

# EXERCISING THE PREVENTIVE FINANCIAL CONTROL IN ORDER TO ENSURE THE INCLUSION IN THE BUDGETARY LIMIT OF THE PERSONNEL EXPENSES

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## Abstract

*The need for control is determined by the fact that in modern society the fundamental criterion of efficiency defined by increasing and improving the qualitative aspects is permanently promoted to the detriment of the quantitative ones of all activities carried out at the level of a public interest entity of economic, social or administrative nature. . Thus, through control, any public interest entity is concerned to be able to access information in a current and operative way regarding the management of financial, material and human resources at its disposal, one of the most important forms being preventive financial control (CFP).*

**Keywords:** preventive financial control (CFP), public interest entity, resource management, expenditure making, legality.

**Codes JEL:** M41 – Accounting, M42 – Auditing.

## 1. Introduction - purpose of preventive financial control (C.F.P.), scope and methodology for exercising it

The C.F.P. “is exercised over all operations that affect public funds and / or public patrimony”. At the same time, “The commitment and ordering of the expenses is carried out only with the prior visa of own preventive financial control and of the delegated preventive financial control, as the case may be [...]”.

The head of the economic entity is responsible for the organization of the C.F.P. depending on its specificity, and “aims to identify projects of operations [...] that do not comply with the conditions of legality and regularity and / or, as the case may be, of falling within the limits and destination of budget and commitment appropriations and through which - would prejudice the public patrimony and / or the public funds ”.

The C.F.P. at the level of the public interest entity constitutes an activity of increased scope and complexity and is exercised at the conclusion of a procedural flow related to an operation with financial influences on the respective entity. At the exercise level of the C.F.P. “are aggregated all the risks from the compartments that were successively involved in the respective operation [...] having the role of articulating the different types of previous verifications by assuming the specific responsibility”.

The C.F.P. is carried out through a systematic verification of the totality of the operations with financial impact on the public funds or the public patrimony aiming at aspects such as:

- legality control - from the perspective of verifying compliance with the specific legal requirements in force at the time of that operation;
- regularity control - regarding the observance of all the principles, procedures and regulations applicable to the operations on which the C.F.P. ;
- budgetary control - involves verification from the perspective of compliance with the limits and destination of approved amounts.

The Own Preventive Financial Control (C.F.P.P) resides from the systematic verification of the operations with financial impact on the entity of public interest and is exercised from the perspective of two main axes: legalitate și regularitate;

- compliance with the approved budgetary limits..

The Delegated Preventive Financial Control (CFPD) is organized at the level of economic entities within which economic operations are carried out "which may affect the balanced

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execution of budgets or which are associated with risk categories determined by the specific methodology of risk analysis" (Point 7.1 ., C. The delegated preventive financial control, Order No. 923/2014) and is exercised through the delegated controllers appointed by the Minister of Public Finance, with the following attributions:

- on its own initiative or at the request of either the authorizing officer or the Minister of Public Finance, issues advisory opinions on the subject of compliance, efficiency, economy, effectiveness of operations affecting public funds; monitorizează execuția bugetară pe criterii de echilibru și prudență;
- monitoring and counseling regarding the C.F.P. from the perspectives of legality, regularity and last but not least limits and budgetary destination.

The methodological and procedural framework applicable in the sphere of C.F.P. is created from the disposition and in the coordination of the head of the entity according to their specificity through a complete set of operational procedures for granting the C.F.P. and internal provisions, summarizing the following types of procedures, but not limiting them:

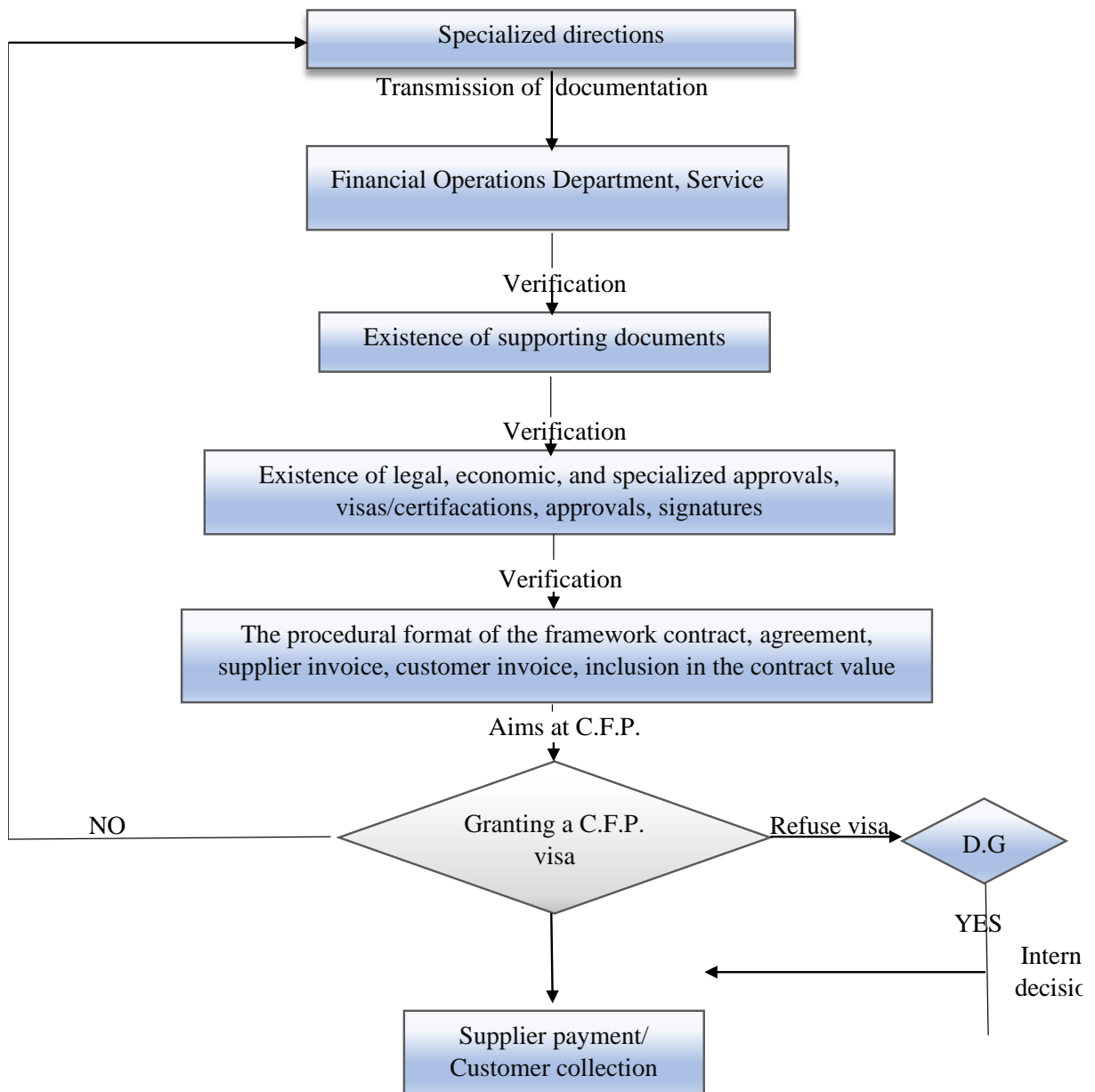
- the operational procedure for granting the C.F.P. generous;
- the operational procedure for granting the C.F.P. on procurement contracts;
- the operational procedure for granting the C.F.P. on invoices issued by suppliers;
- the operational procedure for granting the C.F.P. on invoices issued to customers
- operational procedure for individual evaluation of the activity of the C.F.P. etc ...

The general purpose of the operational procedures lies in the way in which it is recommended to carry out the activity of C.F.P. within the public-interest entity for the identification of operational projects (hereinafter referred to as operations) which do not comply with the conditions of legality and regularity and / or, as the case may be, within the limits and destination of budgetary and commitment appropriations would harm public assets and / or public funds.

Persons designated to exercise the C.F.P. are responsible by internal provisions of the head of the public interest entity and involves the route described by the process diagram in Figure no. **1. Process diagram C.F.P.**

At the same time, the operational procedure describes the manner of exercising the attributions with the exercise of the C.F.P. by designated employees. At the same time, the pillar principles of exercising the C.F.P. are presented, respectively: professional competence; decisional independence conditioned by the separation of attributions; objectivity; moral conduct; confidentiality; incompatibility.

**Figure no. 1. Process diagram C.F.P.**



Source: own conception

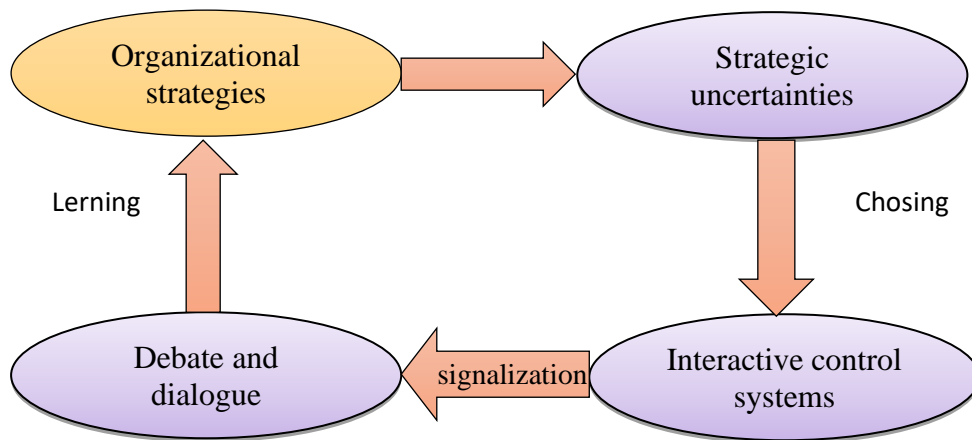
### Literature review

From the multitude of specialized works that in our opinion interfere with the topic of scientific research (study) and which denote the relevance in capitalizing the financial control exercised over the economic-financial activity carried out at the level of a public interest entity, were retained:

- The work “Accounting, control and governance” (Albu C., N., Albu N., Feleagă L, 2016) as a tribute to Professor Niculae Feleagă, is an impressive collection of valuable works dedicated to the illustrious professor and whose content interferes with the theme the present scientific approach;
- The paper entitled “Types of control and organizational learning: a review of literature and research directions” (Albu C., N., Albu N., Feleagă L, 2012) which is based on another prestigious work, Accounting, control and governance (Cătălin Nicolae Albu, 2012), brought to our attention the debate regarding the relationship between

interactive control and learning, represented as in the figure below:

**Figure no.2. Interactive control systems and organizational learning**



Source: Albu C., N., Albu N., Feleagă L., autor: Cătălin Nicolae Albu, *Contabilitate, control și guvernanta*, Editura Economică, București, 2012, pg. 343 (preluare Wegmann, 2003; Brühl, 2004);

- Through the scientific paper entitled “Corporate governance in listed and state-controlled companies in the Romanian energy system” (Feleagă L., Bătae OM, 2020) we were confirmed once again, the importance of internal control and implicit financial control in good management of any public interest entity. Thus, the recommendation of the authors of the paper in question summarizes the fact that, “[...] in the entities in which the Romanian state is a shareholder to adhere to a uniformity of the type of information presented” and also to strengthen transparency in the area of internal control.
- Scientific research whose topic is "Peculiarities of improving internal financial control in Russian corporations" (T., E., Karmanova, E., N., Podsevalova, L., A., Mityurnikova, A., A., Silaeva, M., A., Atamanova, 2018) reveals the methods and elements of financial control, financial fraud and ways to identify and prevent it.
- The paper “Improving financial control over the governmental system” (N., A., Zavalko, O., V., Panina, V., A., Kovalev, A., G., Zhakevich, K., A., Lebedev , Improving Financial Control over the Government System, 2017) aims at analyzing the dangers targeting the banking system in the Russian Federation and violating the law on the use of state financial resources.
- The paper Financial-fiscal control (Boulescu M, 2007) through which I became more acquainted with the concept of financial control, from the perspective of the managerial function it performs, object and forms, and not only.

### **Research methodology**

The present scientific research is defined as a systematic process through which observable and verifiable data are collected, starting from empirical models and represents a sustained approach in order to identify the truth in the context of established objectives, through theoretical and applied study, the latter exercised by techniques and methods such as observation, comparison and experiment.

By relating to the defined objectives, scientific research falls into three directions of approach, namely:

- *descriptive study, by accurately describing the characteristics of some situations;*

- *the formative study, carried out by exposing some perspectives on some phenomena;*
- *the evaluative study, which resides in determining the effects / consequences of certain actions;*

The scientific approach meets the requirements of several typologies of research, namely: descriptive, fundamental, qualitative, quantitative and last but not least conceptual.

The present scientific research is presented in a speculative approach in which approximately 40% of the content is dedicated to the documentary activity, and approximately 60% represents the innovation part, dedicated to novelties, presenting it in a unique perspective mainly based on reformulation. and analysis. Moreover, the present scientific research is highlighted by originality and substantiality alike.

### **Critical analysis of the way of exercising the preventive financial control at the level of a public interest entity.**

The purpose of this application exposition was to highlight the importance of the C.F.P. and at the same time the relationship created between the financial management control, the budgetary control and the C.F.P. Starting from one of the main objectives of the financial management control organized and exercised at the level of a public interest entity, that of verifying the observance of the “legal provisions in the execution of the income and expenditure budget of the economic operator and its subunits, following: [...] The realization of the revenues and the classification in the level of the approved expenses;” (Art. 2, letter c., Point 1, GD no. 1.151 / 2012) was analyzed in Chapter X “Substantiation data” presented at the approved BVCs related to the years 2018, 2019, 2020 and it was found that they were not the approved indicators were achieved as follows: “The average monthly earnings per employee (lei / person) determined on the basis of adjusted salary expenses” was exceeded while “Labor productivity in value units on total average staff (thousand lei / person)” no was performed, the situation being presented in the table below:

*Tabel no. 1.*

Comparative analysis of the indicators approved by the annexes to the B.V.C. at the entity studied for the years 2018, 2019, 2020

Year	Average monthly earnings per employee (lei / person) determined based on adjusted salary expenses			Labor productivity in value units per average total staff (thousand lei / person)			Number of staff forecast at the end of the year (thousand lei)		
	Approved	Accomplished	Excess	Approved	Accomplished	unfulfilment	Approved	Accomplished	
2018	5.307,75	5.426,54	102,24%	1.129,12	1.097,60	97,21%	2.110	2.112	100,09%
2019	5.427,97	5.488,86	101,12%	707,30	611,00	86,38%	2.110	1.986	94,12%
2020	5.532,40	5.854,00	105,81%	725,27	678,95	93,61%	2.083	1.980	95,06%

Source: own conception

The analysis of the presented data summarizes the following:

- the average monthly earnings per employee (lei / person) determined on the basis of salary expenses was exceeded every year, while labor productivity in value units on total average staff (thousand lei / person), was achieved considerably below the threshold value approved and appropriated by the management of the public interest entity;
- in 2018 the indicator “Number of staff forecasted at the end of the year” was exceeded by 0.09% (2,110 - approved vs. 2,112 - achieved) in violation of art. 10, para (1), lit. a) of Ordinance 26 / xxxx which provides: “(1) The execution of revenue and expenditure budgets is made in compliance with the following rules: a) salary expenses, number of staff at the end of the year, approved by revenue and expenditure budgets, represents maximum limits that cannot be exceeded ”which constitutes a contravention according to art. 13, lit. (e) of Ordinance 26/2017, punishable by a fine from 5,000 lei to 10,000 lei;

- at the level of 2020, the indicator Gross result (profit / loss) was not achieved according to the Government Decision on approving the revenue and expenditure budget for the year xxxx of the public interest entity, respectively it registered an annual loss of 27,426.98 thousand lei 3.33 times higher than the loss approved by BVC, respectively 8,236.10 thousand lei.

**Tabel no.2. Timesheet**

Source: own conception

Exceeding the number of staff and salary expenses led us to check how to exercise the C.F.P. in terms of staff costs, requiring a consistent set of financial-accounting documents. Thus, a first document requested was the timetable which is drawn up either on the basis of the conditions of presence or of the electronic card by which the records of the hours worked daily by each employee are kept. At the same time, the timetable highlights the name of the employee, the norm of hours for each month, the hours worked daily by each employee, overtime or holidays, days of medical leave or rest leave, presented according to the table above.

At the same time, the C.C.M. in force, the C.I.M.s were checked. and the additional documents to the C.I.M.s, whose structure is included in the C.C.M. of the studied public interest entity.

The payroll / payment list are the verified documents and represent those financial-accounting documents prepared according to the requirements of Order 3,512 of November 27, 2008 and on the basis of which the salaries of the employees of the public interest entity are transferred. It should be mentioned that the payrolls are kept for 50 years in the archives of the public interest entity (Art. 25, Law 82/1991).

The payroll is drawn up on a monthly basis and is based on the employees' time sheets, documents by which the monthly contributions are retained, the advance lists (where applicable), the approved requests for rest leave, medical certificates, etc. and is presented as in the table below:

**Tabel no. 3. Payment statement for March**

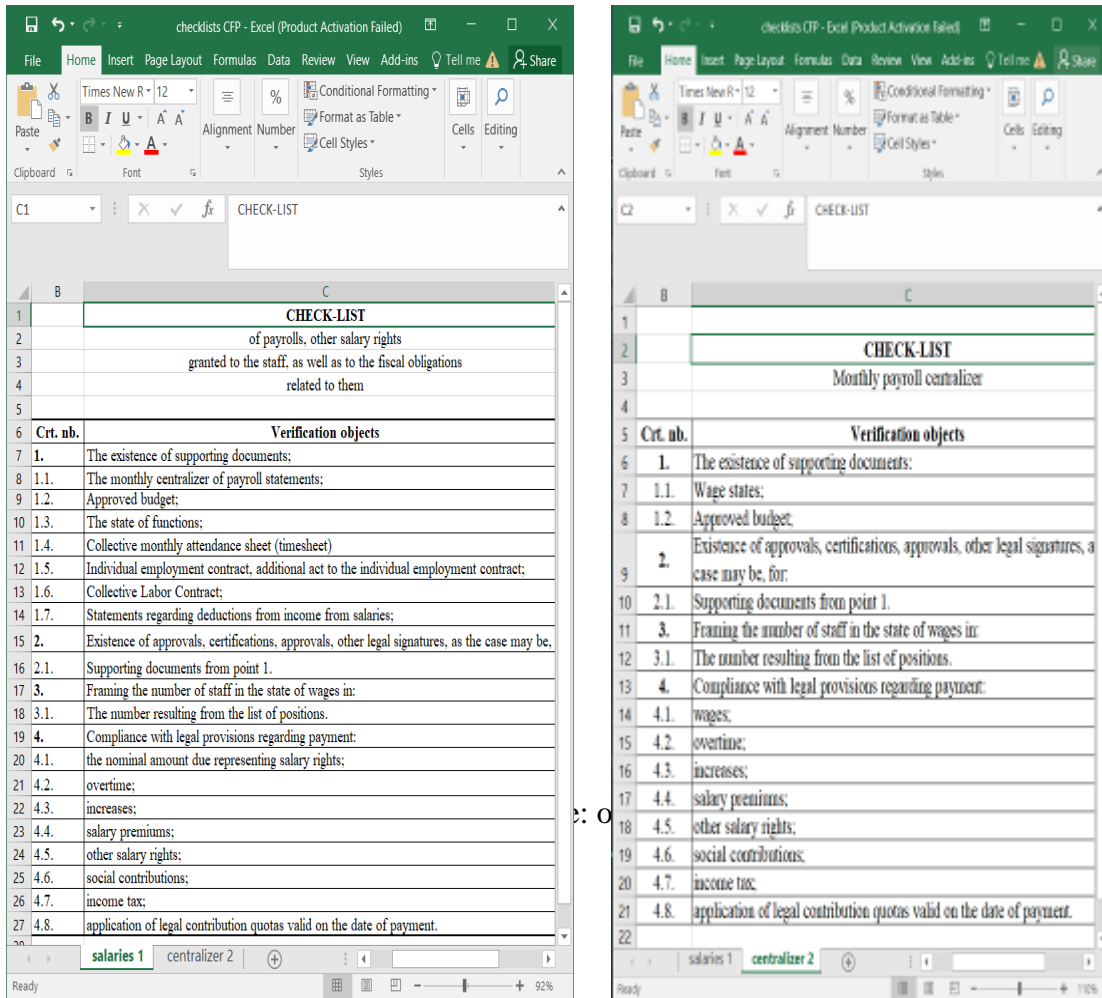
norma lunara		Stat de Plată																		
184		perioada 1 -31 martie 2021																		
Nr crt	Numele si Prenumele	Funcția	Salariul	Nr.	Nr.	Salariul	Indemnizatie	Total sal de baza	spor	Spor	Venit Brut realizat in luna	CAS 25%	Sanatate 10%	Venit baza de calcul impozit	Impozit 10%	Tot retineri	Rest de plata			
			Tarifar	Ore	Ore	Tarifar	conducere		%	suma								%	suma	
1			6,120	184	184	6,120	45	2,754	8,874	25	2,219	7	621	11,714	2,929	662	8,123	812	4,403	7,311
2			5,439	184	184	5,439			5,439	21	1,142	7	381	6,962	1,741	662	4,559	456	2,859	4,103
3			5,329	184	184	5,329			5,329	15	799	7	373	6,501	1,625	662	4,214	421	2,708	3,793
4			4,837	184	184	4,837			4,837	18	871	7	339	6,047	1,512	662	3,873	387	2,561	3,486
5			5,793	184	184	5,793			5,793	12	695	7	406	6,894	1,724	662	4,508	451	2,837	4,057
6			4,500	184	184	4,500			4,500	0	0	7	315	4,815	1,204	662	2,949	295	2,161	2,654
7			2,500	184	184	2,500			2,500	25	625	7	175	3,300	825	662	1,813	181	1,668	1,632
8			2,950	184	184	2,950			2,950	21	620	7	207	3,777	944	662	2,171	217	1,823	1,954
<b>Total general</b>			<b>37,468</b>			<b>37,468</b>			<b>40,222</b>		<b>6,971</b>		<b>2,817</b>	<b>50,010</b>	<b>12,504</b>	<b>5,296</b>	<b>32,210</b>	<b>3,220</b>	<b>21,020</b>	<b>28,990</b>

Source: own conception

In addition to the financial-accounting documents already mentioned, the monthly centralizers of the payment statements were also subject to verification.

According to the operational procedures and internal provisions, we found that at the level of the public interest entity the CFP is exercised both on the payment statements and on the monthly centralizers of the payment statements for which predefined checklists are drawn up as can be seen in the table below:

**Tabel no. 4. Check – List**



Based on the analysis of data and information contained in the documents mentioned during the practical application, we formulate some opinions that can contribute to improving the indicators related to salary expenses, but also to increasing the relevance of financial-accounting information, thus:

- in order to ensure compliance with the budgetary limits regarding staff costs, it is recommended that the additional documents to the C.I.M. to be presented at the C.F.P.;
- tracking the number of staff for the current year;

**Tabel no. 5. Register C.F.P.**

The image shows a screenshot of an Excel spreadsheet titled 'Registrul C.F.P. 2021 - Excel (Product Activation Failed)'. The spreadsheet contains a table with the following columns:

No.	The name of the operation, as. Date of issue of the document	The content of the operation	The issuing department of the operation	Date of presentation of the operation visa	The value of the operations for which the visa was granted	The value of the operations for which the visa was refused	Date of return of the operation	Name and surname / Signature	Remark
1									
2	0	1	2	3	4	5	6	7	8
3	1								
4	2								
5	3								
6	4								
7	5								
8	6								
9	7								
10	8								
11	9								

The spreadsheet also shows a date filter for '2021 January' at the bottom.

Source: own conception



## Conclusions

The concern for financial control is to manage resources as efficiently, effectively and efficiently as possible, thus avoiding radical interventionist decisions that converge with the measures of the authorities, which in fact should be geared towards a consistent set of stimulating public policies. At the same time, it is absolutely necessary for all managers of public interest entities to act in a transparent manner, to apply clear rules in a unitary way, but especially to adopt rigorously substantiated decisions by capitalizing on all the valences of financial-accounting information. Moreover, state authorities must be "hand in hand" with the management of public interest entities and the business environment in order to ensure a feasible balance between nationally applicable solutions and the benefits of the free market internationally.

The critical analysis of the way of exercising the preventive financial control at the level of the studied public interest entity highlights the fact that it must be developed and adapted to the specifics of the activity as it results from the presented case, respectively to ensure compliance with budgetary constraints. recommended as additional documents to the CIM to be presented at the C.F.P.

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