

INTERNAL CONTROL PROCEDURES FOR AGRICULTURAL ACTIVITIES

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Abstract: *The purpose of this paper is to highlight certain peculiar aspects concerning the organization of the specific internal control procedures for agricultural activities. On the other hand, I sought to highlight the importance of the internal control activity at the level of agricultural establishments for the whole activity of these establishments.*

Key words: *internal control, control procedures and methodology, service provision, control documentation*

INTRODUCTION

The transition towards the market economy requires the organization of the national economy from the managerial point of view, being necessary to provide a good legal support for the appropriate operation of economic entities, the pluralism of the forms of property, for the provision of efficiency through competition and free enterprise, the provision of the normal course of the economic system and the intervention on the disturbing factors of the entities capacity to compete. Thus, the State will intervene rationally, and will be able to exercise its functions in the economic, social and political fields.

In order to provide a transition corresponding to the economic reality, we should take into account the fact that any activity performed should answer the criteria of: utility, economy, effectiveness and efficiency. In Romania, as in many other countries, the process of the transition towards the market economy led to the reorganization of the managerial process, both as components, and as functions, and especially as attributes.

In relation to agriculture, it is a well-known fact that it is one of the activities affected by all the changes generated at economic level by the transition factor. Agriculture is the widest negotiation chapter in the *acquis communautaire* [8].

The negotiation chapter concerning agriculture covers the following main areas [9]:

- *horizontal aspects*: guarantee and orientation; trade mechanisms; quality policy; organic farming; specific accounting data network; state subsidies
- *common market organization*: arable land; cereals, oilseeds and protein crops; non-food grains, processed, potato starch, cereal substitutes, rice; sugar; crops for the production of fibres
- *specialized crops*: fruit and vegetables; wine and alcohol; bananas; olive oil, tobacco
- *Animal products*: milk and milk products; beef; mutton and pork
- *Rural development*
- *Veterinary legislation*: domestic control system; identification and inventory of the animals; control at the external borders; animal disease control measures; animal health – live animal and animal product trade; public health protection; ensuring adequate conditions of life for animals; laws specific to zootechnics;
- *plant health legislation*: pests; quality of the seeds and planting material; plant variety rights; products used for the protection of plants/pesticides; animal nutrition.

The control as a stand-alone activity is omnipresent in any field of activity (and thus in agricultural activities as well), it does not limit itself at finding the manifestation of

shortcomings, being based, instead, on the forecast of the activity, of the likelihood of the occurrence of deficiencies and anomalies.

MATERIALS AND METHODS

In the context of the legislation in force, Order no. 1802/2014 of the Minister of Public Finance devotes an entire chapter to the internal control activities within entities – Chapter 11. According to this chapter, all the internal control procedures aim at: including the activity of the entity and the behaviour of its personnel in a framework defined by the applicable legislation, the internal values, standards and rules of the entity, and respectively at verifying whether the accounting, financial and managerial information communicated accurately reflect the activity and situation of the entity. Thus, the purpose of the internal control is to provide the consistency of the objectives, to identify the success key factors, and to communicate to the entity managers, in real time, information related to performance and perspectives. Regardless of the kind or size of the entity, the efforts made to apply a satisfactory internal control are related to the application of good practices. The internal control has a number of chained components:

- clearly defining responsibilities, resources and adequate procedures, methods and information systems, appropriate tools and practices;
- the internal dissemination of pertinent, reliable information which, if it is known, allows everybody to exercise their responsibilities;
- a system that aims at analysing the main risks identifiable concerning the objectives of the entity and the provision of procedures for the management of such risks;
- corresponding control activities, for each process, meant to reduce risks likely to affect the achievement of the entity's objectives;
- a continuous supervision of the internal control device, and an examination of its operation [6].

Thus, from the methodological point of view, the control process implies several stages, which are as follows [5]:

I. Scheduling the financial control activity

- *preparing the control programme* based on which the control activity is performed (all the objectives structured on forms of control, completion deadlines, performers and subjects on of the actions, respectively;

- *distribution and transmission of the objectives from the programme of the units with financial control competences*. Teams of controlors are created on the established topic and objectives, according to professional competences. After the approval, the provisions of the control programme are mandatory professional duties.

II. Preparing the financial control action

- *establishing the control topics* according to the information needs of the management, at a certain time point, which can be permanent or accidental.

- *the general analysis of the control topics* implies acquiring the theoretical elements and the legal provisions regulating the activity constituting the object of the control action.

- *establishing the main objectives of the control. The financial control topics*

III. Performing the financial control, which implies

- *adapting the thematic objectives to the actual conditions of the controlled activity;*

- *determining the information sources for the execution of the control;*

- *selecting and applying the procedures and techniques required to perform the control;*

- *determining the deviations and deficiencies;*

- *determining the responsibilities of the guilty persons.*

IV. Preparing the control documents

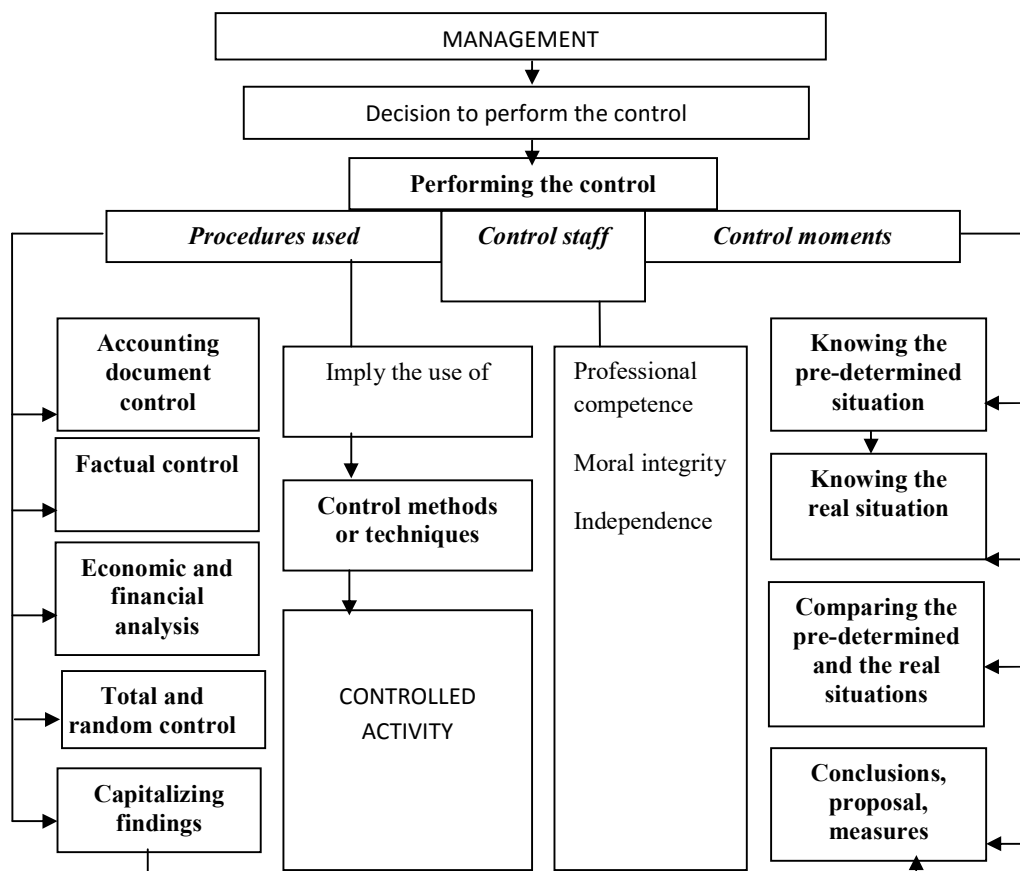
V. Capitalization of the findings of the financial control

In our opinion, any manager should make sure that the starting point in exercising an efficient internal control, namely the control programme, the integrated control procedures, are well defined and well structured in such a way as all the specific functions are covered, according to the objectives aimed.

RESULTS AND DISCUSSIONS

In the actual process of organizing the internal control of agricultural activities in various institutions, the functions accomplished by the control should also be taken into account: knowledge, assessment, prevention, guidance, constraint, regulation. [3].

As we can see in the figure below, control actions imply specialised personnel who uses certain control proceedings. In each process there are several control methods or techniques through which the control is actually performed. Given the reference to the originally determined objectives within the control operations, it is very important that these objectives be defined in a strict manner and related to factual situations (a reliable basis for comparison).



• Source: prepared by the authors based on the specialized literature

Figure 1. Control methodology [2]

Finally, the conclusions, proposals and actual measures should be implemented, in order to improve the original situation compared to the objectives set.

Since we highlighted the role of a well-defined control procedural programme, we will propose below a procedure for a better organization of the activities performed in relation to the agricultural field. In our opinion, this procedure is an efficient tool used to monitor all integrated actions.

Any procedure requires a team responsible for its preparation, verification and approval, and, if following the exercise of the control actions, it is ascertained that improvements are needed, the implementation of all previously mentioned actions on the updated version [7].

Responsible person/action	Last name and first name	Position	Date	Signature
1	2	3	4	5
Prepared				
Verified				
Approved				

version of the proposal	Modified item	Change made	Effective date
1	2	3	4

Subsequently, the procedure, in its updated form, *is to be distributed* to various compartments, with various responsible people, to serve well-determined purposes [7].

Purpose of the distribution*	Copy of the procedure	Compartment	Position	Last name and first name	Distribution date	Signature
1	2	3	4	5	6	7

* - to be applied, for information, to be archived, etc.

The *purpose* of the procedure to be prepared is to be used as support for the preparation of the Rural Land Register within the specific compartment, by the competent staff. Moreover, *the procedure must observe the applicable legal provisions*: Order no. 95/2010 approving the technical norms for the completion of the Rural Land Register for the 2010-2014 period, the Fiscal Code and the Methodological Norms for its application, Order no. 946/2005 of the Minister of Public Finance – approving the Internal Control Code, comprising the management/internal control standards in public entities and for the development of managerial control systems, as amended and supplemented.

The procedure related to the completion of the Rural Land Register starts with an application filed by an applicant with the purpose of the subsequent registration of data in the Rural Land Register. The applicant will also fill in a few applications concerning the goods he owns and whose value will be the tax basis for the calculation of the tax payable to the local budget. When these documents have passed the Registry, the new data will be registered by the specialized staff in the Rural Land Register. The mention of the data change shall also be made on the statement in question. Then the statement will be given to the applicant.

This whole process aims at keeping an accurate, clear and complete record of the animals, agricultural land, their legal status and the structure of the agricultural property. For the achievement of these objectives, it is necessary to involve a set of resources: human resources (specialised staff), financial resources and logistics (furniture, consumables, information resources, etc.).

In the whole efficient organization process of the Rural Land Register, two key performance indicators are aimed, namely: the completeness of the Rural Land Register for the current year and the Number of nonconformities found in the process operation. These indicators are reported on an annual basis, and their analysis, interpretation and actual reporting are made in compliance with the internal procedures of the respective entity (a number of objectives will be determined at this point, depending on the standards aimed).

Synthesizing the main processes related to the Rural Land Register we can draw up a table, as follows:

Name of the process	Inputs		RSP	CLB	INF	Document
	Sources	Item				
1	2	3	4	5	6	7
RURAL LAND REGISTER (RLA)						
Reception of the application concerning changes to be made in the RLA	PF/ PJ	Application	AgA	-	-	Application concerning changes to be made in the RLA

Name of the process	Inputs		RSP	CLB	INF	Document
	Sources	Item				
1	2	3	4	5	6	7
Verification, endorsement of the application concerning changes to be made in the RLA	AgA	Application	SCR	-	-	-
Approval of application concerning changes to be made in the RLA	SCR	Application	P	-	-	-
Making the changes in the RLA	P	Application	AgA	-	ITL	RLA
Registration of the annual statement	CITIZEN	File	AgA	-	ITL	RLA
DELIVERY OF PRODUCER'S CERTIFICATE (PC)						
Information	CITIZEN	Information	AgA	-	-	-
Reception of the documents	CITIZEN	Documents	AgA	-	-	Application for the delivery of the PC Statutory declaration
Verification of the information in the RLA	-	-	AgA	-	-	-
On-site verification	-	-	AgA	-	-	Record of findings
Approval of the Record of findings	AgA	Record of findings	P	SCR	-	Record of findings
Collecting the tax for the PC delivery	CITIZEN	Tax	ITL	-	-	Receipt
Filling in the PC	-	-	AgA	-	-	PC PC Register
Signing the PC	AgA	PC	P	SCR	-	PC
Issuing the PC	-	-	AgA	-	-	PC
Collecting the quarterly PC visa tax	CITIZEN	-	ITL	-	-	Receipt
Quarterly visa of the PC	CITIZEN	PC	AgA	-	-	PC
ISSUING THE ANIMAL OWNERSHIP CERTIFICATION (BCPA)						
Information	CITIZEN	-	AgA	-	-	-
Reception of the application and of the documents	CITIZEN	Documents	AgA	-	-	Application
Analysis of the application and of the documents	-	-	AgA	-	-	-
Filling in the BCPA	-	-	AGA	-	-	BCPA
Collecting the extra-judicial stamp duty	CITIZEN	Tax	ITL	-	-	Receipt
Approving the BCPA	AgA	BCPA	P	AgA	-	BCPA
Issuing the BCPA	-	-	AgA	-	-	BCPA
Transcription of the ownership	CITIZEN	Application for the transfer of ownership	AgA	-	RA	BCPA
ISSUING HOUSING PROOF (HP)						
Information	-	Information	AgA	-	-	-
Reception of the application	CITIZEN	-	AgA	-	-	-
Analysis of the application	-	-	AgA	-	-	-
Filling in HP	-	-	AgA	-	-	HP Certificate
Collecting the extra-judicial stamp duty	CITIZEN	Tax	ITL	-	-	Receipt
Approving HP	AgA	HP Certificate	P	SCR	-	HP Certificate

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Name of the process	Inputs		RSP	CLB	INF	Document
	Sources	Item				
1	2	3	4	5	6	7
Recording and delivering HP	-	HP Certificate	AgA	REG	-	HP Certificate

RSP – responsible employee; **CLB** – collaborator; **INF** – for information; AgA – agricultural agent; **P** – mayor; **SCR** – secretary; **ITL** – local taxes; **REG** – registry

Within the synthesized processes to be performed, each of the responsible employees has certain responsibilities in the completion of the tasks:

NAME OF THE PROCESS	RESPONSIBLE EMPLOYEE			
	P	SCR	AgA	ITL
Reception of the application concerning changes to be made in the RLA				
Verification, endorsement of the application concerning changes to be made in the RLA				
Approval of application concerning changes to be made in the RLA				
Making the changes in the RLA				
Registration of the annual statement				
Information				
Reception of the documents				
Verification of the information in the RLA				
On-site verification				
Approving the Record of findings				
Collecting the tax for the PC delivery				
Filling in the PC				
Signing the PC				
Delivering the PC				
Collecting the quarterly PC visa tax				
Quarterly visa of the PC				
Information				
Reception of the application and of the documents				
Analysis of the application and of the documents				
Filling in the BCPA				
Collecting the extra-judicial stamp duty				
Approving the BCPA				
Issuing the BCPA				
Transcription of the ownership				
Information				
Reception of the application				
Analysis of the application				
Filling in HP				
Collecting the extra-judicial stamp duty				
Approving HP				
Recording and delivering HP				

The main documents used within the above-mentioned processes, and their circuit can be synthesized as follows:

It. no.	Document	Issuer	Responsible employee	Original copy	Recipient	Storage period (years)	Storage place	Archiving period (years)
1	Application concerning changes to be made in the RLA	Citizen	P SCR	1	1- AgA	1 an	RLA Compartment	In compliance with the legal agricultural norms
2	Application for the delivery of the PC	Citizen	P SCR	1	1- AgA			
3	Statutory declaration	Citizen	AgA ITL	1	1- AgA			
4	Record of findings	AgA	P SCR	2	1- AgA 1-Citizen			
6	PC	AgA	P SCR	2	1- Citizen 1- AgA			
7	PC Register	AgA	-	1	1- AgA			
5	Receipt	ITL	-	2	1- Citizen 1- ITL		ITL Compartment	

CONCLUSIONS

Concluding on the above-mentioned aspects, we are mentioning that any entity, regardless of its specificity, should optimize its business in order to achieve a high level of performance. Under such circumstances, the control activity proves to be indispensable.

Thus, control also becomes an indispensable activity within the farming activities because these activities are also oriented towards the increase in the efficiency. The performance indicators related to such activities are determined in a differentiated manner, according to the objectives and the actual content of the activity. More specifically, the volume and need for information determine the organization of the control activities and the related procedures in an adapted manner. The information obtained following the control will thus be clear, complete and accurate, highly adaptable to the internal and external requirements.

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