Specific Elements of the Public Internal Control in Countries of the European Union

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The concern for greater efficiency in the public sector has determined the application in countries of the European Union of the public internal control systems, stemm from the desire of management of national funds in economic conditions. This paper addresses such issues relating to highlighting elements reflecting the importance of the control function in the management process; and identifying the characteristics of the elements constituting the control systems in countries belonging to the European Union, which were grouped into two categories depending on the date of accession to the union, using public internal control related data provided by the European Commission. Particular attention is given to highlight the characteristics of the control system applied in Romania compared to other states. Research has revealed a greater number of similarities in the characteristics of the control systems of internal public in countries that joined the Union after 1990, compared with those who became members before this year, concerning the financing of the sector public, the accounting system applied, the coordination of such a system, who bears responsibility for financial management, or the limits of managerial responsibility.

Keywords: control-evaluation as a function of management, characteristics of the public internal control, management of public resources

Introduction

It is known today that management is one of the factors contributes to the performance of an organization. The management realized as a result of conducting the characteristic functions could not be considered complete if during the course of activities, but also at the end of the process, there would perform no reviews of the activities conducted and the results thus obtained, verifying if they correspond to the proposed standards and aspects which characterize the function of control-evaluation. The need to use the financial resources of the public sector in terms of economy led to the development of real control systems over time. Therefore, this paper aims to outline in the first part the role of control within the management process, following which, the second half presents specific elements of the internal public control systems in Romania and in other member countries of the European Union. The paper concludes with the presentation of research findings.

Control and Assessment in Management

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As it is well known today, organizations are formed and operated in order to achieve goals. But in order to achieve the objectives, members of the organizations are performing work processes, whose order is influenced by the person(s) with authority, respectively, which are in the position of manager and whose priority role is to work towards harmonizing the actions of the group they lead. Thus, in the process of management, managers inevitably resort to what constitutes the foundation of this process, namely, management functions are represented by: provision, organization, coordination, training, and control-assessment (Burduş, 2007).

Given the development of management as a science, today, it is widely accepted that at a company level, for example, the efficiency and effectiveness of the activities that it carries out, are directly influenced by the efficiency and effectiveness of the management process that is the result of the management functions (Verboncu & Zalman, 2005).

Each function of management, however, has its peculiarities. Accordingly, the prediction function involves the use of elements such as prognosis, labor plan, or program to achieve the objectives of an organization. The organizing function identifies with ensuring complementarity between the organizational structure and objectives to be met. The third function, coordination (guidance) is the structure that maintains harmony of the organizational system and stimulates the convergence of efforts towards achieving the objectives, while the driving function requires mobilizing staff towards achieving the planned activities. The management process ends with control-evaluation, which consists of a permanent verification of how the system fulfills its tasks, process is doubled by the employment of remedial action in case of violations, so the final result is the one which is expected (Neagu & Udrescu, 2008).

From another perspective (Iacob & Cismaru, 2010), the functions of organization management are diagnosis, prognosis, decision, organization, motivation, and control. Therefore, diagnosis involves identifying as accurately as possible the problems facing an organization, process followed by the issuance of solutions for a certain period of time, and aspects that define the notion of prognosis. But the choice of the optimal solution is the prerogative of the management of an organization and is reflected in the issue of the decision, and the way in which the components of an organization and resources are used for the purpose to define the organizational function. So that the organization's objectives are to meet effectively or for the activity of the staff involved to reach a certain level of performance, it is necessary for the work processes to be organized by the management so as to determine the motivation of staff. To ensure the fulfillment of objectives, it is the management's task to carry out control activities, both during the work process and at the end of it.

Compared to public administration, the prediction function for public management according to Nicola (2010) means the parcourse of certain stages, starts with determining the organization's mission; continuing with defining objectives, and defining the strategies to be applied to achieve the desired results. The organizing function is the foundation of establishing the structural components of the organization and classifying work processes into responsibilities, tasks, and activities. Instead, the coordination function represents harmonization of decisions and actions within an organization in order to achieve objectives. The driving function of management represents the way in which the manager succeeds in mobilizing employees to achieve the objectives of the organization, while in the public sector, the manager is obliged to respect the legislation concerning payment and reward. In the exercise of the last management function, the control, public management is characterized by a plurality of requirements represented by constant progress; preventive nature that can counter deviations from the norm; and corrective in case of misconduct by appropriate measures; but not lacking any coercive measures, sanctions for improper fulfillment of official duties by officials.

An important role in achieving the goals of an organization and therefore the success fulfilled by the rational use of resources, is time and money, or expertise that managers have in order to analyze available information (Boyne, Gould-Williams, Law, & Walker, 2004).

Implementation of assessment in the public sector arose from the need to increase its efficiency as a result of the trend manifested in reducing costs and improving quality of these services (Larsen, 2007).

Control knows various approaches (Frey, Homberg, & Osterloh, 2013), including the so-called control inputs, which refers to determining the ability of those enter an organization to adhere to professional standards in the public domain and to identify with the values of the public organization.

The control of the public organization is different from country to country (Băcanu, 2008), being influenced by the political system, noting in the member states of the EU, a trend of organizing controls around common principles. Therefore, control is directed to reduce errors; perform activities under conditions of low cost; or even structure complexity reduction under increased tasks assigned. Over the evolution of this concept of control, there developed a series of methods and techniques of control, generically called control instrumentation. Budget is considered as such a control instrument, because financial resources are the foundation for the activities that lead to the achievement of public organizations.

Viewed from the systemic perspective, the management system, consisting of four subsystems (methodological, organizational, informational, and decisional), does its job, namely, it drives an organization towards the goal making use of the process of management, represented by all management functions. But for amplifying the performance of the management system, one can regularly conduct its investigation by applying an internal audit process (Zecheru, 2014). In the public sector, internal audit exercise involves the analysis of the quality of the management system and communication of the result to the decision-makers. Thus, the internal audit has as characteristics, in addition to expertise and advice, a third component represented by the evaluation, meaning to appreciate the performance of the audited entity. Conclusions drawn from the audited evaluation system are recorded in so-called audit reports, in which there are also listed recommendations for improvement of the situation of the system.

Control organized as control systems of management, also experienced quite varied conceptualizations, aspect tackled by Guenther (2013) who brings to the foreground several approaches to this, including informational support approach, situation in which the main role is played information that is in fact the foundation of decision making; and rationality approach, a situation which involves using minimum resources to achieve the objectives, or their fulfillment using the available means.

According to Strauß (2013) and Zecher (2014), on the conceptualization of management control systems, they concluded that significant differences target in particular the range of activities covered by such a system. From this point of view, the control system of management may also mean budgeting control and reporting achievement from the plan.

Management control system can also be approached from the perspective of creating public value (Spano, 2009), namely, that public organizations value is given by how they meet the needs of citizens and/or of a community, and the strategies they choose to meet the needs which are considered as a priority. But for public organizations to ensure that public services, they make it available to citizens to have the expected public value, it is necessary for them to implement control systems, which thus constitutes the guarantee of fulfilling organizational goals.

Research Methods

The research analyzed the information provided by the Comisia Europeană (2014) on the system of public control applicable in the Member States in order to identify specific elements and their comparative analysis, as well as an analysis of how the accession to the European Union influenced the organization of these systems. Setting the particularities of control envisaged the group of countries which joined the European Union before 1990, consisting of Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and UK; but also states that joined the EU after this year, namely, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Sweden, Austria, and Romania.

Specific Elements of the Public Internal Control in Romania and in Other European Union Countries

Public administration reform in the European Union countries, driven by implementation especially in the nineties of new public management principles, was followed in the early 2000s by a process of reform of the public internal control systems. This stems from the desire to ensure the provision of public services in terms of effectiveness, efficiency, and economy. In Romania, the transition to a market economy in the 1990s resulted in the transfer of principles of private management in public management to improve performance of the latter, under the proper use of public funds. Moreover, this concern materialized in the development of regulations, which was based on general principles of good practice, which was included in the *acquis communautaire* and according to which the public internal control is a function of management. That means that with the implementation of the public internal control, responsibility for achieving the objectives of public organizations rests with the management.

Following the analysis, it can be said about public internal control in Romania, that it is characterized by the following specific elements: the general consolidated budget, annual and set by law; principles of the accounting system are also established by law, practicing accounting based on commitments; control of use of public funds through an external audit conducted by the Court of Accounts; clearly specifying managerial responsibility in the organization of internal control and management of public funds; implementation of internal control/management as a condition of rational use of public funds; analysis of the systems of management and internal control by conducting internal audits by qualified and certified staff, the result of audit is written in reports that are given to the leader of the audited entity, and annual general reports are submitted to the Government by the Central Unit in field; the relationship between external audit and public internal audit is one of cooperations; existence of audit committees in an advisory capacity; coordinating and developing internal control systems management within public entities is provided by the Secretariat General of the Government through a specialized department; and accountability in financial management rests with the Ministry of Public Finance.

Also, in order to ensure an efficient administration, particularly of national funds used in the public sector, but also to reduce the expansion of budget deficits, the Member States have developed systems to control this aspect, known as internal public control systems. Therefore, using the good practice principles of the Community *acquis*, Member States have designed control systems, enabling the identification of deviations from the results, followed later by application of remedies, and finally the goals set can be met. Compared to

this, the followings are the relevant elements of these systems in countries belonging to the European Union, namely, the group of countries that have a long tradition on the path of democracy and whose process of joining the union was produced in most cases before 1990, and the group of countries with young democracies whose accession took place after this year.

Analyzing the characteristics of the public internal control systems of the countries whose accession to the European Union occurred before 1990, there can observe the following specific elements: setting financial resources within the state budget in relation to the objectives set; allocation of financial budgetary resources in ministerial missions per programs that make up the state policy; distribution of budget funds for the period corresponding to the calendar year; accounting based on commitments or payments from the public system through accounts opened with a state bank; managers being responsible for performance institutions, program implementation, or shared responsibility between managers at different levels or between managers of specially designated bodies; internal audits by auditors grouped into institutional services, or services that can audit several institutions; specific requirements of qualification and certification for internal auditors improving their professional skills through training and exchanging of experience and existence of codes of ethics for the profession; external audits by structures organized differently depending on the country; a cooperative relationship between the two types of internal and external audit; the existence of structures for coordination of public internal control as a central structure, or the result of collaboration between organizations designated by legal rules; the existence of an advisory organ to the audit, audit boards or committees, or lack thereof, depending on the country; and verification of the management of financial resources, either by structures within certain ministries related to finance and economics, either by setting document by which the annual supplement information is provided regarding the management of public funds.

About the countries that joined the EU after 1990, it can be concluded that public internal control systems are characterized by budgeting in line with government programs or policies and goals of public entities and budget orientation towards performance; responsibility cantonment of management of public funds, either at the level of central state bodies, or to management of public organizations; accounting system oriented towards commitments and carrying cash flow of the state, through the Treasury; management responsibility/liability, involved responsibility of lower levels of administration before the superior levels, responsibility for the efficient use of public resources and organization control systems; external audit, conducted by an institution generally regarded as the supreme audit institution of the state; internal audit at public entities organized or outsourced part or all, conducted by auditors who are subject to forms of continuing professional education, and certification; the existence of internal audit advisory bodies, Audit Councils; development of risk management, with the inclusion of actions to support the fight against corruption; public internal control system development is the responsibility of the top management of public entities and coordination of public internal control is usually centralized and provided by the Ministry of Finance, through departments; and financial inspection is provided either by central agencies that specialize in this area, even by the bodies performing external audit.

Conclusions

Therefore, regarding the management functions, it can be concluded that the processes which are circumscribed to management functions are ubiquitous in organizations. Are present so: the prediction function, namely, the establishment of the organization's mission and its objectives, which are used for carrying out such work strategies or plans; the organizing function, with everything that means choosing structural components

that allow the attainment of the objectives by performing tasks; the coordination function which brings together the decisions and actions necessary for accomplishment of objectives; the drive function, namely, the mobilization of staff for the planned activities; and the control function, which consists of checks carried out during the development process in order to identify deviations that require corrective measures.

As for the control function, it can be concluded that the effectiveness of the actions performed during the process of management, inevitably involves the verification of the way in which the results obtained are consistent with the expected ones, issues that justify the existence of the control and evaluation function. Control can target the meeting of organizational goals or customer satisfaction when it comes to services provided by an organization. The instrumentation used for the evaluation can take a variety of forms, including control of financial resources embodied in the budget. With regard to the management system, the control may be applied to the subsystems and components of the audit work.

As regards, public internal control implemented at government level, out of the desire to ensure the provision of public services in terms of effectiveness, efficiency, and economy; relevant elements characterize this control, as it is applied in Romania, but also in other countries of the European Union, they are states with a long tradition on the path of democracy and whose process of joining the union was held in most cases before 1990, or countries whose accession took place after this year, which are presented in Table 1.

Table 1

Specific Elements of the Public Internal Control

Countries that joined the European Union before 1990	Romania	Countries that joined the EU after 1990
Establishing financial resources within the state budget relative to the objectives	Program-based budgeting approach	Preparation of the budget in line with government programs
Accounting based on commitments.	Accounting based on commitments	The accounting system oriented towards commitments
Managers responsibility for the performance of institutions	Managerial responsibility for organization of the internal control system	Managerial responsibility for the efficient use of public resources
External audit performed by structures organized differently depending on the country	External audit by the Court of Auditors	External audit by the supreme audit institution
Internal audit performed by qualified and certified staff	Internal audit performed by qualified and certified staff	Internal audit performed by qualified and certified staff
The existence of structures for coordination of public internal control	The existence of central structures of public internal control coordination	Coordination of public internal control is generally centralized
Controlling the management of financial resources by structures of ministries, or the establishment of documents evidencing this	Financial management responsibility lies with the Ministry of Public Finance	Financial inspection is provided by specialized central bodies, or external audit

In conclusion, it can be said that each state has its own structure of the public internal control system in line with its administrative organization. It is worth mentioning that states whose start on the path of democracy took as its starting point in the early 1990s have systems characterized by a greater number of similarities due to the fact that they started to organize such systems since those years, at the same time, with their bid to join the European Union. Concerning the other Member States of the European Union, in which many of them concern and even reform processes of internal control long before the 1990s, it appears that these systems have even specificities of the country, due to older concerns in the field.

However, there noted the concern in the European Union Member States for performance-oriented budget planning and resource allocation for targets; implementation of internal control systems to ensure sound financial management of public resources; clearly specifying the accountability of managers regarding the organization of the control systems; conducting audit work to analyze the effectiveness of internal control and compliance in the use of public funds; and not least, ensuring a proper professional training of auditors.

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