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General Management Components Involved in the Management of Financial Audit and Control

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Abstract: *The efficient functioning of organizations cannot be achieved without ensuring the correct use of the public or private funds that are at their disposal, in accordance with the objectives which they have set for themselves. Managers have the task of managing the funds in accordance with the legislation in force, as well as taking measures in order to prevent, sanction or recover any damage caused by financial irregularities or by the failure to achieve the objectives for which they were allocated.*
A basic concept in the theory and practice of modern management is represented by responsibility. To fulfil his responsibility/responsibilities, the manager needs a system of guidance, self-regulation or coercion, and that system is represented by control. Control, and in particular the financial audit and control, contributes to the evaluation of the programs performance, to the planning of activities and to a good management of resources. The successful accomplishment of these tasks cannot be accomplished outside of management science and the reverberations it entails.
The role and importance of the financial audit and control in management, imposes, as it is shown in this approach, the need for a management of this activity, which would have its own structural elements, with specific relationships between them, and also with the system in which it evolves.
The financial audit and control management, as a segment of management, must be defined starting from the general management. That is why, in this paper, I tried to approach, as a personal contribution, the management and financial audit in terms of general components (Management Science, Scientific Management, Management Processes, Management Relations, Management Principles, Management as a synthetic economic discipline) and in terms of the components of the organization's Management system (Information system, Decision system, Organizational system, Methodological system). The study that took place revealed a series of predictable influences such as: the need to create some computerized infrastructures, to create some horizontal information networks that would allow the efficient use of knowledge, increasing the role of management by objectives coupled with management through budgets, elaborating complex analysis and evaluation methodologies.

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

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Introduction - Management science and scientific management in financial control and audit

In essence, management science is the set of human activities aimed at discovering new systems, methods and ways of organizing, and scientific management *"represents the set of human activities through which the creations of management science are operationalized in practice"* (Nicolescu & Verboncu, 1999, p. 39)

However, scientific management is not only limited to the implementation of the theoretical-methodological elements provided by the science of management, because the complexity of the situations encountered imposes on the managers a continuous adaptation of the scientific instrumentation to concrete conditions. Discovering and applying the methods of using the management science techniques, adapting them to the concrete conditions within organizations, represents a valuable challenge for the financial control and audit.

Using the information provided by the financial control and audit contributes to the improvement of the managerial knowledge necessary for implementing a professional and efficient management, in the current context of globalization. In order to carry out the control and financial audit activities, in addition to the classic economic instruments used, one can use managerial tools such as SWOT analysis, global diagnosis, Electre, etc.

Increasing the complexity of the financial control and audit activity implies the need to adapt to the high degree of automation by integrating information technologies and the associated problems in the operation of control departments and institutions. Depending on the scale of the controlled system, it is necessary to find solutions that would optimize the flow of control or audit, and the methods and techniques used. The existence of local, regional or national databases will facilitate the introduction of new approaches in accessing and processing the economic and financial information. The main change from the classical control is represented by *the possibility to consult on-line the databases placed at distance*, which implies specific techniques, methods and procedures, superior to the traditional ones.

Starting from the need for an increasing frequency of financial controls and audits, it will gradually move to a more refined form of online control, namely *the continuous financial control which involves the permanent interaction of the financial control with the organization's system and access to the informational content at the appropriate time,* being able to act to correct the

deviations from the objectives pursued. Using the analysis software elements, financial controllers can observe data from different angles and, based on their own experience and creativity, can give multiple interpretations to the meaning of the information.

The management science tools are a real support in the financial control and audit activity whose main purpose is to help managers define their policy in the organization, to support them in solving complex problems by issuing informed decisions, to prevent and eliminate deficiencies in the system.

Processes, relationships and management principles and how they are found in the financial control and audit management

The managerial process materialized in the managerial functions of forecasting, organizing, coordinating and training has as support the continuous exercise of the control-evaluation function.

The process of financial control and audit is performed by specialized persons, who have the knowledge and skills necessary to ensure knowledge by the state or managers of organizations of how the financial and material resources are managed, of the way of achieving and spending the public and / or private money, achieving the economic-financial efficiency.

Within the process of financial control and audit, an increased attention must be paid to the finality of this process, respectively to the corrective action, which involves removing the deviations from the legal norms, recovering damages where it is appropriate and establishing the factors responsible in order that such deficiencies do not happen again.

The development of the phases of the financial control and audit process is of course influenced by the management relationships, respectively by the relationships that are established between the financial controllers, as well as between them and the staff of the audited organizations in the process of prevention, organization, coordination, training and control-evaluation of the activities carried out.

In order to meet these requirements, especially in the current stage, the financial control and audit structures must promote a participatory, flexible and professional management. Participatory management ensures the training and capitalization of the creative and innovative capabilities of the financial controllers, together with the manager of the structure, in approaching and solving complex problems related to public finances, in

order to meet, under performance conditions, the objectives of the organization to which they belong.

Ensuring the principle of participatory management ensures the legal and scientific refinement of the solutions, tools and procedures used in financial control and audit.

The information system in the management of financial control and audit - towards a radical restructuring

Generating information and data becomes a more urgent requirement of the management process; a leader cannot lead and adopt strategic or tactical decisions without having a proper information system. Within the organization, information means time, effort, but also power and wealth. More and more scientists are emphasizing the importance of information and knowledge in the economic and social development. "Some specialists, such as R. Vitro, have come to explain the development of the society as an information process, and Alvin Toffler argues that the third source of power that tends to become predominant is represented by information in the future (Nicolescu et al., 2003, p. 401).

The development, in conditions of efficiency, of the organization's activity is not possible without the contribution of the **information system**, this is the one that provides the necessary raw material in establishing and achieving the managerial objectives.

If information is a vital necessity of the organizational existence, it can, at the same time, be the source of some dangers in the case of its incorrect or irresponsible handling. Disinformation has serious implications regarding the management of the economic and social resources, contributing to a number of shortcomings in the information system.

Knowing the negative effects of the presented deficiencies is particularly important in order to be able to act on the causes that generate them and for the quantitative and qualitative delimitation regarding information within the organizations. "Information, in the age of knowledge, digital age, virtual age, under the conditions of ***change***, etc., becomes one of the fundamental problems whose solutioning conditions, decisively, the existence and development of the organization" (Bogdan, 2004*).*

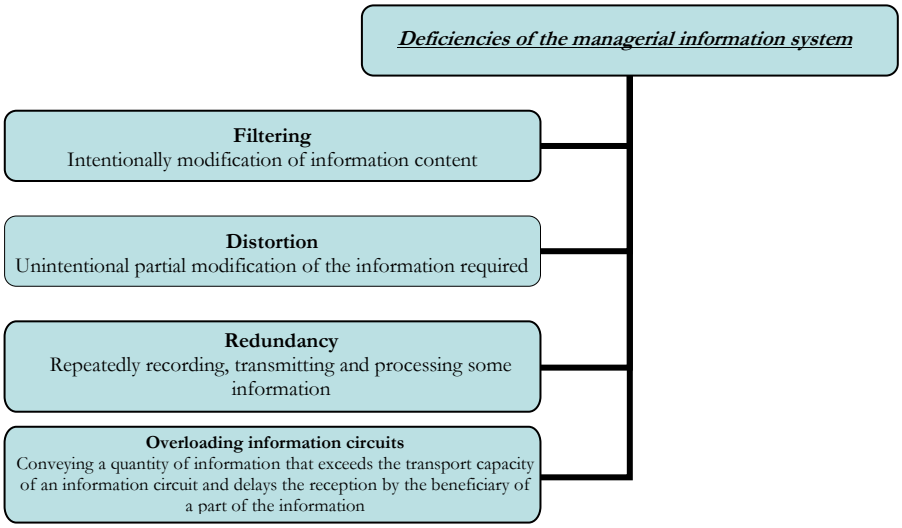


Fig.1 Major information deficiencies
Source: Nicolescu, O., Plumb, I., Pricop, M., & Verboncu, I. (2003)

The financial control and audit management information system means data, information, information flows and circuits, procedures and means of information processing that contribute to the substantiation and adoption of decisions, to knowing and fixing the deficiencies found, to preventing the repetition of some negative aspects, to improving the activity of the organization.

For the financial control and audit activity, the main source of information is represented by the primary documents, the technical-operative and accounting, synthetic and analytical records, the financial statements. As the volume and complexity of the accounting work increases, so does the risk of errors in data processing. Failure to detect this danger in time leads to wasted resources, to the inefficient functioning of the financial mechanism, to the improper management of the organization's patrimony. That is why, in the management of the financial control and audit, the importance of the information system is decisive.

Substantiation and quality of decisions, their adaptation to the external stimuli, the ability to predict, prevent financial irregularities and deviations depend on securing and managing an effective and transparent database. The decision-making process in control can be properly defined, only if the efficient development of the process of gathering and analysing information and confronting ideas is ensured. The quality of the information system in financial control and audit depends on:

- realism;
- multilateralism;
- dynamism;
- precision;
- opportunity;
- adaptability of information requirements that can be largely ensured by the development of the IT area.

The development of the information technology gives new dimensions to information and to other information components (procedures, circuits and flows), ensuring that the data necessary to substantiate decisions is made available to controllers and contributes to the generation of new information and data, requirement that is imposed in the financial control management process. In order for this to happen, auditors and financial controllers should be provided with access to the electronic system which documents the activity of the audited organizations.

Given that, at present, at national level, there is a great diversity of databases; there is the problem of developing some apps that would allow the processing of information that come from heterogeneous data sources. The use of data in electronic format, which come from various sources, requires the existence of specialized hardware and software infrastructures, capable of ensuring the provision and collection of information for the purpose of their processing by financial controllers and auditors, in accordance with the objectives pursued.

The new type of knowledge-based society will decisively influence the information system.

The organizational system in the management of financial control and audit, in a new approach

The organizational system represents the set of organizational elements that ensure the framework, division, combination and functionality of the work processes in order to achieve the mission and objectives of the organization.

The importance of the organizational component in the management of financial control and audit lies in the need and in the role that this activity has in knowing the economic-financial reality within the organization and in determining and preventing deficiencies and anomalies. It should not be overlooked the fact that, currently, in the management process, an increasingly share is occupied by the financial activity that must be carefully monitored. That is why, in practice, managers must be concerned with organizing the control system and constantly updating it,

due to the evolution of the risks faced by the organization. According to Mintzberg (1979), the organizational structure, represents "the total sum of the ways in which he divides his work into distinct tasks and then reaches their coordination" (Cole, 2004, p. 164).

From the management perspective, organizing in control must represent a set of processes that delimit the component elements of the system, the tasks and competencies of the controllers are mentioned, as well as the relations that are established between them.

In identifying the various forms of organizing, two criteria must be taken into account: ► the object of organizing; ► the level of organizing.

Depending on the *object of organizing*, we can talk about the structural and procedural organizing.

Organizing the control and financial audit structure

The structural organizing consists in grouping the functions, activities, attributions and tasks in relation to certain criteria and distributing them in order to achieve them on working and individuals groups in order to achieve the general objectives (Crişan, 2001, p. 87).

The organizational structure usually refers to the relationships that are established between the resources of the management system, ensures the stability of a framework for achieving objectives and contributes decisively to strengthening the organization's ability to adapt to environmental requirements. The organizational structure is usually represented by a graphic illustration known as an *organization chart*. The organizational chart takes different forms, the best known being the flat ones, characterized by a limited number of hierarchical levels. The height of the organization chart is determined by the *management area*, that is, by the number of employees that can be effectively supervised by a manager; this is a matter of utmost importance for the efficient use of human resources.

Of course, the management process of the financial control and audit can only take place in an organizational framework that provides the concrete form of development of the control functions and activities.

The creation and recording of structural forms and components must be done with the help of some regulations and documents that carry the endorsement of the senior managers of the organization. An increased attention must be paid to the proper delimitation and sizing of the management and execution positions, to the functional and operational compartments, to the operations performed with the help of the organizational chart, the organization and functioning regulation and the job description.

The procedural organizing of the control, respectively, the delimitation and the corresponding dimensioning of the tasks, attributions, functions, activities and their correlation with the organizational components (positions, hierarchical levels, functions, etc.) leads to the elimination of confusions, parallels, to strengthening the responsibility of the financial controllers or auditors in achieving the main objective of ensuring the improvement of the activity of organizations. In the process of organizing the control and financial audit activity, it will be permanently considered the prevention of overloading the top managers, freeing them from operational decisions, thus allowing them to focus on the strategic responsibilities.

Depending on the levels of organizing, the control structures may adopt: ► Hierarchical structures; ► Functional structures.

In the financial control and audit, managers should adopt the organizing structure with few hierarchical levels, which means fewer communication and coordination problems and making the controllers accountable for their work.

The decision-making system in the management of financial control and audit - between decentralization and accountability

The integration of the organization in the external environment is determined by the quality of the decisions taken within it. The set of decisions issued and applied to achieve the proposed objectives, make up the decision making system of the organization.

Decision represents the main management tool, which consists of a process of choosing the best alternative to perform tasks and whose application has a direct influence on at least one other person, and causes effects at least at the level of one compartment from the organizational structure. Agreeing on the material, financial, human resources, etc. and achieving a high functionality of the systems that make up the organization, cannot be achieved without the use of the decision-making arsenal by the managers.

In the financial control system, from a decisional point of view, the management is found in decisions, mechanisms of substantiation, their adoption and application.

The key elements involved in the decision-making process are:

- the decision maker;
- information;
- decision methods and techniques; - decision environment; - decision effects.

The decision maker, respectively the financial controller, the auditor or the manager of the control structure must identify with the decisional problem and differentiate it from a non-decisional one. Substantiating the decision depends largely on the level of training of the managers and control specialists. If the dependence of the decision of the human resource is well known, the element of novelty in control is represented by the cultural-organizational conditioning. In the activity of financial control and audit, decisions are increasingly marked by value systems, individual and organizational behaviours.

The decisions that are taken can have either a ***corrective character***, by eliminating the deviations from the legal norms or from the objectives of the organization, acting on the causes involved, or ***an integrative character in the system***, the decisions contributing to the integration in the system of those positive elements identified, if they can contribute to the increase of the performance, as it happens in the internal audit mission.

The reform of the financial control system in Romania, especially in the sphere of the public organizations, and the intensification of the decentralization process, involved, among other things, the transition to a control system specific to each organization, capable of limiting the effects of the risks in order to achieve the set objectives. Managers must understand that their responsibility determines them to be involved in the most efficient organization of the internal control activity, and especially of the internal audit, precisely in order to be able to identify irregularities in time and on this basis to be able to adopt and implement the appropriate decisions.

Of particular importance are the forms of manifestation of the managerial performances, respectively the performance indicators specific to the management subsystems. For the decisional subsystem, these could be:

- The decisional solutioning degree of the problems faced by the organization, determined as the ratio between the number of decisions adopted and the number of problems faced by the organization in a given period of time;
- The degree of application (operationalization) of the decisions, determined by the actions initiated in the field led for implementing the decisions;

Table 1. Performance indicators specific to the management subsystems

No.	**Performance indicators specific to the management subsystems**	**Indicators**
1.	The decisional solutioning degree of the problems faced by the organization	Decisional intensity (DI) = Number of decisions taken/ Number of decisional problems x 100
2.	The degree of application of the decisions	Application index (AI) = Number of decisions applied/ Number of decisions taken x 100

Source: Verboncu, 2005

Before these indicators can be transformed into bureaucratic systems, research must establish their usefulness in management, the most appropriate calculation formulas and the possibility of application.

The methodological system - a new vision regarding the scientizing of financial control and audit

The transition of the management in an increasing proportion from the descriptive-explanatory phase to the normative-applicative phase, the orientation of organizations towards functionality and performance, implies the use of a set of methods, procedures and techniques constituted in a methodological management system. Methodological systems must be seen *"as coherent sets of management principles, methods and techniques, decision-making, informational and organizational procedures, rules by which the management process is executed in different and specific ways both at the level of the entire enterprise and at the level of its main components"* (Crişan, 2001, p. 158).

Unlike management techniques and methods (meeting, delegation, diagnosis, etc.) which usually aim to perform certain managerial attributions or tasks, management systems target the organization as a whole or its major components. Due to their complexity, the methodological management systems are based on a systemic conception and incorporate methods and techniques that can be used independently.

For the integral and effective settlement of the specific problematic which arises from the financial control and audit mission, as well as to be able to prove that the control results are based on a thorough research, the

financial controller or auditor will use established control methods, techniques and procedures. The decision concerning the selection of the most appropriate control methodologies for the activity under analysis is up to both the person in charge of the mission and to the manager of the control structure who has the duty to define its own working methods (also taking into account the legal regulations), which must be formalized in procedures for performing the attributions and must be constantly updated. At the same time, the manager of the control structure has the duty to make these working methodologies available to his own employees and to force them to respect them. The set of methods, techniques and procedures usable in order to streamline and professionalize the financial control and audit activity forms the *methodological system* usable in this activity. The financial control and audit methods and techniques used by the specialist in order to substantiate his findings and / or in order to be able to formulate a qualified opinion on the investigated objective, can be used both in the documentation phase and in the execution phase of the entrusted mission. With full reason, management specialists believe that the vast majority of the management systems, methods, techniques and procedures (Nicolescu, 2000) can be applied, with appropriate adaptations, in all management subsystems. One of the most important methods is ***the ABC method***, of Pareto's Law, which shows that ***90% of the results come from about 10% of the number of products and services.*** According to Peter Drucker, "*a very small number of events concentrated at one extreme - about 10-20% - produce about 90% of the results, while the vast majority of events produce only 10% of the results."* (Drucker, P., 2001, p.14), which means that the other 90% of events consume only resources and are generally inefficient. Using this finding allows the financial controllers and auditors to support the organization's management in directing the efforts towards revenue-generating activities. The financial control and audit has the task of identifying which resources are directed to problems and which resources are directed to opportunities, knowing that *"resources, in order to lead to results, must be allocated to opportunities and not to problems"* (Drucker, 2001, p.12).

The diagnosis has a wide applicability in the control activity, but especially in the audit one,; it is a specific management tool through which one enters in the intimacy of the analysed phenomena and processes. The content of the diagnosis can be represented both by the organization as a whole, in which case we refer to a *global diagnosis*, a tool that can be used especially in external audit, or some structural-organizational or procedural components of the organization, in which case *the diagnosis is partial*, a tool used mainly in the internal audit.

By identifying the strengths and weaknesses, then continuing with establishing their causes and formulating appropriate recommendations, ensures the substantiation of decisions, strategies and policies of the organization.

The mutations that occur in the contemporary world will influence the components of the management, and therefore the methodological system.

A professional duty of the specialists in the field is represented by is the continuous enrichment of the methodological system that can be used in the financial control and audit activity. A relatively recent procedure, adapted to the new mutations that can be used in control is the comparative analysis (benchmarking), due to its effectiveness in connecting the state of affairs of an organization to a good practice in the field. Benchmarking, a technique that should be used more in auditing, consists in fact in reporting the characteristics of the verified organization to the good practice in the field. A complex investigation process, *benchmarking*, which essentially consists of a comparison between two relatively similar organizations, can provide the audited organization with reliable and advantageous solutions, enhancing flexibility and competitiveness.

The performance of the methodologies and techniques used depends on:

- *the opportunity* to use a certain method or managerial technique. When choosing the appropriate tool, the volume and complexity of the verified objectives, the organizational culture, the attitude towards changing the employees will be taken into account, etc.;
- respecting the methodology for using the chosen instruments;
- *synchronization* between the requirements of the managerial method or technique chosen in control or audit and the competence of the managers and executors involved in the verified activity;
- choosing the managerial method or technique according to the vulnerable area of the controlled activity.

Of course, decisive in choosing one over the other of the managerial methods or techniques used is the competence of the specialists and the managers of the control structures, the knowledge that they have in the field of management, finance, control, etc.

Conclusions

- In order to support the organizational and state management, the financial control and audit must have a dynamic character, which constantly adapts its policies, techniques and tools according to the changes that take place in the environment in which it operates;

- In order to achieve the activity, in conditions of efficiency, the financial control and audit structures will use, in addition to the classical control tools, management science tools such as SWOT analysis, global diagnosis, etc. The control specialists will focus towards the implementation of the tools provided by management science, given the complexity of the situations encountered, which requires a continuous adaptation of the specific instrumentation to the concrete conditions;

- In the financial control and audit process, a greater attention must be paid to the finality of this process, which is represented by issuing measures and recommendations that would lead to the removal of the deviations found, recovering damages where appropriate and establishing the factors responsible so that such deficiencies are not to be repeated. To accomplish such a mission, financial control structures must promote participatory management, which would ensure the training and capitalization of the creative capacities of the control specialists in solving complex problems related to the management of the public or private finances of the organizations;

- The mutations that occur in modern organizations will influence both the information system, which provides the raw material needed to set and achieve objectives, and the methodological system, which ensures the scientific character of the management. From the study undertook it resulted a series of predictable influences such as: the need to create some computerized infrastructures, the creation of horizontal information networks that allow the efficient use of knowledge, the increase of the role of management by objectives coupled with management through budgets, the elaboration of complex analysis and evaluation methodologies. A relatively recent technique that can be used especially in auditing is benchmarking, one of the most modern and effective technique of comparative analysis of the organizations with similar profiles.

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