The Use of the Quality Management Tools in Public Institutions

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Abstract: The purpose of this article is to analyze the stage of applying the legislation regarding the development and implementation of the internal management control system, taking into account the difficulties encountered in the process of elaborating the system and operational procedures at the level of some public entities. The Community legislation in the field of internal managerial control is made up, in large part, of general principles of good practice, also accepted internationally. The way in which these principles are transposed into the internal control systems is specific to each country, being determined by the legislative, administrative, cultural conditions etc.

Keywords: internal management control system; public entities; community legislation

Introduction

The internal management control system of any public entity operates with a variety of processes, means, actions, provisions, which concern all aspects related to the activities of the entity, being established and implemented by the management of the entity to allow it to have a good control over the functioning of the entity as a whole, as each activity / operation. The phrase “managerial internal control” emphasizes the responsibility of all hierarchical levels for keeping under control all internal processes carried out for achieving the general and specific objectives.

In order to ensure the achievement of the objectives, in an economical, efficient and effective way, the management of the public institutions must ensure the elaboration of the procedures for the processes and/or the activities carried out within the public entities and to inform the personnel involved. In this respect, both Romanian legislation and European recommendations must be respected.

1. The Romanian Legislation

Order 600 currently applicable, which amends the old ordinance 400 of 2015, legislates the Code of internal managerial control of public entities, through Standard 9 - Procedures, and specifies the importance of elaborating the procedures documented at the level of public entities. Moreover, since 2000, the White Paper - Part I, defines internal control as the totality of “policies and procedures

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implemented by the institutions, in order to ensure the achievement of the objectives, in an economic, efficient and effective way”.

The procedures represent an internal control tool, which contributes to the improvement of the activities carried out by separating the tasks, functions, competences and responsibilities of the personnel within the public entity.

The coverage area of a procedure is determined both by the efficiency degree of the internal management control system within the public entity, as well as by the stage in which the process of computerizing the procedural activity is.

1.1. Types of Procedures

Operational procedure (working procedure) - a procedure that describes a process or activity that is carried out at the level of one or more compartments of an entity, without applicability at the level of the entire public entity.

System procedure (general procedure) - describes a process or activity that is carried out at the level of the public entity applicable / applicable to most or all compartments, in a public entity.

1.2. Analysis of the Implementation Status of the Legislation

A number of difficulties were encountered in the process of elaborating system and operational procedures at the level of the analyzed public entities, such as:

- the absence of an internal procedural framework regarding the elaboration, approval, verification and approval of the procedures, which also includes the way of codifying them;
- the procedures are not updated, when appropriate, as a result of the organizational and legislative changes that have taken place in the course of the procedural activity;
- incomplete and out-of-date records of the procedures documented at the level of the Monitoring Commission (structure comprising the heads of departments within the specialized apparatus of the mayor, respectively of the county council);
- the existence of confusion regarding the identification of the scope of the elaborated procedures;
- the job descriptions do not include the tasks related to the elaboration and updating of the documented procedures, which leads to the lack of awareness of the personnel regarding the transposition of the activities carried out in a formalized framework;
- the lack of a unitary codification of the procedures (on the two types of system and operational) at the level of the whole public entity.

2. International Good Practice

Within public entities, Internal Control has a considerable impact on the credibility of a government and its operations. Below are some milestones:
Year | Events
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1992 | In the United States, the Integrated Internal Control Framework was published by COSO; In the beginning, this framework referred only to private companies, currently being applied on a large scale, worldwide, in both the public and private sectors.
1996 | The European Parliament has initiated the formation of a commission of independent experts to analyze how this body detects and treats fraud, practices in awarding financial contracts, mismanagement and the practice of nepotism.
1999 | The Prodi Commission of the European Parliament introduces a number of reforms in the field of internal control.
2000 | The White Paper on managerial reforms is published within the services of the European Commission; With the entry into the European Union of the new member countries and the allocation of funds to them, it was desired to respect the principles established by the White Paper and to put in place a unitary internal control framework, in all public entities, in order to analyze the way in which these funds are administered.
2001 | Updating INTOSAI guidelines for internal control standards in the public sector; The Congress of the International Organization of Supreme Audit Institutions (INCOSAI) decided to introduce in the document all the evolution aspects in the field of internal control and to include a series of components of the COSO - Integrated Internal Control Framework.
2001 | The European Commission has introduced 24 control standards, supplemented by a set of basic requirements, which define the practical actions that should be the basis of the internal control system.
2007 | The European Commission has revised its internal control framework, reducing the number of standards to 16.
2013 | The 2013 COSO framework introduced 17 principles that are necessary for the effectiveness of internal control.
2017 | The European Commission updates its Internal Control Framework in order to align it with the Integrated Internal Control Framework - COSO 2013.

The use of common guidelines for the development of internal control standards allows nations to understand in a unitary manner the internal management control system.

“INTOSAI guidelines for internal control standards in the public sector”, are part of the INTOSAI GOV category - Guide to good governance and are considered extremely useful both to managers in public entities who need to implement the internal control system and auditors external audiences, who need to know this system and evaluate it.
3. COSO Model

The COSO model is a comprehensive framework for internal control (IC), developed by the Sponsorship Organizations Committee of the Treadway Commission.

The goals are grouped into the following categories of objectives:

- Operational - Effectiveness and efficiency of operations;
- Reporting - Reliability of reporting (financial and non-financial) for internal and external use;
- Compliance - Compliance with applicable laws and regulations.

Internal control consists of five interrelated components:

- The control environment is the foundation for an IC system. It provides the discipline and structure that affects the overall quality of IC.

- Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the public organization are considered relative to established risk tolerances. Thus, risk assessment forms the basis for determining how risks will be managed. The precondition for risk assessment is the establishment of objectives, linked at different levels of the public organization. Management should specify objectives with sufficient clarity to be able to identify and analyze risks to those objectives. Management should also consider the suitability of the objectives for the public organization. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own mission and responsibilities that may render IC ineffective.

- Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the IC system, which includes the public organization's information system.

- Effective information and communication are vital for a public organization to achieve its objectives. The management of a public organization uses quality information to support the IC system. The management needs access to relevant and reliable communication related to internal as well as external events.
Monitoring activities is essential to ensure that IC remains aligned with changing objectives, environment, laws, resources, and risks. IC monitoring assesses the quality of performance over time and promptly solves the findings of audits and other reviews. Corrective actions are a necessary complement to control activities in order to achieve objectives.

Conclusions

The procedures represent useful tools, both for the heads of public entities and for the personnel responsible for their application; the main purpose of the procedures is to streamline the activities of the compartment and the public entity. The procedures must be clear, simple, specific for each significant activity or major repetitive process; the procedures must be updated whenever appropriate, informing all the personnel involved and understood by the latter. The procedures must be elaborated even if there are normative acts that regulate the activities or processes in the field; they complete the process as a whole with managers, deadlines, connections between activities and their sequentiality. The procedures must support the personnel of the public entity, by means of clarifications that are not specified in the normative acts and not only to be a reproduction of them. The procedures must implement the standards contained in the components of internal management control, respectively the control environment, performance and risk management, control activities, information and communication, evaluation and audit. The documented procedures must exist for all the important processes and activities and ensure a correct separation of the functions of initiating, verifying, approving and approving the operations. The procedures should be constantly updated and made known to the personnel involved. Each public entity specializes its system of processing activities according to the size and specificity of the entity, the types and complexity of the activities, according to its own system procedure, based on (mandatorily) the minimum structure provided in the Order of the Secretary General of the Government no. 600 / 2018, including in compliance with the provisions of Standard 9 - Procedures. For the proper conduct of the activities, each public entity adapts its separation of responsibilities and responsibilities to its size, by implementing additional control actions.

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