

FINANCIAL CONTROL EFFICIENCY IN ECONOMIC ENTITIES

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In this paper the author presents ways to address issues of financial control efficiency of economic entities through tax administration of budgetary revenues.

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1. Economic Efficiency of Financial Control

As is generally known, the concept of economic efficiency expresses the ratio between profitable effect or outcome and the effort or expense generated by obtaining it. The higher is the achieved effect per unit of expenditure or, conversely, the lower the cost generated by producing a given profitable effect, the higher we consider economic efficiency is. From theoretical and practical points of view, economic efficiency can be generally applied, since, without a certain labor expense, it is not possible to obtain a certain result; work always is the cause, and the product obtained its effect.

The effect of the action of control is expressed in the results obtained from applying the measures resulted from it. The results of control, namely its effects can be grouped into two categories:

- *direct* and immediate effects of control, quantifiable elements that can be known, tracked and aggregated from one period to another;

- *indirect* effects manifesting in time, such as: extending application of control measures, by industry, spheres of activity or even economy.

As for the effort to achieve control, are taken into account, first of all, all expenses resulted from maintenance and operation of the control system (salaries, allowances, daily allowances, school fees and improving the control authorities, etc.). Also, it must be taken into account the effort of the national economy by depriving it of the contribution of the specialists working in the control system.

In our opinion, the factors that influence the efficiency of financial control can be grouped into two categories: *direct* factors and *indirect* factors.

In the category of direct factors, we have considered the control authority, his consciousness, training and methods used during the inspection to increase its efficiency.

In our view in the category of indirect factors are taken into account the material conditions in which the control takes place, audit-specific legislation, relations between inspectors and economic entity and the factual situation, respectively the control objectives, the control period and the results of the control.

Among the ways to increase the efficiency of financial control, we have taken into consideration: financial stimulation of the control authorities, ensuring the independence of control activity, modernization of the control process, increasing educational level of inspectors and rational organization of the control activity.

Last but not least we mention the fact that improving the results of the financial control by attracting additional amounts identified in the state budget is the corollary of the control activity.

2. The Evolution of the Financial Control Activity in Romania

The main activities of financial control are:

- the management and use of funds allocated from state budget;
- management of properties in the state's public domain and administrative - territorial units;
- financial-budgetary discipline;
- computerizing the financial control activity.

Table no.1 Financial Control Activity in Romania (2008 -2009)

Indicator	2008	2009	Rate 2008/2009 (%)
Number of companies that have received financial control	6381	7680	20.4
Number of controls made, from which	8446	10402	22.6
- State departments	291	361	24.1
- National companies and businesses	529	628	18.7
- State-owned or majority state-owned companies	598	762	27.4
- Other controls	7068	8651	22.4
Fines			
Number	954	881	-7.7
Value of fines imposed (million Lei)	1.2	1.9	58.3

Source: <http://www.anaf.ro/public/wps/portal/ANAF>

The table above (Table no.1) shows that in Romania the number of companies that have received financial control and the number of controls made increased by around 20% in 2009 versus 2008. Within these controls the most of them were done to companies state-owned or majority state-owned (27.4%), followed by state departments (24.1%), other controls and national companies. Following these controls the amount of fines increased by 58.3%.

Table no. 2 The amounts established by financial control

	2008 (million Lei)	2009 (million Lei)	Rate 2009/2008 (%)
Total, from which	2141	3828	78.8
- budgetary	291	361	24.1
-financial	529	628	18.7
-fiscal	598	762	27.4

Source: <http://www.anaf.ro/public/wps/portal/ANAF>

The results of the financial control activity have resulted in additional revenue in the state budget, which per total financial control activity was higher with 78.8% in 2009 compared with 2008. From revenues the most significant increase of amounts is registered by income from tax (27.4%) followed by the ones from budget (24.1%) and financial ones (18.7%).

Table no. 3 Turning the financial control activity into profit

Amounts paid during control	2008 (million Lei)	2009 (million Lei)	Rate 2009/2008 (%)
Total, from which	39.7	649.1	1537
- Financial and budgetary differences	23.0	625.0	2615
- Fiscal differences	15.6	23.3	47
- Imposed fines paid	0.8	0.9	11

Source: <http://www.anaf.ro/public/wps/portal/ANAF>

Financial control efficiency is also manifested during the work of tax inspectors which in 2008 compared to 2009 resulted in a significant increase in the amounts paid during the review of 1537% in 2009 compared with 2008.

Budgetary and financial differences identified during the control activity increased in 2009 compared to 2008 with 2615%, tax differences increased by 47% and imposed fines increased by 11%.

Table no. 4 The main activities in financial control

	Number of acts of control	Amounts assessed additionally (million Lei)
The administration and management of financial resources by companies where the state is a major shareholder and by companies that registered loss	757	636.1
Establishing and providing payment sources of repayable funding guaranteed by the state	218	2927.4
Approval of subsidies and transfers from the state budget requested by companies	5690	21.0
Use of subsidies and transfers allocated from the state budget	337	57.6
Concession of assets and activities that are public property of the state	1087	19.2

Source: <http://www.anaf.ro/public/wps/portal/ANAF>

The financial control activity focused in 2009 on five directions, the number of acts of control and amounts assessed additionally being significant primarily for the management of resources at the state-owned companies and for the creation and provision for payment of reimbursable amounts guaranteed by the state.

3. Conclusions

Although control registers a widening of its sphere of action and a diversification of forms of expression, I would like to point out certain restrictions that should be subject to control.

Knowing these limits and restrictions is important and necessary for both the control authorities (who must know exactly their responsibilities and their limits), and for administrative and management authorities (who have no right to restrict or expand control operations at their own will, to prevent verification of some objectives or request the performance of unnecessary or unlawful interference).

The efficiency of financial control is determined by the contribution it has in preventing and eliminating failures, improving the organization and management of the decision-making process and growing the efficiency throughout the whole economic activity.

Our opinion is that the efficiency of financial control must be determined not by the amount of damage found and penalties applied, but, possibly, by volume of amounts receivable, the debits and credits processed, the available stocks recovered as a result of measures taken after completion of inspections.

Today it is estimated that according to how much focus is on preventing misconduct, on the recommendation of the provisions governing the controlled activity, the efficiency of the control will (therefore) be higher. The efficiency of financial control is determined by the permanent connection between the two strands, namely: between the preventive-operative one and the one of immediate improvement of findings.

Listen

Read phonetically

Dictionary -

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