FINANCIAL MANAGEMENT AND CONTROL- GENERAL RULES

SUJATA CHATTUMALA,
Research Scholar, Department of Commerce & Management Studies,
Andhra University, Visakhapatnam-530003
Andhra Pradesh-India.
Email Id: sujitha2211@gmail.com

***ABSTRACT**:*

This is to study the Financial Management and Control and their tools that managers use to satisfy the aspects of their roles, tracking progress and evaluating results, and they fall into the controlling category. Heads of organizational units authorized to perform financial management and control structures, programs, activities and processes that govern; Other managers within the entity responsible for their actions in terms of financial management and control structures and units that operate. This aims to explain the essence of financial management and control and its components. It is a document which should assist managers in developing and maintaining an adequate system of financial management and control in their organizations with the requirements of the Public Internal Financial Control Law.

***Keywords:** Financial Management, Control, organizations, programs.*

INTRODUCTION:

This aims to explain the essence of financial management and control and its components. It is a document which should assist managers in developing and maintaining an adequate system of financial management and control in their organizations with the requirements of the Public Internal Financial Control Law (Official Gazette of the Republic of Macedonia no. 90/09) from July 22, 2009, and facilitate the achievement of the objectives of the organization. Heads of entities: who are responsible for establishing appropriate, effective and efficient financial management and control, Heads of organizational units authorized to perform financial management and control structures, programs, activities and processes that govern; other managers within the entity responsible for their actions in terms of financial management and control structures and units that operate.

All staff in the organization contributing to the implementation of financial management and control, and according to their functional responsibilities should be familiar with their roles and responsibilities regarding financial management and control.

The Role of Management:

Management responsibilities fall into four categories. Managers must develop strategic plans. They must implement them. They must track progress and they must evaluate the results. If all four aspects of the managerial role are carried out optimally, the controls put in place to evaluate results will show that the strategic plans developed at the beginning were effective. The company will achieve the financial and strategic goals set out by its executives and directors. If the controls show that management did not meet the planned objectives, company directors and executives must make changes to the planning process, change the objectives or change management personnel.

Financial Controls

Financial controls are among the tools that managers use to satisfy the third and fourth aspects of their roles, tracking progress and evaluating results, and they fall into the controlling category. Other controls may show progress in other areas, such as market share or customer satisfaction, but financial controls are the most important for an objective measure of company performance. During strategic planning, management defined measurable objectives for operations. Financial controls report on these objectives and to what extent they have been met. During the reporting period, managers can impose corrective action if necessary and at the end of the reporting period, the results form part of the overall evaluation of the success of the strategic plan.

OBJECTIVE OF THE STUDY:

- Developed and issued in written will be used now for the purposes of the risk model.

RESEARCH METHODOLOGY:

Data and information were gathered from secondary published sources viz., for accomplishing the objectives of the study secondary data were collected. Data published by various institutions such as books, journals, newspapers, websites, research studies, etc are used for the purpose of the present study.

FINANCIAL MANAGEMENT AND CONTROL:

Public Internal Financial Control: The concept of Public Internal Financial Control (PIFC) is developed by the European Commission in order to provide a structured and operational model that will assist national governments in redesigning their internal control environment and in particular to improve their control system in the public sector in line with international standards and EU best practice. PIFC is a concept and strategy developed by the European Commission in order to help candidate countries in reforming their systems of internal financial control in the public sector. The process of strengthening the system of PIFC according with requirements of the acquits on building modern systems of internal control in the public sector in the Republic of Macedonia is being implemented through the development and application of the principles of decentralized responsibility of management (managerial accountability) and the establishment of functionally independent internal audit.

Table: Financial management and control

S.No	Financial management	Internal control in the narrow sense
1	**Environment**	**Controls**
	ETHICS, INTEGRITY	PROCEDURES
	FUNCTIONS, OBJECTIVES TASKS	SEGREGATION OF DUTIES
	COMPETENCE, PERFORMANCE	SUPERVISION
	SENSITIVE ITEMS	RESOLUTION OF DEVIATIONS
	DELEGATE	CONTINUITY OF ACTIVITIES
	ORGANIZATIONAL STRUCTURE	STRATEGIES FOR CONTROL
2	**Risk management**	ACCESS TO RESOURCES
	OBJECTIVES	
	PLANNING	
	COORDINATION	
	MONITORING PERFORMANCE	
	RISK MANAGEMENT	
3	**Information and communication**	
	INFORMATION	
	COMMUNICATION	
	CORRESPONDENCE	
	ASSUMPTIONS, REASSESSMENT	
	ANNOUNCEMENT OF	
	IRREGULARITIES	

4	**Monitoring**	
	CHECKING AND EVALUATION OF	
	CONTROL	
	INTERNAL AUDIT	

Analyse general control environment

The environment in which activities are conducted has a major impact on the effectiveness of internal control. An analysis of the environment is performed to determine the extent to which the work setting supports a system of internal controls. This evaluation may be performed for the entity as a whole, or individually for each.

Table: general control environment

Analysis of the Control Environment	**Overall Monitoring**	**Recommend Subsequent Actions and Monitor**
Risk Assessment	Tolerance	Management attitude;
Risk Identification	Analysis	Organisational structure;
Risk Ranking	Controls	Personnel;
Risk Measurement		Delegation of authority;
Risk Management		Policies and procedures;

Risk Assessment Identification of inherent risk:

Inherent risk may be defined as the potential for non-achievement of the organisation's mission, objectives and goals; waste, inefficiency or ineffectiveness; loss, unauthorised use or misappropriation of assets; non compliance with laws, regulations, policies, procedures and guidelines; or the inaccurate recording, preservation, and reporting of financial and other key data. This analysis should be performed without regard to controls that are in place to Counteract those risks.

The following should be among the factors considered in analysing the inherent risk:

- Purpose and characteristics of the activity
- Budget and resource level
- Procurement of goods or services
- Impact outside of the organisation
- Age and life expectancy of the activity

- Degree of decentralisation; and prior reviews

ROLES AND PARTICIPANTS IN THE SYSTEM OF FINANCIAL MANAGEMENT AND CONTROL:

Organizational role:

There are many different participants in the entire system of financial management and control in public administration with a different scope of responsibilities. The most important and most participants on the functioning of this system are given below.

Minister of Finance:

According to Article 2 of the Public Internal Financial Control Law, the Minister of Finance shall be in charge of the coordination of the development, the establishment, the implementation and the maintenance of the public internal financial control system, and on his behalf the Central Harmonisation Unit of the Public Internal Financial control System within the Ministry of Finance.

Head of entity:

The head of the entity has the ultimate responsibility over financial management control. Budget preparation, budget execution and reporting on the budget of the entity managed by him; Financial management and control and internal audit in all organizational structures, programs, operations and processes, managed by him; Control on keeping accounting, undertaking financial commitments, executing the payments, collecting revenues and safeguarding assets and liabilities; Continuous assessment of the financial management and control system; Determination and accomplishment of the objectives of the entity and preparation and realisation of the strategic and other plans as well as programs for accomplishment of the general and specific objectives of the entity; Establishing an organisational structure and working procedures to ensure functioning, monitoring and development of sound financial management and control; Establishing a reporting line in compliance with the transferred authorizations and responsibilities; Competency of all employees for execution of the tasks in line with the financial management and control; and Risk management and establishment of appropriate and efficient internal controls.

Coordinator for Financial Management and Control:

Specific duties and responsibilities of the Head of Financial Affairs Unit can be delegated to the operational level to a person as a coordinator for financial management and control. Coordinator for financial management and control operates under the guidelines received from the Head of the Financial Affairs Unit and working groups responsible for the implementation of organizational policies and procedures related to the organizational internal control program. Coordinator for financial management and control, operationally implement and coordinate the establishment and development of financial management and control in the entity.

CREDIT OR DONNATOR :

Credit or donator shall be determined by internal decision for the distribution of the total approved budget adopted by the head of the entity. This decision determines the approved budget of each credit or donator. The process of taking on financial obligations include taking. Financial commitments to purchase, lease and rent that can be taken only on the basis of a written agreement, Financial liabilities for giving of subsidies, grants, financial aid, loans or guarantees to third parties and participation in equity that can be taken only on the basis of an act enacted by the competent authority under the law that regulates this right, Financial commitments for small purchases of goods and services, which can be taken by written order and written confirmation of the order from the supplier.

FINDINGS OF THE STUDY:

1. It is built into the control systems of each service.
2. Apply to employees at all levels
3. Provide expert opinion as a reasonable measure (not absolute) of conviction

CONCLUSION:

This Financial Management and Control Manual represent the main direction of establishing appropriate and effective system of internal control or financial management and control. Internal control is defined in a broader concept, is not limited to accounting controls and not only covers financial reporting. The systems of internal control should be incorporated into operational activities to enable rapid response to changed situations or to improve the quality of decision making and delegating. Internal control is a managerial activity and requires the participation of all employees to achieve its effectiveness. Responsibility of the management includes overall management process, from setting objectives to achieve results. It includes the provision of legality, regularity and effectiveness of decisions. For internal control we can say that helps the management in achieving goals, while respecting all relevant rules and procedures. The control framework has been linked with working purposes and is flexible enough to be adaptable.

REFERENCES:

1. Bell, L. (2002), Strategic planning and school management: full of sound and fury, signifying Nothing? *Journal of Educational Administration, 40*(5), 407-424.

2. Bennett, N., Crawford, M., Levacic, R., Glover, D. & Earley, P. (2000). The reality of school Planning in the effective primary school: technicist or guiding plan? *School Leadership & Management, 20*(3), 333-351.

3. Hermanson, D. R., J. L. Smith, and N. M. Stephens. 2011. Internal Control Strength and Accruals Quality. Working paper, Kennesaw State University, University of Nevada, Las Vegas, and Utah State University.

4. Hunton, J. E., R. Hoitash, and J. C. Thibodeau. 2011. The relationship between perceived tone at the top and earnings quality. Contemporary Accounting Research 28 (4): 1190–1224.

5. Mahar movement in Maharashtra

6. Raghunandan, K., W. J. Read, and D. V. Rama. 2001. Audit committee characteristics, ‘‘gray directors,’’ and interaction with internal auditing. Accounting Horizons 15 (2): 105–118.

7. Relationship Between population and Development of India.

8. Short speech on Terrorists in India

9. The nature of commercial Economics

10. Theories of underdevelopment: Baran’s view on underdevelopment