

Internal Mangement Control in the National System of Environmental Protection

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Abstract

*The paper entitled **Internal Management Control in the National Environmental Protection** focuses mainly on documentary research that define the importance of general internal management control in public institutions of the Romanian state.*

Speaking about the national environmental protection, the work is custom with a case study on one of the most competent environmental authorities at county level, namely the Environmental Protection Agency Arges.

With an administrative system reform process, internal management control system comes to bring added value to general and specific activities of such entities in order to improve outcomes in the public sector and meeting the needs of direct and indirect beneficiaries, individuals and businesses.

Keywords: *internal management control, public institutions, public administration, environmental protection*

JEL Classification: D73, H83, O13, P18

Introduction

As part of the reform of public administration in Romania, involving institutions like Parliament, Government, Ministry of Finance, Ministry of Administration and Interior Affairs, Court of Auditors play an important role. This reform relates to the propensity to overall efforts to improve the management, administrative capacity and how it is organized the entire public sector.

However, we talk of public expenditure management that focuses mainly on the budget, accounting, financial management and internal control. In turn, the internal control environment now revolves around important elements such as the national budget accounting system, budget programs, internal audit and combating fraud / irregularities.

In context, to strengthen institutional capacity, supported by the Court of Accounts permanently, a series of measures have been taken in terms of improvement of quality of internal audit, of course legislation, namely the adoption of Order no. 946/2005 approving the Code of internal control / management, including internal control standards / managerial public entities.

Over time, substantial efforts have been made to develop methodologies and procedures applicable to the activity of the Court of Accounts, so that in 2015, Order no. 946/2005 was repealed by Order no. 400 of 06.12.2015 which approved new Code of

internal control / management of public entities in Romania and the new ICS / managerial not much changed compared to previous ones. These legislative changes are an improvement peak pyramid audit methods specific to a modern audit institution.

Internal control is a dynamic process which continuously adapts to changes facing the entity, directly involving the management and personnel at all levels of the organization to identify and address risks and to provide reasonable assurance that the mission of the entity and general objectives have been met.

1. General comments on internal control / management

Community legislation in internal control consists largely of general principles of good practice accepted internationally and in the European Union. How these principles translate into internal control systems is country specific being determined by legislative, administrative or cultural conditions.

Necessity and internal control mandatory for public entities is regulated by Order no. 400 of 12 June 2015 approving the Internal Control Code / managerial standards of public entities with internal / managerial control.

Code internal control / management for the public entities is defined as all forms of control exercised at the level of the public entity, including internal audit, established by management in accordance with its objectives and legal regulations, to ensure the management of public funds economically, efficiently and effective, also includes organizational structures, methods and procedures.

The system of internal / managerial control of any public entities operates with a variety of methods, means and actions, provisions concerning all aspects of the activities of the entity being established and implemented by management to allow the holding of a better control over operations of the entity as a whole and of each activity / operations separately.

Building a solid internal control system is a lengthy process that requires significant efforts from the entire personnel of the entity and in particular from employees to management positions. Internal control / management is the responsibility of leaders who have the obligation to define, to design, to implement and continuously to improve it.

1.2. The purpose of defining standards and internal control / management

Internal Control Standards define the minimum management rules that all public entities must follow. The purpose of standards is to create a model of internal / managerial control uniform and consistent to allow comparisons between entities of the same kind or into the same entity at different times, and make it possible to highlight the results of the entity and its evolution. Standards are a reference system relative to assessing internal control systems / management, identifying areas and directions of change.

The standards are grouped in five key elements of internal control / management:

- Control environment, organization grouping issues, human resources management, ethics, ethics and integrity;
- Performance and risk management are key concerns and management issues related to setting objectives, planning (annual planning), software (management plan) and performance (performance monitoring);
- Control activities that are found in these standards grouped in this key internal control / management focuses on: documentation of procedures; continuity of operations;

recording exceptions (deviations from the procedures); separation of powers; supervision etc.

- Information and communication is a section where are grouped issues related to creating an adequate information system and a system of reports on implementation of the management plan, budget, resource use, and management of documents;
- Evaluation and audit is an issue that target this group of standards with regard to the capacity of the development of internal control assessment / management, ensuring a continuous process in order to improve it.

Each standard is divided into three components:

- Description of the defining features of standard showing management area covered by the standard, the area secured by its title;
- General requirements that relate to determining directions in which action must be taken to meet the standard;
- Main references showing representative normative acts include regulations applicable to the standard.

2. Modern Public Management. New Public Management (NPM).

Public management is a dynamic, flexible system through which the general public and specific interests of society are accomplished.

Public management are studying processes and relationship management between the administrative system components, but also within them, in order to discover the principles and laws, general methods and techniques to improve forecasting, organization and coordination, resource management and control evaluation activities in order to increase level of satisfaction of the public interest.

The fundamental objective of public management is to increase the satisfaction of the public interest, led by general and specific needs.

Public management believes that governments and public institutions are similar in many respects to private sector organizations. So, we talk about the emergence of the New Public Management (NPM) which since the 1980s, with public reforms made by the government of Margaret Thatcher in Britain and the administration of Ronald Reagan in the United States begins to take shape a new approach to public administration .

The main idea underlying the NMP argues that a better orientation of the public sector towards the market needs of citizens leads to increased efficiency of government costs without negative side effects on other objects or areas.

In fact, NMP reflects an attitude based on the idea that the institutions of the public system can and should operate as private sector organizations.

The efficiency and effectiveness in the public sector need to be improved, public management in public institutions should be focused on objectives and results and public managers must be valued according to the ability to solve social problems and targets.

Basically, NMP perspective include increasing productivity and improving cost-effective public services, market strategies adopted by the public sector, customer orientation, decentralization of authority structures and distinguish between policy making and its implementation. NMP considers his beneficiaries of public services as customers, shareholders and the citizens are treated as private organizations - these are other similarities with the private sector.

2.1. Performance criteria and performance management in public institutions

To determine how well or how badly operates an operation, we require certain performance criteria. One of the models on which we can start to identify these criteria is the theory of 4 E, meaning, Economy, Efficiency, Effectiveness, and Ethics.

By acquiring the resources that understand economics at the lowest price in terms compliance with specifications. Efficiency means doing what you do well, while effectiveness is doing what must be done. If efficiency describes how well the organization manages to transform inputs (resources) into outputs (results), then the effectiveness shows the way the organization achieves its goals.

If the first three criteria existed and were put into practice for a long time, the fourth criterion - ethics - later appeared as a necessity brought first to the private organizations, but taken very quickly by public institutions.

Ethics is whether the behavior of the organization and its members amounts to the moral standards accepted by society. This criterium is of all the most important since it is closely linked to corruption.

Also, the 4 E can be used as a criterion in assessing performance. Starting from the institution itself and the objectives it proposes criteria can be established as well as measure indicators, or performance standards. Performance can be defined both by results and by behavior. There are today in modern management administration a comprehensive set of tools, methods and techniques that orientation towards performance is not a mere slogan but the main frame where its decisions are implemented and then the results are measured and also the distance to those agreed. Performance management involves on the one hand the ability of managers to set strategic direction, to establish clear and relevant objectives, and on the other hand their effectiveness in meeting staff.

2. Management by Objectives (MBO)

The process of setting goals is part of an institution's strategic planning system, which must be implemented in each public or private organizations. Planning by setting goals that classifies objectives involve time, so in the long term (over 10 years), medium term (over 5 years), short-term (under one year).

Management by objectives (MBO) is defined as planning geared towards achieving the goal of the organization in the most efficient way possible. MBO is the instrument for managers by excellence as they decide, but also argue about who do, how to do, what to do and by when.

Any public institution should define its general and specific objectives in line with the purpose for which it was created under the laws, regulations and internal policies that we can do according to package requirements SMART - Specific (Sharp), Measurable / verifiable (measured and verified) Appropriate (Required), Realistic (Realistic) and Time-dependent (Deadline), and not least the long awaited results.

To fulfill the objectives and targets we can establish indicators of performance. The purpose of using performance indicators is to evaluate certain points in time meeting the targets, prevention of problems and take quick corrective measures, increasing managerial accountability by establishing objective criteria for assessment, for comparisons to identify opportunities for improvement and promotion activities.

In their work, public institutions are exposed to risks, which is why they have the obligation to analyze systematically, at least once a year, the risks related to their activities,

to develop appropriate plans to minimize possible consequences of such risks and appoint responsables for implementing these plans.

This practice has migrated from the private sector to the public sector, so that increasingly more and more governments of EU member countries have integrated risk management in public administration reforms undertaken in recent years.

An important role is assigned to institutional communication, which is becoming more developed in public organizations, so most public institutions have departments specialized in this area. There are several types of communication in the public sector that is interpersonal communication, communication between the public institution and citizens and internal communication.

One of the important functions of performance management is to monitor and evaluate performance, with the aim that the entire organization to achieve better results through improved performance for the individual.

4. The internal management control of environmental institutions. Case Study: Arges Environmental Protection Agency (EPA Arges).

Arges Environmental Protection Agency (EPA Arges) operates in accordance to the Government Decision no.1000 / 2012 regarding the reorganization and operation of the National Environmental Protection Agency and public institutions subordinated to the Government Decision no. 544/2012 on the organization and functioning of the Ministry of Environment and Forests, and other applicable laws.

It is a public institution with legal personality, subordinated to the National Agency for Environmental Protection, with the status of decentralized public service, funded from the state budget and which meets in the counties of Arges, tasks of the National Agency for Environmental Protection, respectively: implementation of policies, strategies and legislation of environmental protection at the county level.

The Environmental Protection Agency Arges issues regulatory acts in environmental protection, in accordance with the powers conferred by the National Agency for Environmental Protection, under the legislation in force and provides by specialized departments, the carrying out of environmental protection in the county..

The organizational structure of the Environmental Protection Agency is established by flowchart and is approved by the decision of the National Agency for Environmental Protection as follows: Executive Director, Public Relations and Information Technology, Opinions, Agreements, Authorizations Service, Quality Factors Service, Environmental Monitoring Service and Laboratories, Department Budget, Finance, Administration and Human Resources.

Besides the executive director work there are certain structures, including the **Commission for monitoring, coordination and methodological guidance to the implementation and development of internal control / management at EPA Arges.** It operates under a regulation approved by the manager of organization and functioning and consists of a chairman, members and secretaryship.

The designated persons responsible for the implementation of internal control / management at the level of each structure developed the program of objectives, actions, responsibilities, deadlines, and other components of those measures, in compliance with the minimum management rules contained by internal control standards, organizational , functional particularities and responsibilities of EPA Arges, staff and structure, other regulations and conditions.

They also, identify and prioritize regular general objectives. They assessed and prioritized risks that could affect the overall goals and the overall operation of the agency. They monitored the objectives quarterly and evaluated them annually. Arges Environmental Protection Agency has implemented internal management control according to the Order no. 946/2005 approving the Internal Control Code which was repealed by Order 400/2015 approving the Internal Control Code of the public entities whose standards govern internal management control.

If in the order repealed there were 25 internal management control standards, the Order 400/2015 came to compress a total of 16 standards and to complement them with a new accounting and financial reporting. How to implement the standards was performed as follows:

At Standard 1 - Ethics and integrity - Code of Conduct has been notified to the staff management and execution, a person has been appointed to deal with ethical advice and when irregularity occurs, there are measures ordered by internal rules and legislation.

At Standard 2 - Powers, functions, tasks - Arges EPA notified the staff in the rules of organization and operation, the internal regulations published on the intranet, job descriptions that have been acknowledged under signature. There were also identified 48 public functions to which the laws on corruption are applied.

At Standard 3 - Competence, performance - Staff specific conditions were established from analysis carried out for staff recruitment and job description, there have been identified the areas for improvement. The annual plan is based on the professional staff of budgetary allocations or free training opportunities offered by specific service providers.

At standard 4 - Structure - The coordination of activities ensures continuous analysis for the identification of potential malfunctions, information flows are functional due to organizational structure and functions according to the rules of organization and functioning.

At Standard 5 - Goals - Annual specific objectives are set by the evaluation reports to the performances of individual professional, they correspond to the requirements package SMART, and are usually reviewed when there are changes to the structure, reorganization.

At standard 6 - Planning - there are assured human, material and financial resources necessary to attain its objectives by approving substantiation notes, essays on necessity and procurement plan of the institution. The specific objectives are likely to be changed only if there is a significant reorganization of the public entity, in which it set out the measures needed to comply with the resources allocated by the working session of the Steering Committee. Measures are adopted for the coordination and harmonization of decisions and activities between departments.

At Standard 7 - Performance Monitoring - Performance monitoring and reporting shall be based on annual evaluation report provided by specific legislation, while it is considered quantitative and qualitative indicators, associated to specific objectives that are found in the reports of individual performance appraisal.

At standard 8 - Risk Management - have been identified and assessed potential risks and recorded in the risk register, there are designated persons at the department and institution in charge of this activity.

At Standard 9 - Procedure - procedural activities have been identified and they are still working on operational procedures. Initiating functions in the activities of

organizational structure are carried out by senior executives appointed by job descriptions, verified and approved by the chief of the Executive Director.

At standard 10 - Supervision - According to the job description all Heads of Service oversee the activities falling within their direct responsibility, approve drawn up documents, establish sufficient and appropriate oversight controls for the activities that involve a high degree of exposure at risk by organizing meetings, consultations.

At standard 11 - Business continuity - generating situations are known in running business interruptions and measures are applied to ensure business continuity by decisions of the Executive Director, job description. Interruption situations are managed and secured by decisions of the management staff.

At standard 12 - Information and communication - Interpersonal communication, communication between public institution and citizens, internal communication is carried out through the Internet address of the agency, internal network *intranet*, by specialized department of public relations and communication.

At standard 13 - Document Management - the Institution procedure applies Operational receiving / sending of documents and correspondence by mail, email, fax, special / secret mail . Mail archiving is done on paper and electronically. There are key system, video surveillance system, according to operational procedures. There are designated persons responsible for handling and storage of classified information which know the provisions of special laws.

At Standard 14 - accounting and financial reporting - accounting procedures are developed and updated according to financial accounting regulations and the checks are made by the signatures of the preventive financial control and Executive Director.

At Standard 15 - Assessment of the internal control / management - Self-evaluation is carried out annually with data, reports, and findings relevant information necessary for making operational decisions.

At standard 16 - Internal Audit - There is a compartment in the organizational structure of internal audit.

Results of the implementation of internal control / management at EPA Arges

Given the annual self-evaluation on the implementation and development of internal control / management at the end of 2015 revealed that the consistency of the internal management control system in Arges Environmental Protection Agency, according to the Order 400/2015, is **Partly Consistent** because, from the total of 16 standards there were implemented only 14, there is one standard partially implemented (standard 9 Procedures) for which are being developed procedures identified and there is one inapplicable standard (standard 16 Internal Audit) because there is no compartment in the organizational structure of internal audit. The audit activity is exercised by the superior body, namely the National Environmental Protection Agency.

For 2016, the laws in force, internal management program for the control of Arges EPA will be determined and approved by the National Environmental Protection Agency, following the establishment of an integrated program for all environmental subordinate agencies.

Conclusion

The application of internal control / management system adds value to the general public and especially public institutions, streamlining activities and targets to meet the direct and indirect beneficiaries, individuals and companies.

Internal management control comes as part of the public administration reform in Romania requires a change of attitude in public sector activities through an infusion of public know-how borrowed from the private system, a control that can be updated whenever changes are significant developments in governing this matter.

Public management in public institutions should be as much focused on objectives and results, efficiency, effectiveness in the public sector which need to be improved and maximized, human resources should be valued and motivated, and not least, we must put particular emphasis on the ethical code of institutions and employees who should raise the moral standards accepted by society.

Whatever the nature or size of the entity, efforts to pursue a satisfactory internal control are related to the application of best practices by monitoring, evaluation, adaptation and continuous updating of their implementation.

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