts.

Accounting control procedures and documentation are oriented towards heritage protection, management and compliance recording of financial transactions and financial documents.

Procedures and documentation are often based on national and international standards, to ensure uniformity of accounting practices.

In their work, managers are assisted by a pool of information consisting of documents, records and financial statements. Management information systems for financial accounting are meant to ensure better management of resources. Also, these systems can help assess program performance, planning activities and monitoring progress according targets.

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