

RISKS IN THE INFORMATIONAL ACCOUNTING SYSTEM FROM ROMANIA

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*Abstract:*In Romania, the accounting informational system and the electronic tax returns system¹ were introduced less than 15 years ago and they are continually evolving. Such systems are presently used by the majority of the reporting entities in Romania, therefore the awareness and prevention of the risks that they can present is of major importance for the commercial entities and tax administration. This study's objective is to analyze the general and specific risks of the Romanian declaratory and accounting informational systems with the purpose of identifying the symptoms of an economic system outlined by the rules of a fiscal and accounting reporting framework.

Keywords: Risk, Accounting informational system, Tax statement, e-government system (declaratory)

Research Methodology

The present research was made with the objective of analyzing the risks in accounting computerized informational systems and in the tax returns system, with the purpose of identifying the symptomology of an economic system outlined by the rules of a fiscal and accounting reporting framework. For realizing this objectives of the present research we proceeded in a conceptual analyzation of the accounting computerized informational system and the tax returns system. The conceptual analysis is founded based on the information discovered in the documentation process, by the observation and investigation method, and techniques specific to this methods like observation and interviews. The main source of information which was the base for this method of observation and investigation were the Romanian accounting professionals and the personnel of the fiscal authorities.

Introduction

In present time the accounting computerized informational system and the electronical system of tax administration are considered to be efficient and wide spread all over the world. The present study tries to comprehend the totality of this systems and to identify where we can find general risks of such a system on a global level but also those specific to the Romanian system².

At the beginning the accounting computerized informational system was used only in the big corporations like IBM, the size and costs of acquiring a system like this surpassed the financial possibilities of the little companies.³

¹ OMFP no. 2.210 from 21 December 2006 on tax returns electronical system and from distance transmission

²Danescu, Tatiana; Prozan, Mihaela; Danescu, Andreea Cristina, Connecting and harmonizing the accounting with the fiscal result in Romanian economic entities, World Conference on Business, Economics and Management (Bem-2012) Volume: 62 Pages: 962-967 Published: 2012

³ Pellman, Thea G. , „Accounting & Computers: The Perfect union”, The National Public Accountant, Vol. 36, No. 5, 1991

In the documentation process we observed a synchronization of the implementation on different levels, of the electronic tax returns system on a global level. Martin E. and Jan O.(2004)⁴ analyzed more states that implemented an electronic national system, imposing some standards to which all the administrative institutions which belong to that system of online services were obliged to apply.

At the beginning of the implementation process of the national electronic system some states selected a category of entities which to use the electronic method for their tax returns. In Romania this process was realized gradually by a geographic criteria so that initially this process started in Ilfov County and spread gradually in the rest of the country.

1. The Accounting computerized informational system

This system is considered to be an instrument by which the accounting service can fulfill one of the most important principles that of offering its users quantitative information. At the beginning of existence of accounting systems, they were manual and held on paper, in present times they or at least partially held on computers.⁵

Francis P. (2013)⁶ classifies the computerized informational system in three categories: manual (based on the human resource that holds the information on paper format); computerized transactions (based on the storage of the information in electronic format but still needing the human resource); data base (is a system resembling the last one, but which complies to some criteria of cost, protection and flexibility of information).

For understanding the process and functions of an accounting computerized system we observed the nature of information, data and the process of the informational system in which they take part. Figure 1.1. is the result of our analysis and observation and represents a model of an accounting computerized informational system in Romania at the moment of the realization of this research.

⁴ Martin Eifert, Jan Ole Puschel, „National Electronic Government: Building an Institutional Framework for Joined Up Government : a Comparative Study”, Routledge, New York, 2004 – pag 28

⁵ Ilias, Azleen; Razak, Mohd Zulkeflee, „A Validation of the End-User Computing Satisfaction (EUCS) towards Computerised Accounting System (CAS)”, Global Business and Management Research: An International Journal, Vol. 3, No. 2

⁶ Francis Pol C Lim, „Impact of Information Tehnology on Accounting system”, Asia-Pacific Journal of Multimedia Services Covergent with Art, Humanities and Socialogy, Vol 3, No 2, 2013 – pag 93-106

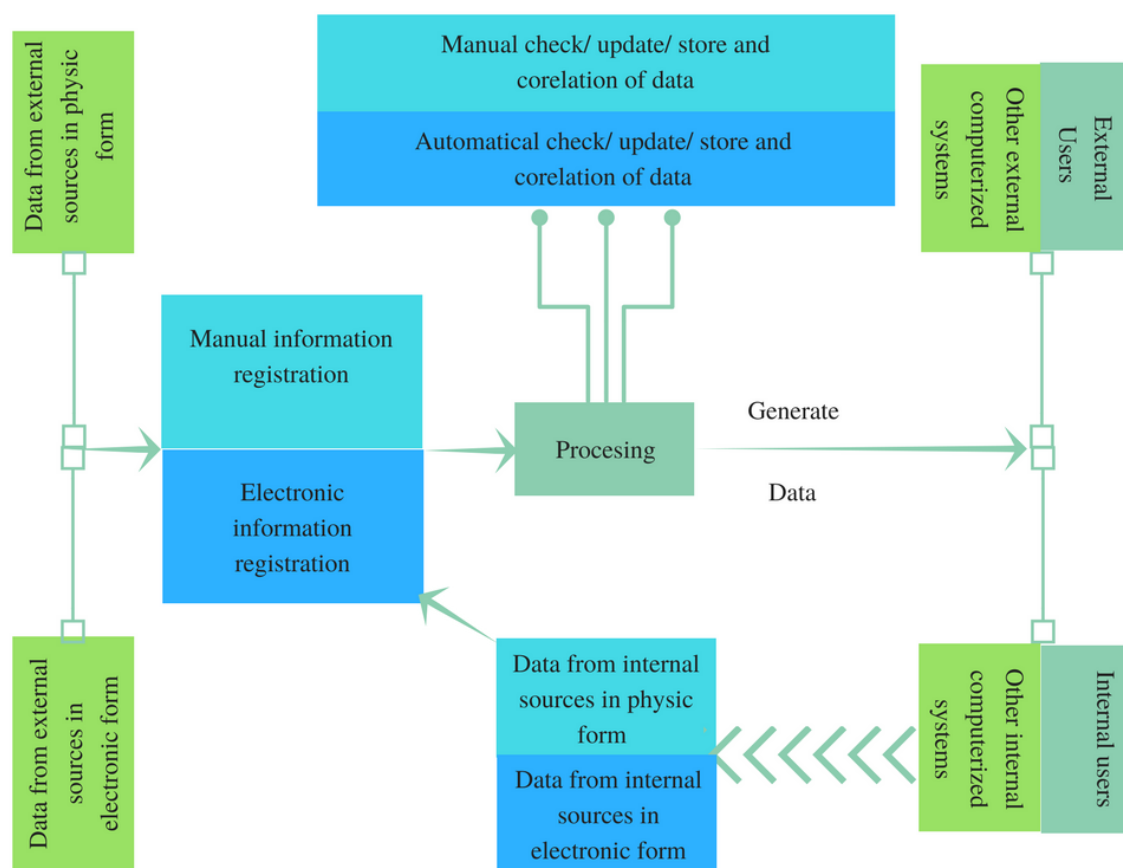


Figure 1.1. Accounting computerized informational system functionality model
Source: Research on Romanian practice

We mention that there are two methods of information registration in a computerized system, manual with the help of the human resource and electronical with the help of a barcode system, the last one being used only in the case of the big corporations in Romania. The information support on which the registrations are made can be in physic form, on paper or electronic, data form. The registered information can be provided by sources from the inside or outside of the organization. After the registration procedure comes the processing of the information which can be made automatically, realized by the computer's software or manually realized step by step by a person. In the final stage the information is presented in a physical or electronic form to the internal or external users.

In the specialty literature there are mentioned advantages of implementing an accounting computerized informational system. Francis P. (2013)⁷ mentions the following advantages of implementing of such a system:

- Improvement of the processing speed of the information and an easier generation of financial and tax returns;
- Higher adaptation capacity to the changing of legal norms and needs of the entities;
- Reduction of printed paper forms;
- Improvement of the accuracy and elimination of mathematic errors.

In our opinion all these advantages are measurable, especially those regarding the informational system specific to Romania. Observing the state of fact in Romania regarding the

⁷ Francis Pol C Lim, „Impact of Information Tehnology on Accounting system”, Asia-Pacific Journal of Multimedia Services Covergent with Art, Humanities and Sociology, Vol 3, No 2, 2013 – pag 93-106

declaratory informational system we consider that the improvement of the processing speed of information and declaration can be achieved if the users of this system have access to modern and best performing equipment and a good high speed connection to the internet, but even with all this features there can be other factors can influence the speed of processing information by the system and the security of information.

Regarding the flexibility of the computerized informational system Courney & al. (1993)⁸ mention that although on the market there are numerous products that come to the need of entities on accounting computerized informational systems, rarely is there a case when a software package is perfect and made for all the needs of the client. The software products for accounting systems are standard and manufactured so that they can be used by a large number of entities from different fields of work. In the observing process we found plenty of cases in which entities used multiple products at the same time, without the capability of associating them. Our observation in the Romanian case confirm Haryam (2012)⁹ considerations that an accounting computerized informational system needs to know the strengths and weaknesses of the entity so that it can meet the entities needs, this requires the elaboration by the provider of a form that can be filed by the user before implementing a software.

Regarding the reduction of paper forms used, in practice we noticed different practice from an entity to another based on the credibility that the accounting responsible presents for the computerized system. We observed two types of practice, one in which all the documents are printed after they are processed by the accounting software and one that keeps all the documents stored on a digital platform in a electronical form.

2. Electronical tax returns system

The e-government system was implemented with the purpose of simplifying the interaction between the notifier and the public or fiscal administration.¹⁰ At the present this system is the only electronical option for notifying taxes in Romania.¹¹ The national system requires an electronic signature for sending tax returns online¹², this practice was also identified in other countries where the same requirements are made.

⁸ Courney, Harley M. , Flippen, Cheryl L. , „ A shopper’s guide to accounting software”, Journal of Accountancy, Vol. 179, No. 2

⁹ Haryani, Endang. „ Accounting System for Small Business in Indonesia – Case Study” Researcher World, Vol. 3, No. 2, April 2012

¹⁰ www.aadr.ro/sisteme-operare_0_25.html

¹¹ Conform Hotărârii Guvernului nr. 862/2009 - modificarea si completarea HG nr. 1085/2003 pentru aplicarea unor prevederi ale Legii nr. 161/2003 privind unele masuri pentru asigurarea transparentei in exercitarea demnităților publice, a funcțiilor publice si in mediul de afaceri, prevenirea si sancționarea corupției, referitoare la implementarea Sistemului Electronic National

¹² Legea 455/2001 privind semnătura electronică republicată în 2014

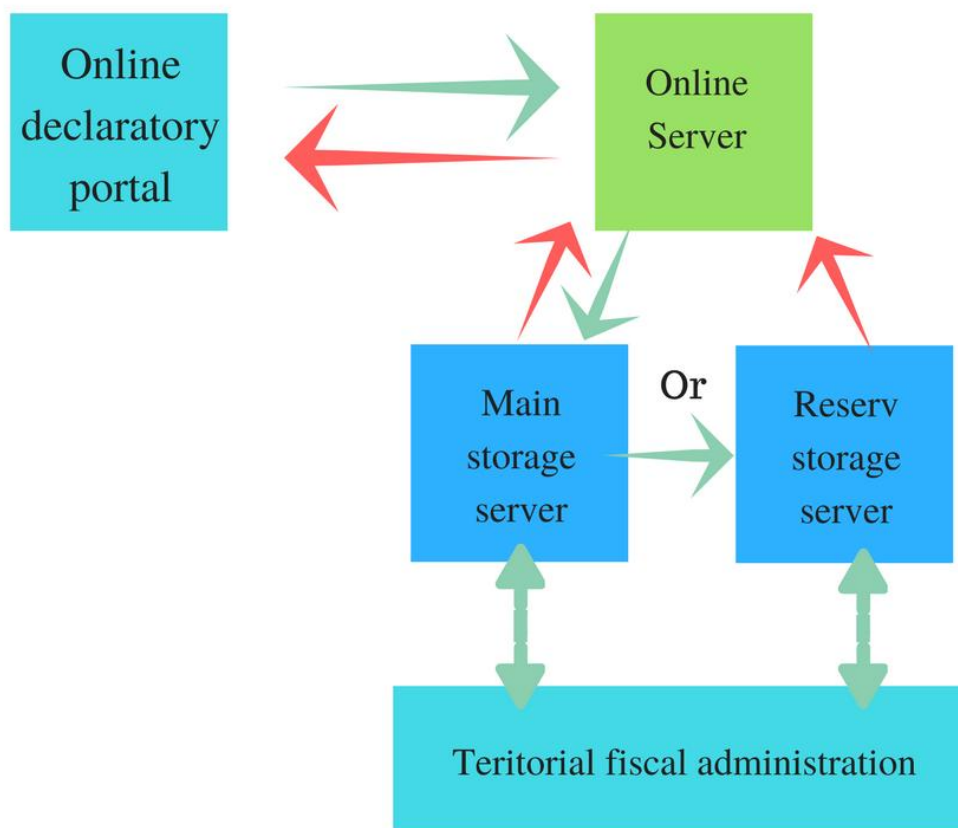


Figure 2.1. National electronic declaratory system model
Source: Research on Romanian practice

According to our investigation results the information in the accounting system are transformed and digital signed and then sent online on the fiscal administration server. The data is then stored on a server which sends back an automatic response of the validation status and if all the technical requirements were reached. In case that the main server is overcrowded there is a reserve server that will receive the data and send back the automatic response. The data stored are then sent to the local fiscal administration authority or can be directly accessed on the national server depending of the type of declaration. In present days in Romania there are software that send automatically every declaration without accessing manually the administration's online portal.

3. Risks of the computerized informational system and tax returns system in Romania

Bell T. (1998)¹³ identified in his work two categories of risks in correlation with the accounting computerized informational system: unauthorized access that can distort the data and the risk to lack competent employees. In accordance with the present situation of the Romanian system, including these two risks mentioned above, we also mention: the risk of losing information; the risk of programming errors (bugs); the risk of unauthorized data export; the risk of processing errors.

We identified the risk of errors in programming especially in the case of informational systems that are frequently updated to the new legal changes, and in Romania changes in the legal

¹³ By Bell, Timothy B.; Knechel, W. Robert et al. „An Empirical Investigation of the Relationship between the Computerization of Accounting Systems and the Incidence and Size of Audit Differences”, *Auditing: A Journal of Practice & Theory*, Vol. 17, No. 1

field especially taxation are occurring very often so that the use of a single original version of an accounting software is not useful or efficient.

The risk of unauthorized data export appears when the entity uses a product that gives access to the server from anywhere based on internet connection. The provider of these services doesn't have the possibility to access data stored or distorting it but he has the possibility to make copies of the content of the data base and then have access to the information that is normally restricted to public or outside users. This risk is different from that mentioned by Bell T. (1998) by the fact that the data is not distorted and can't be accessed from the start.

The Sarbanes Oxley act demands that the manager and auditor report the internal control level is adequate, including in this the internal control of information, but without specifying the safety measures to be taken.¹⁴

Analyzing comparatively accounting computerized systems SAGA, Winmentor, ContaFree and Trezorerie-software, which are used in Romania we observed some of the next types of risks on which the users demanded the attention of the provider¹⁵:

- The risk of bugs in the software after an update installation, in the update process of a software, when legal or accounting norms change, the system can have programming language errors so that it may not function accordingly;
- The risk of mismatch between the data base and the tax returns, there is the possibility that information taken automatically in the declaration by the software are not correct or are not matching with the reality. The majority of software on the Romanian market have this service of generating automatically tax returns without to alert the users of this possible risk;
- The risk of being unable to correct operating errors, some users consider that there are certain operating errors that accounting software do not allow to correct if tax returns have been filed;
- The risk of double registration of the same operation, this occurs if the program can not verify whether a record is doubled if it is made in two different input tables, such as the foreign currency table and the RON entry table;
- Risk of loss of access to the database, it is manifested in the process of updating the accounting software systems if this process is interrupted. In some cases, the database may not be damaged and can be recovered, but there have been cases where the recovery process failed.

In the process of online filing of tax returns, we identified the following risks: The risk of omission of attachment of the electronic signature, this leads to the rejection of the statement by the national authority server and the risk of server unavailability for verifying the validation of the statements, when the server is over crowded with other users online uploading processes.

Conclusions

We conclude that the national electronical system does not present any manifestation caused by the presence of risks and that the administration of system informational risk, general and specific of this country, is an efficient one. Also we mention the fact that all entities, in most of the cases, buy software systems that are not made specific to their needs and in some cases where they reached out to the software supplier to adapt the software to their needs, he refused to make such adaptation to the software.

¹⁴ Abu-Khadra, Husam A., Joseph O. , Deborah D. , „Incorporating the COBIT Framework for IT Governance in Accounting Education”, Communications of the IIMA, Vol. 12, No. 2, 2012

¹⁵ Analiză realizată prin comparația informațiilor și feedback-ul utilizatorilor public pe paginile producătorilor de software din România

Accounting computerized informational systems evolved in the past years using now a friendly interface and presenting more and more facilities for the users, but without aiming to improve and reduce the risk level that is caused by the use of such a software system.

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