

FEATURES OF INTERNAL CONTROL MANAGEMENT IN HIGHER EDUCATION INSTITUTION

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Abstract:

Internal control management and management audit of public institutions are dynamic and constantly evolving processes. Within higher education institutions these processes have a number of common features and particularities specific for education field.

The article analyzes the development program of audit and management control system in institutions of higher education in Iasi. From this study we can identify and summarize a series of measures that could contribute to the development and qualitative improvement of the current situation of Romanian higher education.

Keywords: *internal control, management audit, management, audit system.*

JEL Classification: M 10.

1. Introduction

In the current economic crisis, management control and management audit are considered the main tools to achieve the organization's objectives.

Internal audit is a profession that is based on a benchmark framework recognized worldwide, even if the variety of environments in which it is practiced, it must be adapted to take into account the specificities laws and regulations of each country's rules governing certain sectors (banking, for example) or simply the size and organizations culture.

În țara noastră activitatea de audit managerial a fost reglementată relativ recent (Legea nr. 672/2002 privind auditul public intern), iar activitatea de audit intern din cadrul instituțiilor publice trebuie abordată într-un mod diferit, european, față de cel în care se desfășurase până la acea dată.

In our country management audit was recently regulated (Law no. 672/2002 on public internal audit) and internal auditing activity of public institutions must be approached in a different way, European way, from that was being carried out before.

Very close, until a few years ago, by the accounting and financial function, internal audit is currently subordinate leaders of organizations and is a well organized profession with increasing influence (Renard 2002, Mitea Adrian et al, 2006: 14). The same trend is noticed in public educational institutions, but with specific features of the educational field.

2. Literature review

According to Order no. 400/2015 approving the internal/managerial control code for public entities, internal control / management is defined as "all forms of control exercised at the level of the public entity, including internal audit, established by management in accordance with its objectives and legal regulations, to ensure the administration of public funds economically, efficiently and effectively; it also includes organizational structures, methods and procedures. "

Within that order which complements the Government Ordinance no. 119/1999 on internal control and preventive financial control, internal control is associated with a larger sense, this is seen as a managerial function and not a verification operation. By exercising

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control function, the management staff finds the results deviations from targets, analyze the causes that determined and take the corrective or preventive measures.

Of that law, the phrase "internal / managerial control" emphasizes the responsibility of all hierarchical levels for controlling all the internal processes undertaken to achieve the general and specific objectives.

Unlike the internal control, internal public audit is an independent function and a objective activity of assurance and advice designed to add value and to improve the organization's activities; it helps to achieve the objectives through a systematic and methodical approach, evaluates and improves the efficiency and effectiveness of risk management, control and processes. SOURCE

The main purpose of the audit is to evaluate the corrective actions required to eliminate weaknesses and opportunities for improvement of the system, its processes, products and services (Marieta Olaru, 1999 :277).

Internal / managerial control standards define the minimum management rules that all organizations are required to follow.

Thus, by the regulations of this law (Order no. 400/2015 approving the internal/managerial control code for public entities), standards are grouped under the five key elements of internal / managerial control:

- internal environment. It groups the problems of organization, human resource management, ethics, deontology and integrity;

- performance and risk management. This key concerns management issues related to setting objectives, planning (annual planning), software (management plan) and performance (performance monitoring);

- control activities. The standards grouped in this key of internal/ managerial control focuses on: documentation of procedures; continuity of operations; recording exceptions (deviations from the procedures); separation of powers; supervision etc .;

- information and communication. In this section are grouped issues related to creating of an adequate information system and a system of reports regarding the implementation of the management plan, budget, resource use, and management of documents;

- evaluation and audit. The issues covered by this group of standards regards the development of evaluation capacity of internal / managerial control in order to ensure continuity of the process and to improve it.

The further analyze of the internal/managerial control distinguish a total of 16 standards as follows:

Table nr. 1. Standards of internal / managerial control of public entities

Internal environment	
Standard 1	Ethics and integrity
Standard 2	Duties, functions, tasks
Standard 3	Competence, performance
Standard 4	Organizational structure
Performance and risk management	
Standard 5	Objectives
Standard 6	Planning
Standard 7	Performance monitoring
Standard 8	Risk management

Control activities	
Standard 9	Procedures
Standard 10	Supervision
Standard 11	Activity continuity
Information and communication	
Standard 12	Information and communication
Standard 13	Document management
Standard 14	Accounting and financial reporting
Evaluation and audit	
Standard 15	Assessment of the internal / managerial control
Standard 16	Internal audit

Source: Processed after Order no. 400/2015 for approving the internal/ managerial control code for public entities

3. Material and methods

This study is the result of a process of induction and deduction, investigative and critical interpretation and comparative studies produced many nationally and internationally on the subject investigated. In analysis of the internal control process and managerial process they were used data, information, public reports from high education institution from public profile.

(<http://www.umfiasi.ro/organizare/Pages/Managementulcalitatii.aspx>,
http://www.uaiasi.ro/ro/files/DAC/Raport_anual_DAC_2013-2014.pdf, <http://www.uaic.ro/organizare/biroul-control-intern>).

4. Results and discussions

During February 2016 were analyzed data, information and reports from the most important public higher education institutions in Iasi regarding the internal control management and managerial audit.

Starting from the standards of internal / managerial control of Order no. 400/2015 these measures were grouped into five basic key elements: internal environment, performance and risk management, control activities, information and communication, evaluation and audit.

4.1. Internal environment

Standard 1. Ethics and integrity

This first standard is fulfilled when the university management and employees know and support the organization's values and ethical values, respects and applies rules on ethics, integrity, conflicts of interest, prevention and reporting of fraud, corruption and irregularities alert.

The main measures that can be taken to achieve this standard are:

- adopting a code of ethics and professional deontology and an implementing regulation;
- revision of the code of ethics (if it already exists);
- setting up a disciplinary commission for reviewing the cases of irregularity, fraud and violation of ethics and integrity;
- assessing violations of the code of ethics and its regulations;
- facilitating open communication by employees of their concerns in matters of ethics and integrity and creating an stimulating environment for their activities.

Standard 2. Duties, functions, tasks

The second standard refers to the permanent preparation and updating of documents regarding the organization's mission, internal regulations and job descriptions, which will be communicated to all employees.

Measures that can be taken under this standard are:

- development of organization and functioning regulations for academic and administrative staff, as well as the university's strategic plan;
- publication on the institution website of the organization and functioning regulations and their dissemination to the employees;
- developing and updating of the job descriptions;
- identifying new and difficult tasks of employees and helping them to solve it at university level.

Standard 3. Competence, performance

The standard number 3 means hiring competent persons, employees are given tasks according to their competencies, ensuring optimal conditions for training and improving their skills.

The actions recommended on this standard are:

- annual individual performance evaluation of professional employees in order to confirm their professional knowledge, skills and abilities to perform the duties and responsibilities entrusted to their job description;
- annual updating of staff training plan for both management functions and for the executive functions;
- optimization of finance resource allocation to the deficient areas of employees training.

Standard 4. Organizational structure

In this standard will be identify and define the organizational structure, powers, responsibilities, competents, responsibilities, tasks, reporting lines for each structural component and communicate to all employees of the documents formalizing the organizational structure.

Measures in this standard:

- regular updating of documents on the organization and functioning according to the organizational changes occurred;
- determination by management, in writing, of the limits of the competents and responsibilities who are delegated;
- periodical determination of the adaptability degree of organizational structure to the inside and / or outside changes, to ensure the continued relevance and effectiveness of the internal managerial control.

4.2. Performance and risk management

Standard 5. Objectives

In the standard five are defined the objectives determinant related to the organization's goals, as well as additional related information like the reliability of information, compliance with laws, regulations and internal policies and communication of the objectives to all employees and interested third parties.

Under this standard it is possible to adopt the following measures:

- development of the objective system for each organizational structure;
- centralizing all the specific objectives in the statement on the objectives of the university system;
- transpose the overall objectives into specific objectives and expected results for each activity and employee communication;
- periodical evaluation of the objectives achievement.

Standard 6. Planning

The general requirements of this standard require the preparation of plans that are put in line with the activities required to achieve the objectives with maximum possible allocated resources, so that the risks which may affect the achievement of the objectives to be minimal.

The measures required under this standard are:

- identification of the activities necessary to achieve the objectives;
- establishing the resources necessary to achieve the objectives;
- drawing up plans which bring into line the maximum available resources necessary to the activities of the organization;
- measures implementation set out in the strategic and operational plans of the organization.

Standard 7. Performance monitoring

Performance monitoring for each objective and activity it is accomplished through relevant quantitative and qualitative indicators, including on the economy, efficiency and effectiveness.

Specific actions in this standard are:

- assessing and reporting on performance indicators associated to the specific objectives of each department of the unit;
- the minimum allocation to each specific objective of a performance indicator by which relates the achievements;
- opportunity revaluation of related indicators with specific objectives.

Standard 8. Risk management

Fulfilling standard requires the implementation of a risk management process to facilitate efficient and effective achievement of the objectives of the organization. Measures within this standard:

- monitoring risks to the entire university;
- minimising risk management in each sector;
- analysis of the effectiveness implementation of measures set out in the university action plans.

4.3. Control activities

Standard 9. Procedures

This standard assure the elaboration of written procedures to ensure the development of activities undertaken in the organization and bringing them to the attention of the employee involved.

To fulfill the standard may take the following measures:

- inventory of all existing procedures;
- the further development of new procedures as needed;
- revision and completing of the process or operational procedures based on necessary needs.

Standard 10. Supervision

Organization should develop appropriate controls surveillance activities, operations and transactions in order to achieve effectively their objectives. Also the supervisory checks should be monitored to ensure that procedures are followed by employees effectively and continuously.

Measures adopted in this case:

- establishing an appropriate tools to monitor activity at central level and at lower levels;
- the systematic evaluation of the activities of every employee in its field of competence;
- regular analysis of reporting at all levels of management.

Standard 11. Activity continuity

Under this standard it is identified the main threats on the continuity and performance of processes and activities. In this standard are provided appropriate measures so that work can continue at all times, in all circumstances and in all plans, whatever the nature of a major disruption.

The concrete measures adopted concern:

- analyzing situations generating discontinuity;
- the establishment of control measures applicable in this situation;
- periodical testing and review (at least once a year) of the optimal functioning of these measures.

4.4. Information and communication

Standard 12. Information and communication

By this standard are set the types of information, content, quality, frequency, sources, recipients and it is develop an effective internal and external communication system, so that management and employees to fulfill effectively and efficiently the tasks and information to reach users complete and timely.

Specifically in this standard can be take the following actions:

- inventory and centralization of documents managed by various organizational structures;
- establishing clear rules for managing the receipt and transmission of information and communication;
- identifying the ways to efficiency the flow of information.

Standard 13. Document management

By this standard it is administrate the creation, review, organization, storage, use, identification and archiving internal documents process and those from outside the organization, providing complete control over their life cycle and accessibility to the leadership and employees.

Recommended actions are addressed to:

- defining a clear set of rules and procedures on registration, sending, editing, classification, filing, protection and custody of documents;
- periodical review of the procedures for sending documents (including e-mails) in a controlled manner.

Standard 14. Accounting and financial reporting

This standard establishes that the data and information used for annual accounting statements and financial reports are accurate, complete and timely.

Concrete measures are:

- realization of regular accounting reports as required;
- ensure that information and accounting data used in accounting and financial statements reflect the real situation;
- internal evaluation of the financial situation;
- review of financial and accounting procedures consistent with regulatory requirements applicable to financial accounting.

4.5. Evaluation and audit

Standard 15. Assessment of the internal / managerial control

At this standard by assuming management responsibility it is necessary to prepare annually a report on its system of internal / managerial control.

The measures which may be adopted:

- correct completing of self-assessment questionnaires and assessment, taking the reality of the data presented;
- preparation of the report on the internal control system / managerial;
- conducting management review meetings.

Standard 16. Internal audit

Internal audit provides independent and objective evaluation of the internal control system / managerial level. This objective is achieved through a competent structure of auditors, whose work is generally carried out under programs based on risk assessment.