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**THE MANAGERIAL/INTERNAL CONTROL
– APPROACH IN THE MILITARY –**

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Abstract:

The current paper is aimed at concisely presenting the Ministry of National Defense approach related to the Managerial/Internal Control System in comply with the EU requirements and the national regulations in force at present.

Keywords: internal control standards, objectives, activities, operational procedures, risks, risks' diagram

1. Short History Facts

The Managerial Control is a management system included to the public affairs reforms. Many of the EU nations have lately integrated this type of management, which is an innovation only to the public domain, actually representing a displacement from the private field.

As far as Romania is concerned, the **Internal Control** has been established based on the 119/1999 Government Ordinance, in addition to the preventive financial control of the public entities. This normative act is currently in force and stands for the domain special act.

In 2005, in the context of the negotiations related to Romania accession to the EU, and as a result of the necessity to enforce certain internal control standards IAW the good practice principles specific to the community field “acquis”, the minister of the Public Finances issued the 946/2005 Order regarding the Internal Control Code endorsement. It is in this Order that the **Managerial Control** concept has been first mentioned.

In order to have a suitable understanding of the Internal Control Concept the EU adopted the following definition: “the Internal Control includes the sum of the politics and procedures developed and implemented by the management and the staff of the public entity, in order to provide a reasonable assurance attached to: economic, effective, and efficient achievement of the public entity’s goals; conformity to the external regulations and the management politics and regulations as well; assets and data protection; prevention and detection of errors and swindles; quality of the accountancy documents and due time-production of reliable information attached to the financial and management field“.

Even though commensurate with their designation they seemed to be different concepts, both the internal control and the management control basically represented the same thing. The potential confusion caused by the different names was due to an

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inadequate translation. In other respects, this is neither the first nor the last circumstance when equivalent but not completely coinciding acceptations of certain translated words or phrases have been employed in the economic, academic or administrative fields, considering the languages they derived from or the quality of the translators. This happens when the words or phrases are not taken as such mostly from English, as in our case. Translation of the phrase “**internal control**” by the Romanian phrase “**control intern**” was inadequate since the first significance of the verb “to control” is, to the Anglo-Saxons, “to exercise authoritative or dominating influence over; to direct” and only in a second place it means “to check up”. This is not the case of Latin languages, where the meaning of “control” is “checking-up, inspection, and revision”.

Following the 1649/2011 Order of the Public Finance minister, this confusion was cleared away through insertion of the syntagm “**managerial/internal control**” which replaces the two old syntagms “**internal control**”, and “**managerial control**”, respectively.

To conclude, we can say that the Managerial/Internal Control is a system by which the leadership of an organization can control all the specific activities of the organization. This is specific to every commander, at his hierarchic level.

2. The Managerial/Internal Control

It is to be underlined that this type of management implies a dynamic process in hand of the commander who permanently adjusts his tools, procedures, and techniques commensurate with the changes in the military structure.

The Managerial/Internal Control is aimed at monitorizing the military organization **goals establishment and achievement**, actively contributing to that. It must be applied to all the military structures and all the activities run within. The commander is the one to accelerate the implementation of this type of control, by permanently adjusting the tools, procedures, and techniques commensurate with the changes in the military structure.

At the same time, we must realize that each of us, in our capacity as members of the organization, must be capable to permanently use elements of the Internal/Management Control such as, for example, activities review aimed at achieving a goal in the context of any risks that could affect execution. Thus, we can identify and implement the actions to reduce to a minimum the risks attached to the activities necessary to fulfill usual tasks.

Implementation of the Managerial/Internal Control System includes two directions of action:

- Internal Control standards implementation;
- The Risks Management.

2.1. Standards of Internal Control

The standards of Internal Control define a minimum of management rules, to be implemented and observed by all the public entities.

The standards are aimed at establishing a uniform and coherent pattern for the Managerial/Internal Control. As well, they form a reference system compared to which the Managerial/Internal Control systems are to be evaluated and change areas and directions are to be identified.

Each public entity is in charge with the implementation of the Managerial/Internal Control systems. The standards most general definition was necessary to allow

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implementation by the managers, in spite of the significant differences between the various public entities.

The Managerial/Internal Control Systems must be developed in accordance with the legal, organizational, manning, and finance peculiarities of each individual public entity.

By the time the Managerial/Internal Control standards were developed the specific expertise of the EC, INTOSAL, the Public Entities Committee for the Sponsorship of the Treadway Commission, as well as the Canadian Institute of Authorized Accountants was taken into account.

The Standards were grouped within five key elements of the Management Control:

<p>1. Control Environment Standard 1 - ETHICS, INTEGRITY Standard 2 - ASSIGNMENTS, POSITIONS, TASKS Standard 3 - COMPETENCES, PERFORMANCE Standard 4 - SENSIBLE POSITIONS Standard 5 - DELEGATION Standard 6 – ORGANIZATION STRUCTURE</p> <p>2. Performances and Risk Management Standard 7 - GOALS Standard 8 - PLANNING Standard 9 - COORDINATION Standard 10 – PERFORMANCES MONITORING Standard 11 - RISK MANAGEMENT Standard 15 - HYPOTHESES, REEVALUATIONS</p>	<p>3. Information and Communication Standard 12 - INFORMATION Standard 13 - COMMUNICATION Standard 14 - CORRESPONDENCE Standard 16 – NONCONFORMITIES REPORTING</p> <p>4. Control Activities Standard 17 - PROCEDURES Standard 18 – SEPARATION OF ASSIGNMENTS Standard 19 - SURVEILLANCE Standard 20 - NONCONFORMITIES MANAGEMENT Standard 21 - ACTIVITY CONTINUITY Standard 22 - CONTROL STRATEGIES Standard 23 – ACCESS TO RESSOURCES</p> <p>5. Audit and evaluation Standard 24 - CONTROL VERIFICATION AND EVALUATION Standard 25 - INTERNAL AUDIT</p>
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- **Control Environment.** This element includes aspects related to organization, human resources management, ethics, deontology, and integrity.

- **Performance and Risks Management.** This element refers to management in relation with goals establishment, planning (multiannual planning), programming (the management plan), and performance (performance monitoring).

- **Information and Communication.** This section integrates aspects attached to the establishment of a suitable informational system, and of a system of reports regarding the management plan and budgeting execution, resources employment, nonconformities reporting. As well, the documents preservation and registration must be taken into account.

- **Control Activities.** Standards included into this key element of the Managerial/Internal Control focus on: procedures documentation; operations continuity; exceptions registration (incompliance to procedures); assignments separation; surveillance (monitoring) etc.

- **Audit and Evaluation.** The topics in this group of standards are related to the development of the evaluation of the management control capability, in view to assure the permanent improvement of it.

Each standard is organized into 3 components:

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- The standard description – shows the specific features of the area of management attached to the standard, based on the standard title;
- The general requirements – set the established directions of action, in order to comply with the standard;
- Main references – lists the representative normative acts including provisions applying to the standard.

2.2. The Risk Management

One of the most important standards included into the Code of the Internal Control refers to the Risk Management. According to this, **every public entity is required to systematically review the risks attached to specific activities, develop suitable plans which are to limit potential consequences of these risks, and name the personnel in charge with the plans implementation, at least once a year.**

This action is aimed at familiarizing the public organizations in Romania with such a system. At the same time, the intention is to establish a unitary approach frame for the risks management in the public area and consequently the harmonization of practices developed at every organization level.

All the leading personnel in the organization has to adequately understand what is the internal/management control, and the tools specific to it, no matter the level of command. They have to know how to act in order to implement and permanently update it.

To this purpose there is a verified method to be observed. It consists in an approach made in conformity with the risks.

The concern related to risks management is not new in the military world. In order to take the necessary actions in due time, each structure, and each officer, NCO, corporal or sergeant who intends to achieve certain goals, establishes the specific activities and, at the same time, tries to identify as much as possible of the threats that could prevent him from achieving the goals. Even though we are not familiarized with the concepts of risk and risks management, we act towards this, number of times, either we are aware or not.

Essentially, the risk is a situation or an event that has not taken place yet, but could happen in future, in which cases the achievement of the *a priori* established results is menaced or intensified. The risk is the doubt related to achieving the desired results and must be considered as a combination between the probability to happen and the impact it would cause if materialized. Therefore, this new perspective involves a review of all the activities, commensurate with the risks.

The phases to pass are as follows:

- **Establishment of the unit's goals**, starting from the ordered missions;
- **Establishment of the activities** which are necessary for the goals carrying out;
- **Development of operational procedures** which describe the way to fulfill **each identified activity**. The operational procedures will comply with the standardized pattern, directed by the in force regulations (format, chapters names, rules and limitations to be observed, identification of the risks which could affect the activity execution, etc.);
- **Development of the organization Risks Register**, in which the identified risks are registered, evaluated (as a probability to happen and as an impact if materialized), actions are established to counter risks materialization or diminish their effects, in case they materialize;

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- **Development of a diagram of the risks**, to reflect risks distribution by compartments in the institution, by areas of activity specific to the unit, identified types of control actions;

Thus, the institution management personnel will be able to identify the adequate actions to eliminate the risks. Therefore, the actions necessary to “control” the activities aimed at achieving the projected goals would be adopted.

In order to implement these actions, the responsibilities and precise terms must be established.

The entire process is to be continuously monitored and re-assessed.

3. Conclusions

Following the implementation of the Managerial/Internal Control, based on the review of the risks attached to each activity, one can identify, *ab initio*, the possible distortions, anomalies, dysfunctions. This allows corrective actions to be taken in due time, thus avoiding aggravation of the negative situations.

As well, the units command can permanently monitor the “negative elements” (risks) which could endanger the accomplishment of the unit’s goals/missions, and the effectiveness of the established counter-actions.

To another respect, the managers (commanders) concerns can be focused on identifying and dealing with the causes rather than with the effects.

At the same time, the favorable conditions that make prejudices, damages, and swindles to occur can be removed.

According to the specific newest regulations at national level, starting with 2011, after the submission of the budgetary execution documents attached to the finalized year, every unit commander will develop a report completed on his behalf, certifying the level of implementation of the Managerial/Internal Control System in his unit. This level will be set based on auto-evaluation questionnaires filled by every microstructure chief (office, section, etc.) within the unit.

As a final conclusion, it must be mentioned that the development, implementation, and especially the efficiency of the Managerial/Internal Control systems in the Ministry of National Defense are attached to a new concept brought into use in the military area, and that is why clarifications, redefinitions, updates will be necessary. The whole process is a dynamic one, and essentially depends on the capability to accommodate and the know-how of the commanders in charge during this period.

References:

- [1] The minister of the Public Finances Order no. 946/2005 regarding the Internal Control Code endorsement;
- [2] The minister of the Public Finances Order no. 1649/2011 regarding the completion of the minister of the Public Finances Order no. 946/2005.