

Improving the Financial Control – A Priority of Corporate Management Nowadays

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Abstract. *The control serves for dynamic, preventive and real-time delivery of information and increases the quality of decisions. It reaches the essence of the phenomena, notices the negative aspects when they appear as tendency and intervenes operatively for preventing and canceling the causes. The control evaluates the results in comparison with the established norms and objectives, but it also contributes to preventing tendencies and phenomena that need corrective decisions. The control represents a form of improving the manner in which the patrimony is administrated, a form of organizing and conducting the activity of patrimonial units.*

Key words: financial control; the methodology of financial control; the control system; control techniques.

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1. The methodological system of financial control

a) The elements of the control system

No matter the level at which the set objectives are carried out, the control is composed of three different moments that are connected to each other. These moments are (Figure 1):

- the comparison between the records and the real situation;
- the analysis and the evaluation of the results and the deviations;
- usage the findings.

The inputs in the control system consist in the data and information necessary for the two terms of comparison (the ideal situation and the real situation).

The ideal situation is established based on the regulations and restrictions of the legislative system, on the decisions made at different levels of management, on programs of activity, on income budgets, and on the recorded stocks reflected in the accounting (Oprean, 2002).

Depending on the way the control approaches the ideal situation, the conformity controls are different from the pilot control and the adaptive controls.

The real situation is established based on the observations made at the firm, on the inventories of control, on the documents' check, on laboratory analyses, on examinations and on the explanations given by the controlled ones.

The essential moment of the control process is the comparison. Any operation or economic-financial activity is being investigated in connection with a criterion, with a comparison basis. The comparison criteria determine the nature of the control:

- the comparison in connection to a pre-established criterion (norm, goals, forecasts, tasks, standards, etc.);
- special comparisons (between alternative efficiency levels of organization measures or organization solutions with the purpose of choosing the best);
- space comparisons (for instance between certain public services);
- time comparisons (between the programmed or actual activity in the controlled period and the previous period).

The control comparison has typical aspects, depending on the nature of the economic-financial activities and obligations that are being controlled, depending on the calculation methodology and on the record system. The compared operations or activities must be homogeneous, calculated and expressed by using a uniform methodology.

Based on the results of the comparison, the next steps consist in analyzing and evaluating the results or the deviations, defining the influence factors and the causes, and establishing the consequences and the responsibilities.

Turning to good account the findings represents the final stage of the control process. Depending on the conclusions reached in the previous control stages, within this stage are completed and implemented measures that should lead to influencing the controlled activities.

The outputs of the control system consist in operative measures that were adopted during the control in order to correct the situation, to improve the activity, and to punish the guilty persons; compulsory orders given to the controlled ones; reports to the management organs that ordered the control; proposals for improving the substantiation of the management decisions.

b) The methodological system of financial control

The control establishes if the economic and financial activity is being organized and carried out according to the established norms, principles or rules. In order to know and improve the economic-financial activity a methodological system is needed that contributes to the reflecting of reality, legality and efficiency.

From a methodological point of view, the control is a knowledge process that needs several moments: knowing the established situation, knowing the real situation, knowing the deviations by comparing the real situation with the established one, conclusions, proposals and measures (Crăciun, 2002).

Being a process structured on the basis of the enumerated moments, the control methodology needs (Figure 1):

- formulating the control's objectives;
- defining the objectives depending on the forms of financial control (preventive, operative, subsequent control);
- the organs or the areas that are legally competent to carry out the control upon the established objectives;
- the information sources needed for control (primary documents, technical-operative records, and accounting records);
- using the control proceedings and techniques that contribute to knowing the controlled activity;
- establishing deficiencies, shortcomings and deviations;
- drawing out the control acts where are registered the findings;
- the modalities of finalization and capitalization of the control activity;
- establishing how efficient was the control in preventing and solving the deficiencies and shortcomings and in improving the controlled activity.

As a system, the control methodology is a combination of the proceedings and methods, of the principles and means that enable the activity of control.

One uses in a differentiated manner, depending on the nature of the control activity, on the forms of financial control, on the information sources needed for the control, on the nature of the existent deviations – elements which build a system of methodological instruments.

The control methodology uses its own ways and modalities of research, as well as methodological instruments of other scientific disciplines (mathematics, accounting, law, management, finance, computer science, etc.)

The main component of the control methodology is the totality of research, knowledge and improvement methods applied to the economic-financial activity: the general study carried out beforehand upon the activity to be controlled; the control of the accounting records; the control of the facts; the economic-financial analysis; the total control and the random control; capitalization of the findings.

2. The financial control method

The object of any financial-accounting control is the research of economic operations or processes in order to establish the evolution, the stage or their correctness in connection with the program, the set objectives, and the legal norms that regulates them.

From a theoretical point of view, but especially from a practical point of view, the financial control method represents the way of research and action within a system

of mutual conditioning of all methods, techniques, control instruments, in order to prevent, establish and remove possible shortcomings, deviations or deficiencies found in carrying out the economic-financial and the accounting activities. Therefore, *the method* represents the logical system that needs a scientific way of research and activity, a methodological system that serves for reflecting the reality, the legality and the efficiency of the controlled activities (Munteanu, 2003).

The quality of the control activity and its results depend to a large extent on the methods, techniques and instruments used.

In order to reach the objective of the control, one uses different techniques and methods for verifying the controlled activity, that differ and have a typical content, adapted to the actual circumstances, depending on the nature of the controlled activity, the forms of financial control, the sources of information for the control, the possibilities of improving the controlled activity.

The financial control is a practical activity. The suitable choice of the control criteria, of the control techniques and methods contributes decisively to achieving the set objective. There are several specific control methods (Figure 1) that appeared due to practical requirements of control and that aim at the increase of the control's efficiency.

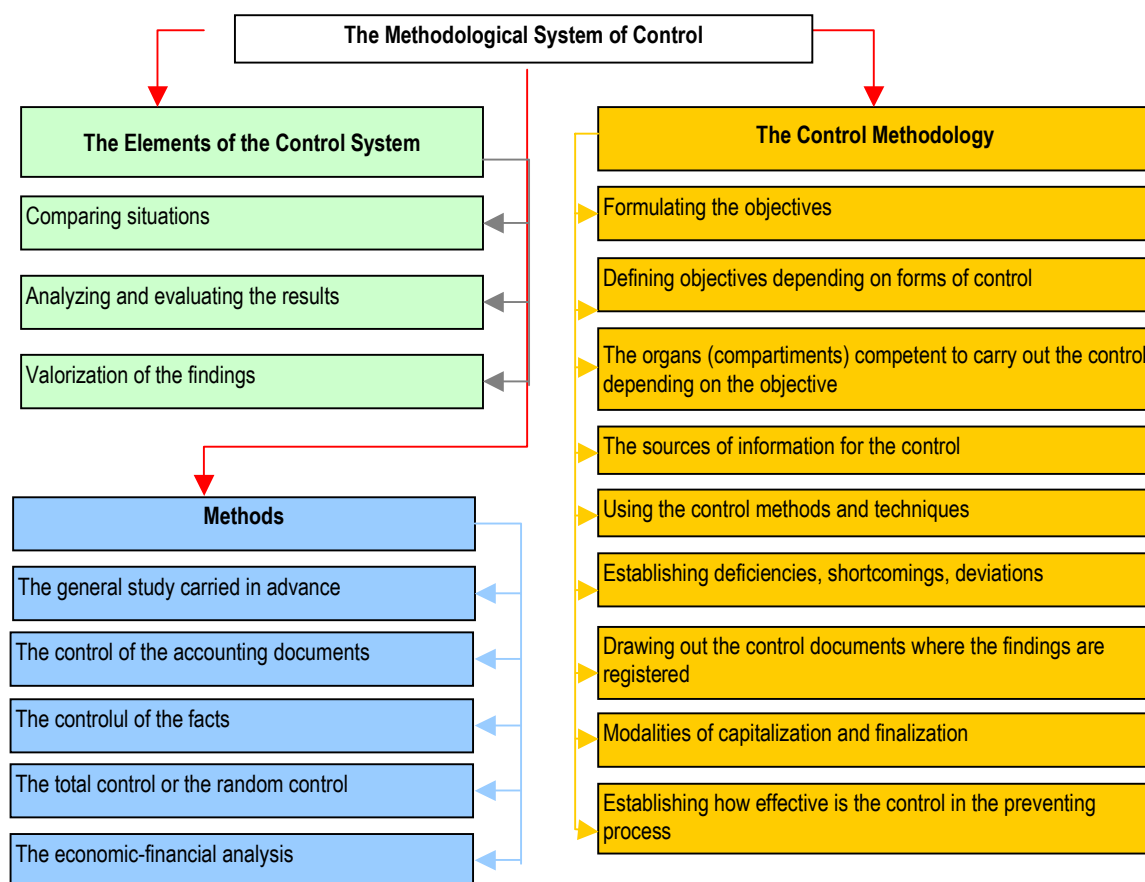


Figure 1. The Methodological System of Control

The control method represents a totality of specific rules, techniques and instruments that are used, in combination with professionalism, in order to concretely solve the problems derived from the functions of control (Munteanu, 2003).

In practice, the use of typical techniques and methods of control (such as the evaluation, the guiding, the judgment, the analysis, the income budget, the annual or quarter financial statements, the explanatory report, mathematic instruments, informational and informatics techniques, etc.) have as purpose to prevent, to find and to remove eventual shortcomings, deviations or deficiencies from the activities of patrimonial units.

Applying with discrimination the typical control techniques and methods allow the control organs to estimate correctly the economic-financial state of the patrimonial unit and establishes the ways of making the unit more efficient.

3. Methods and techniques of financial control

The variety of economic activities, the interaction and their mutual conditioning require the diversification of the control proceedings. These control proceedings can be used simultaneously, successively, in the same process or can be used separately. From the methods used in control, we mention the following ones:

A. The general study carried out in advance

The general study carried out in advance enables the control organs to know the essential and specific elements of the activity to be controlled and based on these elements, the activity of organizing and conducting the control is focused on the objectives that require special attention. This study offers the control organ the possibility of knowing the way the control activities are or were carried out. It can be global or detailed; it refers both at the controlled units and at the content of the control activities.

The objectives and the information sources of the general study carried out in advance

Table 1

The general study carried out in advance	
Objective	Information Sources
- The tasks resulted from the norms in force for the controlled area of activity;	- The legal norms;
- The orientations, the instructions, the competences and the responsibilities in the internal structure of the controlled unit;	- The previous control statements;
- The way in which are organized the accounting and the technical-operative records;	- The accounting reports;
- The real situation concerning the activity to be controlled	- The statements of the collective management organs;
	- The consulting with the management of the controlled compartments.

Being a method in the financial control, the general study carried out in advance has the following objectives (Table 1):

- the requirements deriving from the norms in force for that particular field of activity, that need to be known by the control organs for their orientation towards the aspects that must be considered in the control activity;
- the orientations, the instructions, the competences and the responsibilities in the internal structure of the patrimonial unit where the control is carried out;
- the study concerning the way in which the accounting and technical-operative records are organized, as source of information for control;
- knowing the real situation concerning the activity that will be controlled.

The general study carried out in advance has as source of information (Table 1) the legal norms, the previous control statements, the accounting records, the statements of the collective management organs, the consulting with the management of the controlled compartments.

B. The control of the accounting documents

The control of the accounting documents is the control most frequently used in the economic and financial practice. It can be preventive or ulterior and it is carried out on the basis of the documents it reflects (Figure 2).

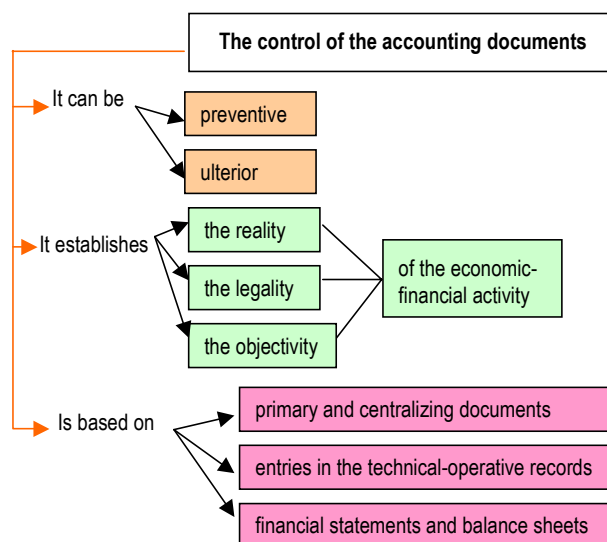


Figure 2. The control of the accounting documents

The control of the accounting documents is the method that establishes the reality, the legality and the efficiency of the economic and financial operations and activities, by examining the primary and centralizing documents in the technical-operative and accounting records of the financial statements.

The main techniques of control are:

a) *The chronological control* is carried out as the documents are drawn out, booked and filed. The documents are examined every day, in a row, in the order in which they are kept, without any previous grouping or systematization.

b) *The chronologic control in reverse order* is carried out from the end towards the beginning of the control period. One begins with the control of the most recent operations and documents and the control is conducted from the present to the past. It is used when it is necessary to establish the moment in which the deviation happened or to follow the development process of the operations that are connected with the deviation.

c) *The systematic control* requires grouping the documents depending on problems (bank, cash register, supply, etc.) and then requires their control in chronological order.

d) *The mutual control* consists in researching and confronting (in the same entity), documents or records with identical content, but different in form, for the same operation or for different, but interconnected operations (Figures 3 and 4).

e) *The crossed control* consists in the reconstruction and comparison of all the copies of a document existent at the controlled unit and at other units from which were received or to which were supplied materials, services or other values (example: the copy of the receipt in the receipt book is compared with the original of the receipt that is at the payer). This control represents an external confirmation of the data put down in the documents or in the records of the controlled units.

f) *The combined or mixed control* requires grouping the acts depending on types, problems or operations and examining each set of documents in the chronological order or in the reverse chronological order of the process of drawing them out or filing them.

g) *The investigation of control* means studying problems that do not result clearly from the documents and records put at disposal. The information is obtained from the persons whose activity is being controlled.

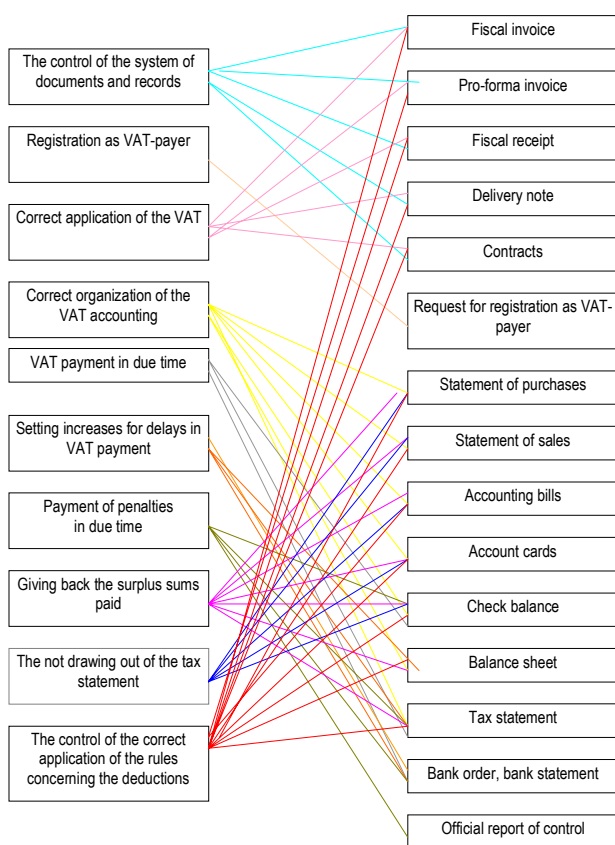


Figure 3. *The correspondence: control objectives – information sources concerning VAT*

i) *The comparison of control* consists in the comparative examination of different balances from the analytical records with the ones from the controlled accounts. The comparison with previous data (example: the expenses of the current year with the ones of the previous year) is frequently used in the case of this technique.

j) *The control calculus* requires re-making the accounting bookings. With this proceeding is obtained evidence about the exactness of the data from the accounting records.

k) *The critical exam* is realized by examining the papers, documents and records, trying to pay attention to the problems that are more important.

l) *The accounting analysis:* with the help of this analysis are established the accounts where the operation will be recorded and the relationship between the accounts. Any

h) *The general analysis and study* are used with the purpose to obtain proofs/evidence of the control (example: examining the debtors and creditors of some accounts, in order to determine the correctness of registering economic and financial operations). This is useful for the control of the accounting that may contain wrong bookings or for controls that need detailed information.

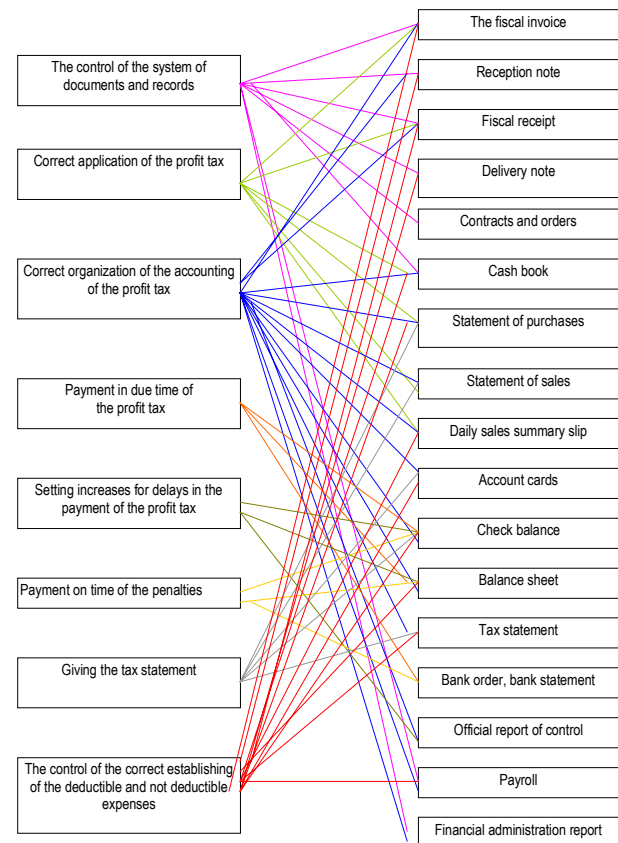


Figure 4. *The profit tax. The correspondence between the objectives of control and information sources*

economic and financial operation is submitted to an analysis before recording in the accounts. The accounting analysis consists in researching each economic operation, on the basis documents, in order to establish the correspondent accounts and their parts (debit or credit) where that operation will be entered (Drăgan, 2004). This analysis precedes the recording of the operations in the accounts.

m) *The analytical balances of accounts* are used for controlling the correspondence between the data of a synthetic account and the ones from their analytical accounts. In the bookkeeping, the active and passive elements are reflected both as a whole and in their component parts, with the help of the synthetic and analytical accounts. The qualitative and quantitative expression creates optimal conditions for conducting the control.

The analytical balances of control are drawn out for each synthetic account split in analytical accounts, based on the data taken from the analytical accounts, before the synthetic control balance is drawn out.

n) The synthetic balance of control requires the control of the entries by comparing each analytical control balance with the respective sums of the synthetic account from the synthetic balance of accounting control.

In the system of accounts, the operations resulted from the movement and the material and financial transformations are reflected on the basis of the principle of the double booking. The functioning way of the accounts reaches a peak in the accounting science through the double booking, which is a methodological proceeding that gives the infallible character of the accounting; this is considered an ideal system for the record of the administrated capital and patrimony seen from a double perspective: economic values and obligations or resources (Drăgan, 2004).

This principle is observed by means of the synthetic balance of accounting control that contributes to guaranteeing the exactness of the bookings made in the accounts and guaranteeing the drawing out of some real and complete financial statements. With the help of this proceeding are determined:

- the recording omissions (the economic operation is booked neither in debit nor in credit);
- the compensation errors (reporting wrongly the sums from the journal or from the documents in „Cartea – Mare”);
- the charge errors (reporting an exact sum from the journal in „Cartea – Mare”, both in debit and in credit, but not under the correct accounts) (Munteanu, 2003);

o) The chess control balance helps to detect the errors that do not influence equalities. These errors may have as cause: wrongly establishing the correspondent account, inverting the accounting formula, registering an operation twice both in debit and in credit, drawing out a correct accounting formula, but with the wrong sums. Through this proceeding one can identify the lack of correlation between the accounts, the compensation and the charge errors.

In practice, in certain cases, in the case of control one can make use of unofficial documents and records, too. The unofficial documents and records are the result of the initiative of the persons that draw them out with the purpose of justifying some values (hand receipt, personal records, etc.). They are considered written proofs that enable examining the official documents and records. The conclusions obtained on the basis of these unofficial documents and records are taking into consideration by the controlling persons only if they are confirmed by official and legal documents and records.

In order to find deviations and shortcomings and in order to argue conclusion about unrecorded facts or facts wrongly recorded in documents and records, one uses specific techniques and modalities for the financial-accounting control, such as:

- *The quantitative reconstitution* of some global-quantitative records, on the basis of inventories and administration papers;
- *The comparison of control* that concerns establishing the possible maximum stocks (reduced goods). The maximum possible stock equals the balance at the initial inventory plus the good input based on documents minus the goods output based on documents.

The control comparison is carried out between the possible maximum determined stock and the stock of the last inventory. Three situations can occur: greater than the stock from the last inventory, smaller than this one or equal with it.

- *The goods input correlated* depending on consume, liberations or sales. One compares the existent possible stock with the input at that date or around that date. This method is used in the following cases:
 - a) the stocks with global-quantitative record, where selling the goods is made on sales slip. It has the role of discovering deviations or lacks covered with documents or evidences, the validity of some inventory documents, etc.;
 - b) the stocks with global-quantitative record with payment directly at sale, without sale slip.

As a rule, the stock's situation is established after making the inventory and comprises the period from the last inventory until the next inventory. The controlled inventory period is situated between two running periods (Munteanu, 2003).

- *The correlation of accounting documents* in order to establish the reality of an economic fact correlated with other facts of mutual influence;
- *The inter-inventories control* shows whether there is a connection between the pluses from an inventory and the minuses from another inventory and if are fulfilled the conditions of legal compensation. If it's made, this compensation represents an exception and, according to this exception, the compensation of goods can operate between pluses and minuses and only for the same inventory period and for the same inventory.

C. *The factual control*

The factual control has as objective to exactly determine the existent quantities and values, their condition, the processing stage/phase/period and the processing method, the observing of the law in their utilization. The main techniques of factual control are:

a) *The inventory* has as object the finding (at a certain moment) of the qualitative and quantitative elements of assets and liabilities of a patrimonial unit.

The inventory is a typical control technique. As control technique, it is not identical with the periodical inventory of the financial administration or of the entire patrimony. In order to deliver results, the inventory must be carried out suddenly and started simultaneously for the whole unit.

b) *The technical survey and the laboratory analysis* are used when the problems raised during the control are beyond the legal competence, knowledge level or the equipment that is at the disposal of the control organs. The technical surveys are used in order to establish the integrity of the material values, the reality of some operations, knowing some working parameters etc. The laboratory analyses are used with the purpose of establishing the quality of the structure/composition or the content of certain materials, works, and products.

c) *The direct observation* is a technique used in the concomitant control and consists in observing on the spot the way certain activities are carried out.

d) *The physical inspection* consists in examining the assets and other resources. It is a reliable evidence for finding the existence of a certain asset position, of the fix assets, etc.

The documentary/reference control is linked with the factual control and in this manner is established by the way the goods are administrated and the quality of the information concerning the controlled activity.

D. The total control or the random control

The total control comprises all the operations from the established objectives and during the entire controlled period. It is the most comprehensive and reliable control, but it cannot always be applied.

The random control researches the most representative documents and operations and enables the drawing of conclusions on the objective in view. Usually the random control is carried out and if major irregularities are found, the control expands and becomes total.

The total control is carried out through various control modalities:

a) *The simultaneous control* is carried out simultaneously for certain similar or related objectives that can be easily substituted.

b) *The complete control* consists in a group of measures that have as purpose obtaining the certainty that the evidence for the operations is accurate and complete.

c) *The continuous and permanent control* is carried out without interruptions in duration or intensity and comprises all the goods that are subject to control.

d) *The periodical control* is organized at regular intervals and is carried out unexpectedly.

e) *The direct control* is a simultaneous control. It applies to the objectives that are controlled during the carrying

out of that particular activity.

E. The economic-financial analysis

The economic-financial analysis is a research method based on splitting up or separating an object or a phenomenon into component parts. By means of the techniques typical for this method, each element is being separately examined, the cause/effect causes are established, and are determined the trends and fluctuations of various indicators (Oprean, 2002). The analysis completes the control with some aspects that cannot be pointed out by other control methods. It contributes to focusing the control on the essential problematical aspects.

The control cannot confine itself to finding the shortcomings. It is necessary to establish the level and the dynamic of the examined phenomena, the factors that influenced the evolution of the controlled phenomena, the correlation between these factors and the phenomena.

Although the analysis and the verification are two different lines of action, they are mutually conditioned. In order to make a quality analysis, real information is needed and therefore it is necessary to verify in advance the accounting documents in respect to form and content; afterwards will follow an economic-financial analysis (Munteanu, 2003).

On the other hand, the documentary check uses the conclusions of the economic-financial analysis with the purpose of focusing on the sectors, factors and causes that have a negative influence upon the economic-financial situation of the patrimonial unit (Oprean, 2002).

The economic-financial analysis is carried out by means of typical techniques such as:

a) *Techniques for establishing the cause-effect relationships between the phenomena*

Examples: the consistency of the examined object and the circumstances or conditions in which this took place.

b) *The division and the breaking up* insure the depth of the study of the economic financial activity, the time or space localization of the causes and the deviations.

c) *Grouping*, meaning the separation of the controlled operations into homogenous groups, depending on one or several criteria, depending on the purpose in view.

d) *The balance of the elements* and their variations are used when, among the elements of the controlled phenomena, there are sum and differences relations (for instance: the relation between the production volume of sold and cashed merchandise equals the initial stocks and the opening balances plus the volume of the fabricated production minus the final stocks and statement balances).

e) *The operational correlation* is used in adopting decisions when many factors interfere and must be taken into consideration.

The control methods and techniques typical for each method are presented in Table 2.

Methods and techniques of financial control		
Methods	Techniques	
The general study carried in advance	-	
The documentary control	<ul style="list-style-type: none"> - The chronological control; - The chronological control in reverse order; - The systematic control; - The mutual control; - The crossed control; - The combined or mixed control; - The investigation of control; - The comparison of control; - The calculus of control; - The critical exam; - The accounting analysis; - The analytical control balance; - The synthetic control balance; - The chess control balance; - Quantitative reconstruction; - The correlation of goods inputs; - The correlation of the accounting documents; - The control between financial administrations. 	
The factual control	<ul style="list-style-type: none"> - Inventory; - The technical expertise and the laboratory analysis; - The direct observation; - The physical inspection. 	
The total control or the random control	<ul style="list-style-type: none"> - The simultaneous control; - The complete control; - The continuous and permanent control; - The periodical control; - The direct control. 	
The economic-financial analysis	<ul style="list-style-type: none"> - Establishing the cause-effect relations between phenomena; - The division and breaking up; - Grouping; - The balance of elements; - The operational correlation. 	

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