



The Involvement of Management Elements in Fiscal Control Conduction

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Abstract: This article presents a theoretical and applied research on the application of the managerial phenomenon on the fiscal control processes. The purpose of the research was to present the involvement of management elements in the fiscal control activity. Achieving the goal was summarized from the objectives set by researchers on the synthesis and analysis of theoretical approaches to management functions, identifying the procedural elements characteristic of fiscal control with reference to managerial functions. At the same time, the primary information on the reform of the fiscal system and the emergence of the structure responsible for fiscal control within the STS were presented and analysed. Statistics were presented on the number of annual controls and their typology as an argument for the representative aspect and compatible with the managerial approach. The approach of the fiscal control under managerial aspect argued and represented schematically allowed the achievement of the pursued objectives and the finalization of the study with substantiated conclusions. The realization of the fiscal control process through the prism of the managerial functions will allow the efficiency of the process itself and the achievement of the performance in the decisional process as a result of its finality.

Keywords: fiscal control; management functions; procedural approach; Fiscal System; fiscal reform; strategy

JEL Classification: E 62; G 28; H 26

1. Introduction

The main pillar in ensuring the National Public Budget, is provided by the State Fiscal Service. The economic activity carried out by the economic agents registered in an area is monitored by certain structures of the State Fiscal Service, which have the mission to increase the degree of transparency between the public and the private sector. In the economic activity, the taxpayers who carry out entrepreneurial activity,

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sooner or later, will get acquainted with the ways and forms of carrying out a fiscal control. Fiscal control being defined as the action of calculation, verification and additional monitoring of unpaid taxes and duties on time in the state budget and the establishment of corrective or sanctioning measures.

2. The Theoretical Investigation

The definition of managerial functions is treated by the classical school of management through the statements of Frederik W. Taylor (1911); Mary P. Florett (1920); Henri Fayol (1917); Oliver Sheldon (1930); Lyndall Urwick (1943); and others. In contemporary managerial theories the finality of the managerial process is defined by the functions: planning, organization, coordination, motivation and control. The statements of scientists during the evolution of management schools have demonstrated the importance and involvement of each managerial function in the organization process. Fiscal control being also an organized activity, we can approach it in the context of managerial functions.

Judging by W. Jack Duncan (1975), who stated that "management is the conscious process by which the actions of individuals and groups are coordinated to achieve the objectives of the organization" then the mission of fiscal control to achieve the objectives of the State Tax System is perfect in the managerial process.

At the same time, we do not forget that fiscal control is an activity that involves several actions and can be treated from a managerial point of view. Scholar Ricky W. Griffin (1978) states that management is "a set of activities related to planning, decision-making, organization and control", which in turn contributes to efficiency and effectiveness, which seeks fiscal control.

Starting from two statements of Vasile Deac (2017) through which management is "the practical activity that consists in carrying out the management process", and on the other hand "management is the application of concepts, rules, methods, techniques provided" we will try to demonstrate the compatibility of managerial functions in the fiscal control process.

3. Results and Discussion

The commissioning of the managerial mechanisms within the State Fiscal System initiated with the consolidation of the institutional capacity, namely by modifying the organizational structure with centralized functions. Starting with 2017, the State Fiscal Service initiated the activity as a single legal entity with territorial competence on the entire territory of the Republic of Moldova representing the national fiscal authority. As a result of the reform, the State Tax Service has positioned itself on

three main areas: taxpayer service, control and arrears. The personnel of the State Fiscal System was divided into 5 categories: service with a weight of about 40%; administration with a weight of approximately 26%; post-operational control with a weight of 15%; management of arrears with a weight of about 10% and operational control with a weight of about 9%. The control function of the personnel involved in the State Fiscal System belonged to approximately $\frac{1}{4}$ of the total employees, constituting a large enough number to ensure the objectives and principles of the state fiscal authority. In the following period, the effort of the fiscal control system focused its potential on operational and operative processes on the segments of the national economy most affected by the phenomenon of tax evasion. The evolution of the segments subject to fiscal controls is presented in table 1. constituting a large enough number to ensure the objectives and principles of the state tax authority. In the following period, the effort of the fiscal control system focused its potential on operational and operative processes on the segments of the national economy most affected by the phenomenon of tax evasion. The evolution of the segments subject to fiscal controls is presented in table 1. constituting a large enough number to ensure the objectives and principles of the state tax authority. In the following period, the effort of the fiscal control system focused its potential on operational and operative processes on the segments of the national economy most affected by the phenomenon of tax evasion. The evolution of the segments subject to fiscal controls is presented in table 1.

Table 1. Evolution of the Fields Selected for Fiscal Control in the Republic Of Moldova in the Period 2016-2020

The year	areas
2016	Manufacture of ethyl alcohol; gambling; taxi transport; etc.
2017	Car transport of passengers, including taxi; illicit entrepreneurial activity; recreational areas; the location of real estate; checking and monitoring the marketing of alcohol production; etc.
2019	Illicit entrepreneurial activity; recreational areas; taxi transport; intercity transportation; non-profit organizations; electronic commerce; beauty salons; public catering; car washes; etc.
2019	Rental of goods; international passenger transport; illicit entrepreneurial activity; use of control equipment; and so on
2020	International passenger transport, taxi transport; car transport of passengers on intercity routes, electronic commerce; price formation and application to imported products; etc.

Source: made by the author based on the annual reports of the STS

Following the evolution of the areas of interest for fiscal control, we find the following fact: there are areas that are followed and monitored throughout the period from 2016-2020 such as taxi transport, illicit entrepreneurial activities, etc. There is a presence of seemingly new areas as segments of the national economy such as e-commerce, which has recently grown both nationally and internationally, being

catalysed by exogenous factors. We also find areas selected as actions to monitor changes in the local framework in areas such as public catering, the formation and application of prices to imported products, monitoring the sale of alcohol, etc.

The centralization of the fiscal control management functions constitutes both a component of the Development Strategy of the State Fiscal Service for the years 2016-2020, but also in order to increase the efficiency in the activity.

The fiscal control activities carried out by the internal structures of the planned State Fiscal Service reach 11-16 thousand annually, and the unplanned ones often have a value twice as high, if we take into account the data presented by SFS in the 2020 annual report. In figure 1 the author presented the evolution of the planned fiscal controls in the period 2017-2020.

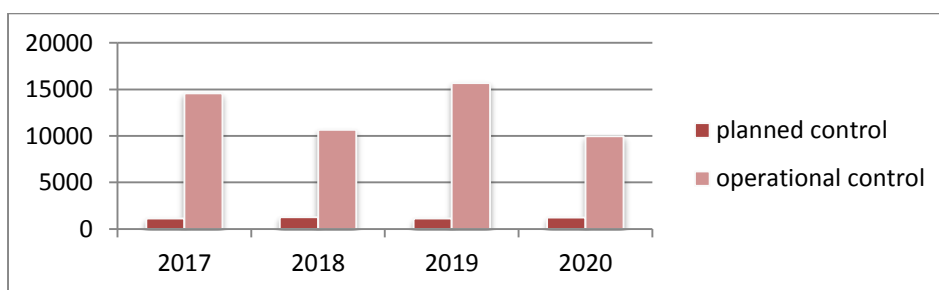


Figure 1. The Result of the Fiscal Control Activity in the Period 2017-2020

Source: prepared by the author based on SPS reports

The total number of fiscal controls that include thematic, partial, operational, repeated, factual, partial, chamber controls, by contrast, is an essential argument and a representative basis for the application of the management system and the procedural treatment of this activity. Fiscal control being a process with inputs and outputs, and in the circuit being applied the classic functions of management.

In this context, we propose the involvement of managerial functions as an element of streamlining the fiscal control process. However, we believe that the functions of planning, organization, coordination and control ensure the proper functioning of the fiscal control process.

3.1. Fiscal Control Planning

The managerial element of the fiscal meter planning summarizes from the main tasks of the activity of the State Fiscal Service - efficient collection of budget revenues.

The activity of fiscal control is regulated by the Fiscal Code of the Republic of Moldova, and according to art.129 paragraph 10) of the Fiscal Code, fiscal control involves verifying the correctness with which the taxpayer executes the fiscal

obligation and other obligations provided by fiscal legislation and other normative acts, including verification of other persons in terms of their connection with the taxpayer's activity through methods, forms and operations provided by the Fiscal Code.

At the same time, there is also an instrument of fiscal administration, defined by art.129 par.111) of the Fiscal Code as the fiscal visit. The purpose of the tax visit is to ensure voluntary compliance by providing consultations, activity analysis, accumulation of data on the taxpayer's activity, and subsequently based on the information found, meeting the constructive elements of tax evasion risks, can serve as a basis for initiating tax audits or establishing fiscal position.

The performance of the fiscal control is also regulated by the legislation in force and is within the competence of the fiscal body or another body with fiscal administration attributions within the limits of its competence.

In the context of accomplishing the tasks established by the legal framework, as well as arising from the priority areas for monitoring, regulated in accordance with the provisions of the taxpayer compliance programs and based on the rights provided in art.134 par. (1) point (1) of the Fiscal Code, the State Fiscal Service, annually plans the performance of controls based on the established risks of evasion and other information, which indicates the presence of the planning managerial function.

Managerial planning is present in establishing the number of controls, their types, verification period, etc. The state fiscal policy is adopted annually, and the consequences of the changes often summarize the number of controls undertaken by the State Fiscal Service.

In accordance with art. 214 para. (2) and para. (3) of the Fiscal Code, two types of controls can be planned later:

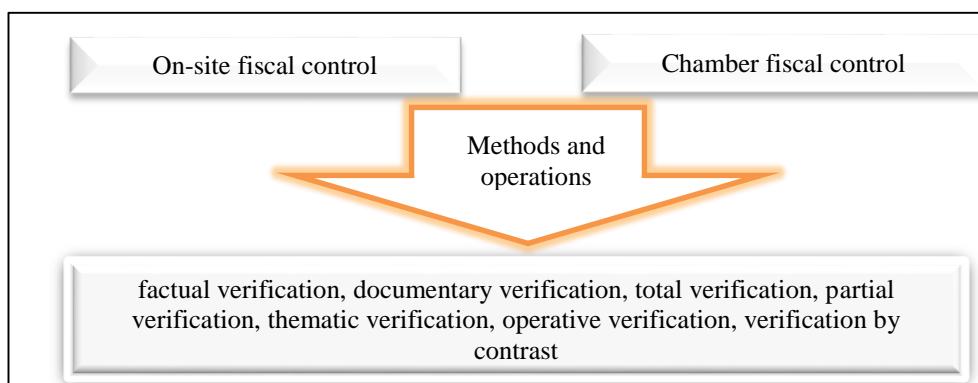


Figure 2. Types of Fiscal Control and the Methods and Operations Generated by Them

Source: Author

On-the-spot fiscal control - represents the verification by the fiscal officials of the correctness with which the taxpayers execute the fiscal obligation and other obligations provided by the fiscal legislation that is performed at the place where the taxpayers are or in another place established by the State Fiscal Service.

Chamber tax control - is the simultaneous detection by tax officials of violations of the law in the verification of tax liability by verifying the correctness of the preparation of tax reports and other documents submitted by taxpayers, as well as verifying other circumstances related to compliance with tax law. decisions of the management of the State Fiscal Service regarding the initiation of the chamber control in compliance with the provisions of the Fiscal Code.

3.2. Organisation the Fiscal Control

The processes of managerial organization refer to the initiation of the procedure, the establishment of the terms for carrying out the procedure, the elaboration of the documentation for the initiation of the control, the delegation of the control team, etc.

Taking into account the obligations of the taxpayer provided in art. 8 para. (2) lit. g) and h) of the Fiscal Code, by the attributions of the State Fiscal Service established at art. 133 para. (2) points 14) -142) of the Fiscal Code, as well as by the provisions of art. 216 of the Fiscal Code, based on the Notice on the initiation of fiscal control, the control body requests confirmation of the taxpayer's availability to perform fiscal control within the indicated period, presentation of information regarding the place-headquarters/office available to exercise control, including availability of presentation for performing the control of all the primary documents, of accounting records, access to the information system of accounting records and of other documents and information related to the development of the entrepreneurial activity.

Fiscal control regardless of the type of performance, according to art. 215 par. (4) and art. 216 para. (2) of the Fiscal Code, may be carried out only on the basis of a Decision on the initiation of control, taking into account the attributions provided in art. 133 para. (2) points 14) -142) and 31) of the Fiscal Code. The decision on initiating the control is a document issued by the management of the State Fiscal Service, indicating the identification data of the taxpayer at which the fiscal control is initiated, the type of control, the verification method, the inspectors performing the fiscal control, the start and end dates. control and the period subject to control. Decision to initiate control

The control actions are initiated on the spot with the presentation of the service card and the Decision on initiating the control in original, then handing the copy to the

taxpayer or legal representative where the countersigning check is performed indicating the date and time of signing.

Carrying out the fiscal control can be during the hours of the control body and / or those of the taxpayer. The duration of an on-the-spot tax audit shall not exceed two calendar months. In exceptional cases, the management of the body exercising fiscal control may decide to extend the period in question by a maximum of three calendar months or to terminate the control. The period of cessation of control and presentation of documents is not included in the duration of the control, the last being calculated from the day of its beginning until the day of signing the respective act, inclusive.

In the case of controls with inconclusive results, the bodies with fiscal administration tasks may initiate repeated controls. Repeated checks may also be initiated to verify the removal of tax offenses previously committed by taxpayers.

The actual process of fiscal control includes a set of methods and operations regarding its organization and development but also the capitalization of results, decision making, etc.

3.3. Coordination of Fiscal Control

Managerial coordination involves a set of actions on the harmonization of decisions and actions on the organizational process in the context of achieving objectives. In the case of fiscal control, achieving the goal is to complete the control and make decisions. All actions on harmonization of decisions are taken in accordance with the legal framework and depending on the managerial level of decisions.

In the process of chamber control, when verifying the correctness of the preparation of the reports presented by the taxpayers, the decisions are taken at the level of the person in charge of verification, without adopting the decisions of superiors regarding the initiation of the control procedure. Within 3 months from the submission of the reports by the taxpayers and in case of identification of any inconsistencies between the submitted documents, they are notified and obliged to modify the documents in established terms without any decision being taken. The results of the chamber control are set out in the control act.

On-the-spot fiscal control initiates only on the basis of a written decision by the governing body, which will exercise control. If the taxpayer does not have a registered office or his registered office is at home, the control will be carried out at the office of the body exercising the control by drawing up an act of collection from the taxpayer of the documents to be verified. In the process of fiscal control on the spot, explanations can be taken from people who are on the territory. At the end of the control actions, a control act is drawn up.

The finality of the fiscal control as a procedure includes the elaboration of the fiscal control act, which must be drawn up no later than the last day from the date of completion of the control and communicated within 3 days from the date of completion of the control, and a copy remains with the taxpayer.

Based on the control act, in case of violations of the tax legislation in force, the decision on the case of violation of the committed law is adopted.

At the same time, all actions performed by the control body can be challenged, in accordance with the legislation in force.

The procedure of the chamber and on-the-spot fiscal control is diverse, and the process stages are presented in figure 3.

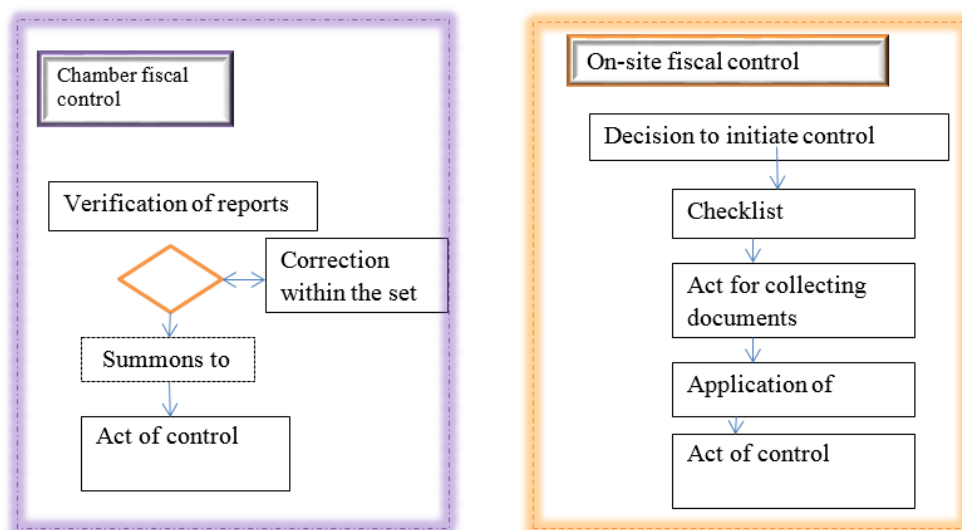


Figure 3. The Process of Coordinating the Chamber and on-the-Spot Control

Source: author

Based on the information presented in Figure 3, it is attested that regardless of the type of control, the control act is drawn up at the end of the actions. The chamber fiscal control compared to the on-site fiscal control is performed at the headquarters of the State Fiscal Service based on the reports, and the accumulated data can be corrected within a set time.

4. Control Function

The managerial control function represents the totality of the processes through which the obtained results are measured. The measurement of the results in the fiscal control process is performed through:

- factual verification which consists in the direct observation of objects, processes and phenomena
- documentary verification which involves comparing the documents in the tax reports with other evidence documents
- total verification which involves the control of all acts and operations for determining the taxable base both the documents and the manner of exercising the legislation
- partial verification is the control over the settlement of certain types of tax obligations
- the thematic verification is limited to the verification of the execution of an obligation provided by the fiscal legislation
- operational verification involves the observation of certain economic and financial processes, related acts and operations in order to establish their authenticity
- the verification by contrast represents the control of the taxpayer and of the persons with whom he had economic, financial or other relations.

If the verifications in the process of fiscal control have not been sufficiently conclusive, indirect methods and sources for estimating the fiscal obligation can also be used. As indirect sources can be analysed: type and nature of activities, size of capital, sales revenue, number of employees, customer categories, differences between quantitative and qualitative characteristics of raw materials, rent, turnover, income of other people working under the same conditions, ownership of the person according to liability, information from other financial institutions, etc. The method of establishing the fiscal post for a period of at least 30 days is used as a method.

5. Conclusion

As a result of approaching the elements of the fiscal control process, elements characteristic of the 4 managerial functions were identified. In this context, we are concerned to say that fiscal control has a managerial touch, and the characterized elements contribute to the development of a managerial process. In these conditions, we are convinced that the approach of fiscal control from the point of view of management can contribute to the efficiency of organizing this process both qualitatively and quantitatively. Treating the processes according to the cyclical

sequence of managerial functions is one of the advantages of improving the fiscal meter, which can also contribute to the quality of the decision-making process.

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