

**MINISTRY OF NATIONAL EDUCATION
"1st DECEMBER 1918" UNIVERSITY OF ALBA IULIA
THE FACULTY OF SCIENCES**

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**COGNITIVE VALENCES OF THE INTERNAL CONTROL
OVER FINANCIAL REPORTING IN MODELLING THE
INVESTMENT BEHAVIOUR OF BANKS**

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Contents of the PhD Thesis Summary

Contents of the PhD Thesis.....	4
Key Words	7
Introduction	7
Research Methodology	8
Concise Content and Directions of Research	11
Conclusions, Recommendations and Perspectives of the Research	13
Bibliography.....	25

Contents of the PhD Thesis

Introduction.....	7
Chapter 1 Identity of Banks and a Systemic Approach to Risks	18
1.1. Identity of Banks in the Current Economic Context	18
1.1.1. Banks in the Architecture of the Current Financial Market	18
1.1.2. Actors of the Banking System.....	20
1.1.3. Anchoring the Banking System to the Financial Crisis – explanations and causality	25
1.1.4. Effects of the Banking Post-crisis	32
1.2. A Systemic Approach to Banking Risks	36
1.2.1. Risk Reactions – Prudential Bank Rules.....	36
1.2.2. Economic Amplifiers of Banking Risks.....	39
1.2.3. Institutional and Cultural Amplifiers of Banking Risks.....	41
1.2.4. Effects of Banking Risks – the Systemic Vulnerability and Behavioural Reactions of Decision-makers of Banks	45
1.2.5. Map of Banking Risks.....	49
1.3. Preliminary Conclusions.....	60
Chapter 2 The Internal Control over Financial Reporting of Banks – the support sphere for generating and publishing the financial statements	64
2.1. The Referential Internal Control of Corporate Governance	64
2.1.1 Considerations for the Internal Control	64
2.1.2. Established Internal Control Models	69
2.1.3. A COSO Comparative Study – other internal control models that were established	74
2.1.4. The Flow Chart of an Internal Control System	78
2.2. The Internal Control over Financial Reporting - referential to ensuring the requirements of informational compliance and transparency	85
2.2.1. The Chain of the Financial Reporting of Banks.....	85
2.2.2. Conceptualization of the Internal Control over Financial Reporting of Banks.....	88
2.2.3. An International Approach of the Internal Control over Financial Reporting of Banks – Comparative Studies	92
2.2.4. Evaluating the Internal Control over Financial Reporting of Banks – deficiencies of the internal control	97
2.2.5. An Empirical Study regarding the effects of control deficiencies over financial reporting	103
2.3. Preliminary Conclusions.....	108
Chapter 3 Financial Statements of Banks – A Result of Presentations of Information into a Risk-based Approach.....	113

3.1.	Requirements and Banking Peculiarities when Generating Financial Statements	113
3.1.1.	The Accounting Regulation of the Need of Information	113
3.1.2.	Relevant Requirements for the Presentation of Financial Statements of Banks compliant with IFRS	119
3.1.3.	Behavioural Elements	121
3.1.4.	Exigences of the Responsibility of Bank Reporting. Between an Economic Behaviour and a Behaviour of Compliance with IFRS.....	125
3.1.5.	Banking Peculiarities and Their Effects on the Presentation of Financial Information.....	131
3.2.	The Volatility of Financial Information of Banks	134
3.2.1.	Transparency and Credibility within the Financial Reporting of Banks.....	134
3.2.2.	The Value of the Financial Information versus Volatility	139
3.2.3.	Risks of the Presentations of Financial Information of Banks – distortions of information	143
3.2.4.	Prophylaxis Applied over The Financial Reporting of Banks	146
3.2.5.	Source-elements Representative for the Volatility of Financial Statements of Banks	148
3.3.	Preliminary Conclusions.....	153
Chapter 4 The Impact of Regulations on European Banking Practices when Presenting Information related to the Internal Control over Financial Reporting – ICFR/G20 Empirical Study -		163
4.1.	General and Methodological Considerations	163
4.2.	Results of the Research.....	169
4.2.1.	A General Image of the Results of ICFR/G20 researches	169
4.2.2.	The Results of Testing Specific Hypotheses.....	171
4.3.	Perspectives of the Research	175
Chapter 5 The Evolution of the Transparency Degree related to the Internal Control over Financial Reporting of Banks Systemically Relevant at the European level – ICFR/EBA Empirical Study –		177
5.1.	General and Methodological Considerations	177
5.2.	Results of the Research	192
5.2.1.	Conclusions Regarding the Reporting Behaviour.....	192
5.2.2.	A Comparative Image up against the Listing Requirements in USA – the evidence for the credibility of the results of this study	199
5.2.3.	The Aplicative Model of Communicating and Informing about ICFR – CI/ICFR Model –.....	204
5.3.	Perspectives of the Research	213
Chapter 6 The Interrelation between the Risk Profile – Investitional Behaviour – the Internal Control over Reporting: the RIC balanced scorecard Model		214
6.1.	General and Methodological Considerations	214

6.2. Processing and Treating the Results of the Research	235
6.2.1. Descriptive statistics.....	235
6.2.2. Testing the Hypotheses	244
6.2.3. Treatment of Results	246
6.3. Perspectives of the Research	251
Chapter 7 Conclusions, Recommendations and Perspectives of the Research.....	254
7.1. Conclusions	254
7.2. Recommendations – own contributions	265
7.3. Perspectives of the Research	266
Bibliography	268
List of Figures.....	282
List of Tables	286
List of Appendices	288

Key words

Internal control over financial reporting, internal control, financial reporting, financial statements, transparency, credibility, bank performance, bank, banking risks, vulnerability, COSO internal control model, internal control deficiencies, bank characteristics, volatility of financial information, EBA stress test.

Introduction

Globalization has been representing a challenge for the banking environment. The evolutions of the European banking system are not the only ones which have proven that in the given context it has become harder to identify the “support levers” for the expectations of the actors of the banking system and of the public regarding bank transparency and credibility. New difficulties were encountered when generating financial information, when fulfilling social responsibilities, when getting out of the lately identity crisis in the banking environment, as well as when formulating adequate answers by the corporate banking officers to stakeholders’ requirements.

In this context, the redundant actuality of economy, of the banking system brings into discussion the priority between the unconditioned behaviour and regulation, between the rules of the market and the social ones, between control and enterprise in relation with stakeholders’ intensified expectations regarding transparency and performance. **The semantic oppositions** and the contradictions that are incumbent to them need clarifications resulted from theoretical and practical reasoning of the predominant ideological labels. But the claim to find an answer leads to complex researches related to the fundamental domain of accounting; within this domain some relevant results may be obtained by bringing in the equation of the research the **Internal Control over Financial Reporting in the dimension of bank accounting**. And this is due to the fact that, when answering to the recurrent problems of the systemic shocks from the financial markets – which leads the discussion towards bank credibility -, there exist some particular connotations of **the researches made on a level with the mechanism of generating and presenting the financial information** published by banks, of the influence the generated financial information and the financial reporting process have when ensuring bank transparency and performance. Thereby, there are opened new possibilities for researching within bank accounting, new horizons to reason upon the significance of the Internal Control over Financial Reporting, the information presented within the Financial Statements for the aims, the needs of the investment climate and the success of the decision-making process of banks.

In order to offer the new perspectives to the accounting research, this PhD thesis, **“COGNITIVE VALENCES OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING IN MODELLING THE INVESTMENT BEHAVIOUR OF BANKS”** is focused on complex multidisciplinary researches, with multiple and functional economic approaches integrated in order to identify multiple peculiar solutions into the financial reporting, with goals from the perspective of transparency and performance.

The reasoning of these researches within the **international banking field** is based, *first of all*, on the financial pressures, on the new technologies that appeared against the globalization and internationalization of businesses, especially of the ones from the financial markets which increased **the degree of systemic vulnerability** and imposed new approaches to avoid risks

and to capitalize on opportunities. Among these, the attitude of adaptability to the new economic realities and the ability to anticipate and avoid dangers are peculiarly valorous.

Secondly, the requirements of law reforms in respect to standards and transparent practices for the public environment, as well as for the private ones have brought new prediction in this context; through these reforms, one is looking for completing an international control environment to which subscribe nations, the activity domains asserted on an international level, closely interconnected. They formed a natural stimulation by means of awareness, of an explicit and implicit way on the importance of adequate and functional mechanisms of internal control from each economic entity in order to obtain a reasonable assurance of the security of its assets, of the compliance with ethical values, of the transparency and credibility of financial reporting and, of course, of accomplishing the performance goals.

Thirdly, numerous reluctances regarding the Internal Control over Financial Reporting, sometimes charges laid against it as playing an important role in propagating the financial crisis, derived from the logical process of interfering with **the decryption of present interdependencies in which the Internal Control over Financial Reporting is driven**; this one plays an important role in offering adequate answers to bank investors' expectations in respect of performance. Related to identifying viable interdependences, the complex problems of the Internal Control over Financial Reporting encompassed new research directions as regards the financial statements of banks both from a conceptual point of view, and from its mechanisms related to generating financial-accounting information point of view.

These new research directions, that have become the object of concern for the last three years, took shape as results of the theoretical and practical scientific incursions whereby we intended to approach cognitively the significance of the Internal Control over Financial Reporting, wherefrom, by our own contributions, to argue the feasible options which would represent practical solutions expected within the financial reporting.

On the strength of the research, based on documentation and analysis of opinions from the literature, of rules established by national, European and international regulations regarding the subject of the research, the steps for establishing the **general goal** of the research has led towards: **identifying the significance of the Internal Control over Financial Reporting in increasing bank transparency and social credibility, in knowing its interdependences on the bank performance.**

Research Methodology

This research belongs to the **economic domain** and is based on a conceptual map in which **accountancy** is the producer of the segment of socio-economic reality which represents the assembly of observations to be explored. Approached from an epistemological point of view according to the **constructivist current**, they represent **the area of banking activities** with impact on **the international accounting practices from the sector of financial reporting processes of banks**, whereof do not miss the incidences taken over and transferred also to the internal audit, financial audit, corporate governance, preponderantly accounting management, finance, ethics, financial-accounting analysis, statistics, econometrics.

Relating to the most advanced European and international experiences, we kept track of **two levels of research**: a theoretical one - intended for knowing the present phase of researches made with a view of the literature – and another one intended for the empirical thinking in which the professional reasoning due to some well-known practices has brought new dilemmas on the results of the theoretical researches, wherefore it was necessary to develop several empirical studies in the context.

In order to identify the priority regarding unconditioned behaviour and regulation, market rules and social rules, control and initiative in the context of social expectations, we took into consideration **the theory of usefulness of the accounting decision**, trying to post the research on the empirical problems from the financial reporting by means of the predictive ability. Therefore, the frequent recourse at empirical checks besides the reasoning of the investigations imposed **an ample observation, documentation and analysis** of the studied phenomena.

The complexity of the studied banking reality, the specific banking circumstances, the interconnections of the banking system with other economic systems, the recent “domino” effects from the financial market represented the first phenomena interposed on the conceptual map of the accounting research, a start for this accounting construct. By means of **descriptive** instrumentations, in this first phase of the research – *the intuition phase* – we performed some preliminary studies which generated possible questions related to the area of the financial reporting, questions to which we gave lately some answers. As a starter, the motivational source was formed by the risks from the banking system which outline a risk profile. On this line, we carried on a **research from particular to general, from simple to complex**, as well as **a critical analysis** in order to have an opinion on the asserted theoretical considerations, by appealing to ample bibliographic references which represented eloquent sources of opinions from literature, of narrations from the activity of some national, European, international authorities, of critics, but also of rules applicable to the banking system. We looked for **their confirmation into concrete aspects of national and international practices** and we presented them in numerous examples of events in the context and points of view of some officials in the domain.

Carrying forward the first phase of the research, the intuition one, in order to orientate the future researches towards the general goal of this thesis, we identified and applied the methodological instrumentation we considered to be adequate to the second phase of the research – respectively, *the understanding phase* – on bank practices for the financial reporting. To know the complex aspects of financial reporting of banks, to identify the necessary approaches for draining risks generated by the peculiarities of international banking activities, of requests for transparency – both of the ones from regulations marketed on the banking by authorities and which must be respected by banks, and of the internal ones that depend on the choices of the corporate banking officers – we continued to apply the procedures of **documentation, observation and comparative analysis** on more jurisdictions, respectively banks. To a thoroughgoing study of the structural aspects referring to the internal control, of its elements, to place them within the area of the financial reporting and of responsibilities from different organizational levels, we also made an **applicative research** where the statements from literature, the convergences and divergences resulted from comparisons made on some Internal Control frameworks adopted in some more significant jurisdictions completed the conceptual polemics.

Developing the researches from the understanding phase, searching for new explanations in order to accomplish the general goal of this research, we connected coherently and, we consider, adequately the aspects of **the qualitative research** with the aspects of **the quantitative research** in order to notice the most important sides of the bank organizational values, whose assertion in the area of financial reporting brings into focus beside the rules which lead towards the architecture of some quality information – known as being reliable for the processes they represent -, the requirements for an ethical behaviour. Using the same **descriptive-conceptual component** correlated with the empirical one in order to establish if the decisional process is a cause or an effect of an organizational behaviour, we considered opportune to orientate researches on discovering the equilibrium between the two dimensions

of responsibility in banking – the dimension of performance and the dimension of compliance; this thing pointed out the dilemma of corporative respondents to choose between an economic behaviour and a behaviour of compliance.

Appealing to the appreciative **inquiry**, we addressed solicitations to the internal auditors in order to identify and rank (through the approach of the appreciative disclosures and depending on the importance) the analysed elements about the way the banking responsibility is honoured from the perspective of experiences and practices, but also from the internal auditors' perception point of view on the importance of elements considered/ which should be considered by managers as being important when accomplishing banking responsibilities.

We observed how the Internal Control over Financial Reporting in banks was customized and the effects of its mechanisms on the generated information, on the specific manner of treating banking risks under the influence of the peculiarities of banking by adopting an **open and flexible attitude** in order to permit the free expression, unconfined by the 39 respondents' inhibitions who participated at the **appreciative inquiry**. The respondents are internal auditors with experience in banks from Austria and not only.

The area of investigating theories, concepts, perceptions, experienced, doubled by a **deductive reasoning** were essential when investigating the vulnerability of information presented in the Financial Statements of banks for identifying the typical elements from financial structures whom is due to the bank informational volatility and of other presentations which produce deficiencies from the perspective of bank transparency and credibility.

The volatility of financial information – considered cause of the systemic vulnerability of banks – and the requirements for financial stability from the area of the to be carried out observation leded as to the validation of the **comparative research** with experiments from **the studied international practices of banks, as well as with the results from visits and face to face meetings** with specialists who work in banks from Austria, Romania, Ukraine, Czech Republic, Hungary. These procedures were relevant to their differentiation from the source-elements representing the volatility of the financial statements of banks and to identify causes and measures of draining banking risks.

To point out the results of the research, to set the research theme in the context of “discoveries” not only in the one of “verifications”, we appealed to the professional reasoning, to the development of researches in order to find out the degree of bank transparency related to the publication of information about the Internal Control over Financial Reporting by banks. In that direction, the empirical studies regarding bank transparency from the internal control over financial reporting point of view – **ICFR/G20 Empirical Study** and **ICFR/EBA Empirical Study** – open new perspectives in the paradigm of bank transparency.

If when carrying out the **ICFR/G20 Empirical Study** we took into consideration the **positivist theory** which implies empirical observations on the reality to formulate and test hypotheses, for the **ICFR/EBA Empirical Study**, the **panel research** and the **study of the trend this theory** was integrated into a **qualitative and exploratory approach**, developed on the banking supervisory authorities' initiatives come as answer to the financial crisis. From this point of view, it must be pointed out the use of the *2011 stress test* effectuated by the European Banking Authority in Basel (EBA), which offers an additional character of relevance and actuality to this research.

Using the results of the **ICFR/EBA Empirical Study** – externalized into the creation of the intrinsic indicator that designate the profile of Internal Control over Financial Reporting – on the strength of the instrumentations given by **the techniques of quantitative and qualitative research**, alongside **tests made on the strength of the OLS regression and the**

application of the *t* test with the help of the SPSS programme, we developed the RIC Balanced Scorecard Model.

This research is based on ample exemplifications brought from the literature, on the results on the professional reasoning and points of view of specialists from banks with responsibilities in internal control, internal audit and corporative governance from banks in Austria, Romania, Ukraine, Czech Republic, Hungary and **the own experience** due to practicing the profession of **internal auditor** in an international banking corporation and to the quality of member of two audit committees of banks from Serbia and Croatia. **The participations at seminars and courses of professional training** in internal auditing in banking¹, accountancy², banking risks³ and internal control⁴, at symposia and public discussions⁵ were also important and they orientated the research towards the present subjects of interest from the banking domain of Europe⁶.

To present in a systematic manner the relationships between the studied phenomena, to bring forward the opinions, the rules applicable in the financial reporting of banks, to accomplish the research goal of this PhD thesis, we used **301** bibliographical references, **534** bibliographical references along the PhD thesis, **62** graphical representations, **36** tables and **23** appendices. Moreover, the proof for the amplex and relevance of the inputs of the research is given by the use of **the data basis of BANKSCOPE Bureau van Dijk** and of the **400 Financial Statements/ Annual Reports**⁷ available online, belonging to the 80 banks from the sample, filled in by the Liability Statements of the Chief Executive Officers and/or of the Chief Financial Officers, the Corporate Governance Statements and/or where was needed the Registration Documentation and the 20F form for the banks listed at one or more stock exchanges from the United States.

Concise Content and Directions of Research

This PhD thesis is structured on **6 chapters**, preceded by an “**Introduction**” and continued with “**Conclusions, recommendations and perspectives of the research**”.

The first chapter “**Identity of Banks and a Systemic Approach to Risks**” permits a clarification of the role and place of banks – as main actors of the activities of financial intermediation – and other actors of the banking system within financial markets. It was absolutely necessary to start with this exercise in order to find out the interconnections of the banking system, of specific peculiarities, of elements that argue the behavioural reactions of the decision-makers from the banking system. All of these offered us the possibility to identify **explanations for the current systemic vulnerabilities banks are exposed to**, for the costs and effects of the banking post-crisis increasingly **experienced** at all levels if the banking systems, as well as within the **activity of generating accounting information**.

¹ ”The Accounting Audit” (”Revision des Rechnungswesens”), Bad Aussee, 1-5.10.2012, Volksbank Akademie and ”The Audit of the Financing Activity” (”Revision der Finanzierungsgeschäft”), Velden, 10-14.10.2011, Volksbank Akademie.

² ”Introduction to IFRS for banks”, Vienna, 27-28.08.2012, Ernst&Young.

³ ”CRD IV/CRR – New regulatory requirements”, Vienna, 13.09.2012, Price Waterhouse Coopers and ”Basel III – Actual Requirements for Credit Institutions”, Vienna, 14.06.2012, Akademie für Recht und Steuern.

⁴ ”COSO – Usage in Practice” (”COSO in der Praxis”), Vienna, 5-6.11.2012, IIA Austria and ”The Internal Control System of an Entity” (”IKS im Gesamtunternehmen”), Vienna, 13-14.11.2012, IIA Austria.

⁵ Symposium ”*Financial Markets in Times of Crisis*”, 18.04.2012, Österreichische Akademie der Wissenschaften, Vienna.

⁶ An exemple on these lines is represented by the participation at the annual symposium *Alpbach Forum 2012*, Austria, in 2012.

⁷ It refers to Consolidated Financial Statements/ Annual Reports.

Disputing about rationality as component of the investment behaviour of banks in relation with investments, in order to clarify if it is appreciated in terms of avoiding risks and uncertainties or if it is appreciated in terms of a process of internal control through which the corporate respondents aim at maximizing performances, we tried to identify **the causes of the behavioural reactions of decision-makers of banks**. To this effect, we started from a debate about factors that amplify banking risks and about their effects and we continued by introducing a **mix of negative effects of the amplifiers of banking risks**, on the strength of which we set behavioural reactions of the decision-makers of banks which should be named “phenomena” due to the amplex and sophisticated form of manifestation.

The multitude of amplifiers of banking risks, their origin and **effects**, the context created by the **agency theory** – which separates investors from corporate respondents into distinct categories of users of financial information – and the **asymmetry of financial information** – due to the different information existing in possession of different categories of users – were a few aspects that determined us to proceed to outline **a map of banking risks**; with its help, there could be identified the mechanisms of generating accounting information. Certainly, this is possible if exist some strategies through which we could establish the significance of the Internal Control over Financial Reporting from the perspective of bank transparency and performance.

The second chapter, “*The Internal Control over Financial Reporting of Banks - the support sphere for generating and publishing the financial statements*”, on the strength of a retrospective documentation, permitted us clarify the main coordinates which describe **the identity of internal control models**. Through this chapter, we intended to point out the role of the Internal Control when generating and publishing the financial statements by determining its importance for ensuring the financial stability at the microeconomic level and, implicitly, with an admitted effect, at the macroeconomic level. The study of progresses made on the international and European position, materialized in the determination and development of internal control models, guided our research steps towards the identification of the internal control model with the greatest acceptability and applicability. On the strength of the preliminary results obtained from advanced researches on the internal control models, we performed **a comparative study** between the **COSO I Model and other five established internal control models**. It was necessary to start with this exercise in order to find out the interconnections between the five established components of an internal control framework, to identify the manner responsibilities are structured on different organizational levels, so that the role of the internal control should be played not only at a declarative level.

We also highlighted **the specificity** of the components of an Internal Control related to the financial reporting by identifying **the role of the Internal Control over Financial Reporting, the one of referential for ensuring the requirements for information compliance and transparency**, on the strength of its place and area within the Internal Control, especially within the sphere of processes of generating, publishing and using the financial information of banks, respectively of **the chain of financial reporting**. By performing **a comparative study SOX - EuroSOX**, beside other related regulations from significant jurisdictions, we pointed out the differences existent in relation with the minimal legal requirements applied on the line of the Internal Control over Financial Reporting. And also, on the strength of a sequence from the Internal Control on the dimension of the financial reporting, we looked for identifying as many arguments as possible related to the place and role of the Internal Control over Financial Reporting when generating and publishing information from the financial statements of banks; therefore, there were opened new research hypotheses which detect the utility, the cognitive valences of the Internal Control over Financial Reporting when modelling the behaviour of banks when ensuring transparency and social credibility. In order to bone up the subject of possible dysfunctions when adopting and

implementing a model of Internal Control over Reporting, we considered as being opportune to concentrate the research on the **evaluation of the Internal Control over Reporting**.

If in Chapter 2 the research demarche was focused primarily on the aspects related to the internal sphere of the chain of financial reporting, in the third chapter, "*Financial Statements of Banks – A Result of Presentations of Information into a Risk-based Approach*", we considered to be necessary to bring on the conceptual map of the research also some elements from the external environment. To this effect, we proceeded to instrumentations on the regulation framework applied within the process of generating and publishing accounting information.

Taking into consideration **the needs for financial-accounting information** of the banking actors, as well as the requirements from **the accounting regulation**, both the accounting acknowledgement ones, and the ones of presenting information in the financial statements according to IFRS, we presented, beside the importance of the IFRS referential, the latest evolutions towards an integrated reporting. We had also identified the behavioural elements related to the human resource and then we highlighted the professional rationalities with possible traps and prejudices which may affect the value judgement by bringing into discussion the dilemma – banking responsibility between a prospective (in the dimension of performance) and a retrospective approach (in the dimension of compliance). And because the answer given to the requests of decision-makers of banks by means of Financial Statements of banks should be the one that avers the transparency and social credibility, it was necessary to highlight **banking peculiarities** and their effects on generating and presenting information in the financial statements of banks.

Investigating the elements that affect **transparency and credibility** of financial statements in order to establish the necessary requirements for ensuring the financial stability, we extended the area of the research on risks of a representation different from the reality, on **the volatility of information presentations**. In the context in which the global financial crisis qualified both as a morality crisis, and a systemic crisis, as a matter of course we orientated the research demarches towards the identification of action directions for ensuring the **prophylaxis within financial reporting** and for identifying **the source-elements representative for the volatility of financial reporting of banks** in order to locate main action directions.

In the next three chapters, Chapter 4, Chapter 5 and Chapter 6, we presented the results of the applicative researches made through three empirical studies whose relevance is demonstrated by the **utility of conclusions regarding the Internal Control over Financial Reporting** over the realities from banking, conclusions that **point out its cognitive valences and own contributions** brought by creating the **ICFR applicative model of Communicating and Informing (CI/ ICFR Model)**, of its intrinsic indicator (**ICFR_e**) **which defines the profile of the internal control and the RIC Balanced Scorecard Model**, useful to stockholders and banking respondents when taking informed and assumed decisions, with beneficial effects on bank performance.

Conclusions, Recommendations and Perspectives of the Research

The actuality of the subject of this PhD thesis, whose importance is indissolubly related to the peculiarities of banking with incontestable influences on the whole economic system, on the strength of the performed research, led us step-by-step towards the determination of **conclusions** which **highlight the cognitive valences of the Internal Control over Financial Reporting** regarding bank transparency and its evolution in the last period, as well as regarding the monitoring of the operational goals configured around the bank performance.

Their relevance, demonstrated through a logical sequence along the 6 chapters, comes into prominence through the following general conclusions resulted from a punctual approach of the general goal of the research.

In the attempt to establish the importance of banks and of financial markets in regard of the global economic development, we determined, on one hand, countries that have a high rhythm of economic expansion due to banks which provide credits for the economy; on the other hand, we discovered so **“big” banks that the possibility of their collapse threatens the whole worldwide financial-banking system**, aspect that calls into question the economic development itself at an international level from the sustainability point of view. The ascendant level of banking concentration in the last period directs to some giant banks, whose collapse would have a worldwide echo.

The consequences of the bankruptcy of Lehman Brothers investment bank on the background of globalization and interconnection existent between banking trades disclosed the necessity to consult and collaborate for the countries which were in danger as collateral victims, thus surpassing jurisdictions and national regulations. In this context, we observed that, as an answer to what had happened, in November 2011, the G20 leaders finalized a list with the most important banks in the world which must not face bankruptcy, **banks** known as **“Too big to fail”**, following that these ones would comply in the next years with many rules regarding capitalization and the development of their banking activity. These banks may be named **“systemic banks”**.

The conclusions from Chapter 1 underlie, on one hand, the place and role of banks in economy, in the financial system, and, on the other hand, they guided the research to the accounting mechanisms used by banks in order to generate and present through an approach based on risk the information from financial statements; eloquent conclusions from this point of view were obtained on the strength of the research demarches presented in Chapters 2 and 3. Therefore, to outline and present as clearly as possible the aspects and circumstances specific to financial reporting processes, we identified **the area of the internal control**. Its aims were regarded from the perspective of the established internal control models concerning the manner of approaching risks specific to the banking environment.

Obtaining the necessary clarifications on the responsibilities that must be enticed within the Internal Control on different organizational stairs, on the actuality brought by the 17 principles of an Internal Control and the model of “The Three Lines of Defence”, we drafted **the Flow Chart of the Internal Control**; therefore, we pointed out the responsibility poles and the integrated pillar-functions. The research developed on relevant banking practices from countries of Central Europe and East Europe from the perspective of the area of responsibilities defined on different organizational levels allows us to suggest completing these actual responsibilities with some **new responsibilities** regarding the centralization, the transmission and facilitation in the documentation of processes, in order to obtain a continuous coordination both of compliance controls, and of operational processes.

The identification of many internal control models acknowledges in significant jurisdictions carried the establishment of the **model** that presents the widest **international acknowledgement**, of the reference model. **The COSO Model** we studied from the evolutionary perspective – starting with 1992 until now, being involved in a process of development in 2004 and in a process of update in 2012 and 2013 – **was compared by us with other 5 models** of internal control (COCO⁸, Turnbull⁹, AMF¹⁰, CobiT¹¹, Basel

⁸ The COCO Model – framework, known also as *Criteria Of Control*, was published on the Canadian Institute of Certified Accountants’ initiative.

⁹ Turnbull Model was published by the Institute of Chartered Accountants in England and Wales - ICAEW.

¹⁰ AMF Model was published on the Regulatory Authority of Financial Markets in France’ initiative (L’Autorité des Marchés Financiers).

Model¹²). We identified both **convergences**, and **divergences in relation to objectives, elements/ areas of control and addressability**. The conclusion of the comparative study we made allows us to consider that: the Internal Control is both **a cause**, and **an effect of the financial security** whose stake draws out from the area of an economic entity or of a jurisdiction, and this is due to the targeted objectives to whose accomplishment the components of the Internal Control play their own role, defining an area of the financial security both of assets, and of information.

Locating the Internal Control over Financial Reporting in the area of the Internal Control, we defined from an original point of view the essential controls over financial reporting, so as to obtain subsequently **an international approach of the minimal legal requests related to financial reporting**, having as source regulations from significant jurisdictions: United States, European Union, Canada, Great Britain, France and Japan.

In order to **examine the prophylaxis of banking** related to the adequate functionality of the Internal Control over Financial Reporting, necessary to generate useful financial information, in order to identify control deficiencies – deficiencies that may manifest both horizontally, within a type of operations, and vertically, within the pyramidal system of organization – we developed **an empirical study** on the strength of an appreciative inquiry¹³, in which we used two **factors for appreciating control deficiencies: the probability of issuance** of false financial information and **the dimensional importance** of false financial information up against the financial reporting framework applicable to the bank.

We conclude about the importance of **presenting “weak point” control deficiencies and measures taken** for their retrieval **by the management within a report regarding the evaluation of the Internal Control over Financial Reporting**; therefore, the management of the bank would prove a permanent concern to remedy them, to continuously improve the Internal Control over Financial Reporting in order to increase the transparency and credibility of information presented within financial statements of banks.

Even if, over time, the deficiencies found out during the process of financial reporting were conducted towards regulation, **the conclusion is** that, in the context of the internationalization of businesses, the actual **accounting referential IFRS is** the base of a transparent financial reporting.

Currently, some users’ expectations regard a piece of information whose dimensions break the traditional format of Financial Statements while the informational offer is defined by social, cultural connotations which necessitate the appeal to retreatment in order to understand performance both retrospectively, and prospectively. We remarked the evolutions from the last period towards an **integrated reporting**¹⁴, considered to be **one of the most important assets**¹⁵ for the sustainability of the suggested businesses due to its role played when generating more comprehensive information.

¹¹ CobiT Model (Control Objectives for Information and Related Technology) was elaborated under the supervision of the IT Governance Committee (ITGC), Information Systems Audit and Control Association (ISACA).

¹² The internal control model was developed by Basel Committee for Banking Supervision.

¹³ The results of the inquiry developed over the group of internal auditors who participated at the seminary “Das Internes Kontrollsystem im Gesamtunternehmen”, Vienna, Austria, in 12 – 13.11.2012. Akademie Interne Revision (AIR) (2012) Seminary “Das Internes Kontrollsystem im Gesamtunternehmen” in 12 – 13.11.2012, Vienna, Austria.

¹⁴ The International Integrated Reporting Council (2013) Integrated Reporting Standard, intermediary version, the publication of the Standard being completed after the completion of the process of Public Consultancy (in 2013).

¹⁵ Tilley, C. (2012) Time to recognize value of integrated reporting, <http://www.fm-magazine.com/>, accesat în 21.12.2012.

At the same time, after analysing the requirements for compliance with IFRS, the exigencies of responsibility requested for generating the Financial Statements of banks and the manner they are performed, we conclude on the following aspects which affect the professional judgements orientated to the transparency necessary to intensify bank credibility:

- **the quality of human capital** makes the difference between the long term success of a company and its failure due to the manner the corporate respondents insist on ensuring an institutional culture in which the demarches for accomplishing goals ensure **the equilibrium of the triad performance – risk – compliance**;
- a new priority in the decisional sphere, validated by the quotidian practices of HR, is represented by taking **numerous and frequent decisions, of moderate complexity and a low impact** in order to achieve the goals defined in the strategy of banks; the aim is to diminish the risks implied by the system, to optimize the employment of resources, taking into consideration certain limits regarding the capacity and the necessary time; to this effect, **a useful instrument** is the System of Internal Control;
- **the organizational culture** manifests beneath different tones; it is the effect of managerial decisions resulted from a certain organizational behaviour configured by managers' philosophy and work-style in the demarches for performance, for the requirements for compliance and transparency underwritten by a certain quality of the reported financial information;
- **the behavioural features of the decision-makers of banks** influence differently performance and compliance, resulting in changes of the performance indicators of banks and, implicitly, in changes regarding the compliance extent on which financial information may be appreciated as having a certain transparency degree with effects on the increase of credibility and social responsibility;
- **the insurance of the equilibrium between different forms of performance and the responsibilities of compliance** on the background of the affirmation of **the institutional integrity** delineates the framework of a healthy institutional culture, of a good governance, in the context of an environment that is continuously changing, in which globalization awoke much more so the appetite for gain; therefore, the organization efforts towards new performances increased in a context in which the supervision system of banks, focused on compliance with regulations, received new national and international connotations;
- under the impact of time, the assumption of bank responsibility may face a **prospective approach**, into the future, when it represents an affirmation of the dimension of the performance, or it may face a **retrospective approach**, into the past, when it represents an affirmation of the dimension of compliance; nowadays, **the balance of responsibilities in banks** is inclinable to a **retrospective approach**, being important the regulations imposed both from outside, and inside the bank;
- the enactment and enforcement of some **reporting procedures based on a free communication**, even **an uncustomized one** to the management for the problems identified by any interested part (employees, clients, etc.), and **of the flexibility** when updating procedures of financial reporting and **perseverance** in improving the systematic evaluation of processed assisted by internal and external auditors play a distinct role in supporting the organizational values;
- **the professional judgements** undergo some traps and prejudices as experience does not always represent a leading lighthouse; therefore, some parameters on these lines may be: the hurry to come at a decision, the “*tigger*” decisions, the “*groupthink*” behaviour, the manifestation of a biased behaviour, etc.;
- the adoption of the IFRS financial reporting framework on a level with the management resulted in the manifestation of a conflict **between the economic**

behaviour – the one that needs up-to-date financial information – **and the compliance behaviour** – the one related to the publication of financial information according to IFRS; the banks that succeeded in maintaining the costs of reporting at an optimal level were the ones that had invested adequately in specialization workshops for the employees with responsibilities in financial reporting.

On the strength of the exploratory demarches undertaken over banking peculiarities, we identified their effects which brought the expansion of the risks that have an unfavourable impact on the functionality of the financial reporting process (deficiencies of the internal control), on the generation of financial information (distortion of financial information). On this basis, we proceeded to establish correlatively, on types of banking peculiarities, their consequences, risks involved in drafting Financial Statements in order to concretize necessary approaches for the specific circumstances that had been identified. On the strength of the results of the performed research demarches, we created **a synthetic image of the peculiarities of banking**, also indicating the manner in which risks should be approached in the process of generating financial statements.

The informational asymmetry, source of uncertainties, no matter whether they are created by an adverse selection of disclosed information or by disclosures that determine the loss of credibility, is expressed in limits regarding the adequate information and comprehension of the already made informational presentations, which consequently raise barriers in ensuring transparency. From this point of view, we conclude with the importance of the following **aspects of ensuring transparency**:

- the implementation of common international regulations that ensure the comparability in space and time by using concepts, principles, unique rules when admitting, evaluating and presenting financial statements;
- the examination of transfers from banking markets, of changes of the financial leverage effect, of effects of changes in the treatment applied to risks;
- the consolidation of banking supervision by applying restrictions imposed by Basel III that will offer to the external users (not only investors), especially through the measures of the pillar I, a clearer image of risks and of the exposure to banking risks.

We observed the difficulty to identify an answer to the question “*Is Truth in Accounting a Truthful Image?*” because the produced image may take different shapes, depending on the conventional framework of normalization, on the accounting policies and options that were applied; and this leaves some subjectivity marks and **affect credibility** because:

- the value of the accounting information may become volatile if its conclusive character is replaced by the persuasive character, if it is seen differently than by reason of the applicable regulations;
- under the privilege of the inflationary markets and by means of the usage of the fair market value mechanism there is encouraged the decision-makers of banks’ behaviour to report short-term profits;
- the intensification of the complexity of information presentations, the amplex of details through which the agglomeration of information hide the key messages mean passing to misinformation.

In the context in which the acknowledgement of **the risks of a representation different from reality**, alongside elements related to the nature of a sophisticated, complex system with systemic taints maintained by the present concentration of risks and by the affirmation of conflicts of interest, direct to **epistemological studies**. The subject is relevant; the undertaken researches have as object motivating demarches for discovering factors that involve the banking responsibility directed to the **diminution of the volatility of published financial information**, to **transparency** and credibility.

Starting from the specificity of financial information of banks, as well as from the ascertainment of the informational asymmetry – source of the informational volatility – from the banking environment, we can draw another conclusion: **volatility and its cause determine different changes at the level and in the structure of financial position and bank performance** (over-evaluations or underestimations) with the motivation of achieving the established goals. On the strength of ulterior reasoning, we established **the prophylactic role of the Internal Control over Financial Reporting** for preventing the informational volatility and identifying the action directions addressed to its design and functioning, wherefrom cannot miss mechanisms of internal control that:

- ensure the access to the assets of banks only with management's approval;
- identify possible differences between material and on paper existences;
- ensure the activation of banking activities only with the necessary authorisation;
- determine the effectuation of the accounting acknowledgement, of evaluations and registrations in the up-to-date accountings and compliant with the financial reporting framework applicable to the bank;
- demand transparency by the manner of disclosing information about the risks associated with the elements of financial statements derived from the exposure of banks to risks (e.g., from the exposures to a certain number of clients, credited activity fields, geographical area, country, from exposures that affect the independence of the management, etc.).

Acknowledging the necessity to apply a **prophylaxis over financial reporting**, we established within the area of the Internal Control over Financial Reporting the necessary demarches for preventing volatility, the causes of the informational volatility and directions of action for **preventing and identifying in good time the unfavourable effects** of the involved risks, of the peculiarities of the banking activity and these ones located on the most **representative source-elements of the volatility in Financial Statements of banks**, whereof: balance accounts of transactions between banks, financial titles, credits, non-bank deposits, assets and contingent debts (except off-balance sheet derivatives), off-balance sheet derivatives, incomings and interest costs, incomings and expenses generated by applying the supply policies, balance sheet elements, and incomings and costs elements that reproduce operations with affiliated parties. By synthesizing these results of the researches, we created an **Image of main source-elements of the informational volatility** useful for the banking environment into the demarche to improve the practices of information disclosure with beneficial effects for the increase of transparency and social credibility.

In addition to the presented aspects, we highlight the following **directions of action** through which there can be brought improvements to the manner of presenting information in the financial statements, so that charges brought to **vulnerabilities** from the presentations of information would be rarer:

- the harmonization of the provision of The International Financial Reporting Standards (IFRS) elaborated by The International Accounting Standards Board (IASB) with The Generally Accepted Accounting Principles (American accounting standards - USGAAP) elaborated by The Financial Accounting Standards Board (FASB), especially in regard to the disclosures of information related to risk; (FSB, 2011)¹⁶

The utility is proven especially by the comparability that can be made by banks which operate in many jurisdictions and in which are applied the two or more types of international standards.

¹⁶ Financial Stability Board (FSB) (2011) Thematic Review on Risk Disclosure Practices, <http://www.financialstabilityboard.org/>, accesat în 20.04.2013.

- the intensification of external auditors' contribution in improving the quality of the disclosed information, of their transparency and credibility, especially of the presentations of information related to risk;
- the encouragement of key banking actors from the private sector to cooperate in accomplishing some more transparent banking practices related to the disclosures of information regarding risks;
- the organisation of public debates about the generally accepted accounting standards and the requirements related to the presentation of published information; therefore, they offer to other banking actors (different from regulatory authorities), especially to experienced managers the possibility to intervene in order to obtain their point of view;

And this is due to the fact that the presentations of information are made from the manager's point of view and, for the same type of banking transactions, the approaches may differ depending on the format of the businesses, thing that may create difficulties to the regulatory authorities and other banking actors when evaluating the information.

Moreover, **other directions of action** for diminishing the volatility of financial information must take into consideration: the designation of some persons responsible for risk and of some viable channels for reporting risks within the banking system; the identification of indexes of financial flaw; the determination of procedures for identifying, evaluating and monitoring the control risk; the identification and monitoring of eventual conflicts of interests; the insurance of integrated procedures for keeping a check on risks within the system; etc.

The Normalization of the Internal Control over Financial Reporting through the legislative framework both at a national level (regulations of national banks and requirements of the listing from stock exchanges), and at an international and European level (SOX, EuroSOX) and the generation of standards that have as goal the promotion of the best practices of internal control (COSO, COBIT, etc.) represent **an efficient way towards implementation** by banks of **an adequate internal control system, of presentation policies that ensure an adequate degree of transparency**; and this has a significant contribution to the diminution of the informational asymmetry from the banking environment on the financial market too.

The effectuation of two empirical studies in Chapters 4 and 5 – **ICFR/G20 Empirical Study** and **ICFR/EBA Empirical Study** – pointed out that in 2011, compared with 2007, in the case of the European banks systemically important both at a European, and at a worldwide level, there was registered **an increase of the transparency degree** regarding the disclosure related to the Internal Control over Financial Reporting (ICFR); this aspect represents **a change in a positive sense regarding the behaviour of disclosure** of the bank management related to the information about the internal control over financial reporting.

In **ICFR/G20 Empirical Study** we tested the seven hypotheses (in interrogative and conditional formulations) suggested for the achievement of the pursued specific objective – the establishment of the impact of regulations related to the requirements regarding the publication of information about the Internal Control over Financial Reporting – comparatively: for the period ulterior to up against the period previous to the adoption of regulations; therefore, we established the following **conclusions**:

- the legislative normalization at a national, European and international level of the Internal Control over Financial Reporting resulted in the increase of its transparency degree with **162%**;
- the bank transparency degree related to the Internal Control over Financial Reporting, stated in number of reporting from Financial Statements/ Annual Reports of the 12 elements of the ICFR/G20 Sample **increased with 2.73% on average**;

- some information related to ICFR were published by some banks both before, and after the adoption of regulations (e.g.: The declaration of management’s responsibility for ensuring the existence and functionality of the ICFR; The presentation related to the comprisal of the ICFR theme on the agenda of supervisory structures; The presentation of some details about the manner in which the ICFR is organized);
- there can be found elements of control that, with one exception, were published only after the adoption of regulations;

This is the case of the following elements of control: The methodology applied for the establishment of the efficacy of the Internal Control over Financial Reporting, The Affirmation of the Management/ CEO and/or CFO that the ICFR offers a reasonable insurance regarding the procurement of “true and fair” financial statements; The reference at the internal control model established on the strength of the international standards, representing the best practices of internal control.

Furthermore, there exist elements of control that were published only after the adoption of regulations (Expressing the External Auditor’s opinion about the efficacy of the ICFR, inclusively about the existence of some material errors related to the ICFR; Representing the goal and the area of coverage of the ICFR; The publication in the Annual Report of risks afferent to the financial reporting, risks identified along the complete financial period).

- **the increase related to the publication** of information regarding the elements of the sample **per bank is of 4.25 times on average;**
- After the adoption of regulations, the management of banks registered a behaviour characterized by an **increase of the compliance degree** when complying with the requests related to the publication of information regarding the Internal Control over Financial Reporting.
- The requirements imposed on the occasion of listing and the SOX provisions had indirectly a positive impact on the behaviour of publishing financial information by managers from banks listed at the USA stock exchanges, namely: HSBC, Deutsche Bank, ING and Santander.

If in the ICFR/G20 Empirical Study we established the conclusions – regarding the impact of regulations on the transparency degree related to the Internal Control over Financial Reporting – on the strength of the sample of European banks systemically relevant at a worldwide level (the sample defined by G20 group), in the **ICFR/EBA Empirical Study** the results of the research – regarding the evolution of the transparency degree related to the Internal Control over Financial Reporting – were based on the strength of the sample of European banks systemically relevant at a European level (the *stress test* sample effectuated by EBA in 2011). **The conclusions of the ICFR/EBA Empirical Study are relevant** taking into consideration the size of the sample given by the **80 banks from 21 European countries**, respectively **400 Consolidated Financial Statements/ Consolidated Annual Reports** published by these banks that provided the **4,800 possible observations** afferent to a period of 5 years. The proof of the eloquence and veracity of the obtained results is based also on the amplexness and relevance of the analysed object, respectively of the 12 elements of control established mainly on the strength of the requirements for the presentation of information about the Internal Control over Financial Reporting from national, European and international regulations. This results from the comparison between the 12 elements of control and the requirements from Item 15 “Controls and Procedures” from the Form 20-F imposed by SEC.

On the whole, **the conclusions** of the research from the **ICFR/EBA Empirical Study** indicate, as the **ICFR/G20 Empirical Study**, **the increase of the transparency degree**

related to the Internal Control over Financial Reporting. Specifically, the following results are relevant for the analysed period (2007-2011):

- The banks that reported more than seven elements of control belonging to the *Cluster 12-7* registered an ascending trend meanwhile the ratio of banks that report less than 7 elements of control is bigger; therefore, there is indicated the **need of improving the actual banking practices related to presentation (publication)** in Financial Statements/ Annual Reports of the information referring to the Internal Control over Financial Reporting;

The evolutionary nature of the transparency degree in *Cluster 12-7* (of banks that report between 7 and 12 elements of control) is materialized through the **increase with 56.01%** in 2011 up against 2007.

- Not all the elements of control from *Cluster 12-7* present a transparency degree higher than 50%; there exist **three elements of control** for which **the reporting are situated under 50% from the possible reporting**;

This is the case of the following elements of control: The declaration regarding the methodology applied for measuring the efficacy of the ICFR; Expressing the External Auditor's opinion related to the efficacy of the ICFR, inclusively the existence of some material errors regarding the ICFR; The Affirmation of the supervisory structures (The Supervisory Committee, The Audit Committee) about the efficacy of the ICFR.

- On the whole, the reporting of all banks from the two clusters (*Cluster 12-7* and *Cluster 6-0*) in 2011 up against 2007, expressed by the number of the published elements of control indicates **the increase of the transparency degree with 30.08% (Appendix 5.7)**;

- For *Cluster 12-7*, overall, during the analysed period, there were published **72.77% from the number of possible reporting form the totality of the elements of control (1240 from 1704 possible reporting)**; meanwhile, the increase of the transparency degree related to the amount of elements of control in 2001 up against 2007 was of **61.70%**.

- Applying the Pareto rule, there were identified **the elements of control whose presentations** in the 142 Annual Reports of the banks from Cluster 12-7 for the period 2007-2011 **go beyond the significance limit (80%)**;

This is the case of the following elements of control: The Declaration in the Annual Report of Management's Responsibility to ensure the existence and functioning of the ICFR; The Management/CEO and/or CFO's Affirmation related to the establishment, maintenance and efficacy of the ICFR; Presenting the inclusion of the ICFR theme in the agenda of the supervisory structures (The Supervisory Committee, The Audit Committee); The Presentation of some details about the way the ICFR is organized; Rendering the goal and the inclusion area of the ICFR; The Publication in the Annual Report of controls of the afferent risks identified with regard to the financial reporting.

Against the charges invoked at the Internal Control over Financial Reporting, at its standardization as being one of the causes of the financial crisis that started in 2007, we developed a research regarding the identification of cognitive valences of the Internal Control over Financial Reporting according to the research demarches presented in Chapter 6. The obtained results materialized in new aspects that bring into focus **the present relevant interdependences which involve the Internal Control over Financial Reporting** and other key indicators that influence the performance of banking.

Specifically, if in the last period we bear witness to the significant affirmation of systemic risks of banks and of bigger investors in performance – following the specific objectives declared according to the presented methodology, inclusively by testing hypotheses of

conditionality on the strength of the **OLS regression** -, then the following conclusion and aspects demonstrated by testing hypotheses are relevant:

- **The Internal Control over Financial Reporting** (with the profile defined by indicator **ICFR_e**) is an **exogenous variable** that together with other two exogenous variables – the risk profile and the investment behaviour – represent the conceptual framework of **RIC Balanced Scorecard Model**, useful when monitoring the bank activity;
- The key indicators of **RIC Balanced Scorecard Model** that – on the strength of the application of **the t test with the help of SPSS Programme** for the indicators of exogenous variables – **registered significant differences along time**, respectively in 2011 up against 2008 they are: Aptness of the Capital to Risks (ACR), Non-performing Loans/Total of Loans (NL/TC), Non-performing Loan Provisions/ Total of Loans (NLP), Available Funds and Current Bank Accounts/ Total of Assets (AF/TA), Operational Profit/ Total of Assets (OPTA), Total of Assets afferent to the Exploitation Activity/ Total of Assets (TAETA), Elements_the Internal Control over Financial Reporting (ICFR_e);
This thing highlights the fact that the impact of the financial crisis was intensely experienced even in 2011.
- **There exists an interdependence between the quality of the Internal Control over Financial Reporting and the bank performance**, as it appeared from the testing made on the strength of **RIC Balanced Scorecard Model** by applying the **OLS regression** over the data of the sample formed by banks of systemic importance in Europe; its demonstration is pointed out at the level of year 2011 and it indicates **the significant influence in a positive way of the quality of the Internal Control over Financial Reporting on the contentment of shareholders** of banks of systemic importance in Europe.
From the OLS regression also resulted the fact that bank performance expressed by shareholders' contentment is significantly affected in a negative way by the risk profile of banks – expressed by a low credit rating, a low liquidity ratio, the precarious quality of portfolios – affected by the difficulty of financing, significant losses, assets devaluation.

The answers offered in this PhD thesis to the open questions resulted from the banking theory and practices afferent to the goal of the research, materialized in **own contributions**, develop the important knowledge for the identification of new solutions to the problems that erode public interest with substratum in the banking field. To synthesize, alongside the previously pointed out conclusions, we present the suggestions brought to the area of theoretical and practical knowledge of banks, consisting of own contributions resulted from this research:

- We indicated **the banking risks and their mix of effects** with implications in the financial reporting, on the background of the clarifications of the present context of bank businesses.
- We released for interested people a **Map of banking risks** that represents a basis which guides the activities of establishing the most adequate procedures of financial reporting, of presenting information, keeping a check on the requirements of transparency – the basis of bank credibility.
- We defined the **Flow Chart of a System of Internal Control** both from the responsibility poles point of view, and from the functionality point of view; therefore, we facilitated the understanding of responsibilities, of reporting and communicating channels.

- We suggested the adoption of a new structure of responsibility for the centralization, transfer, facilitation, documentation regarding the controls for compliance and the operational processes, named the **Competence Centre for the System of Internal Control**.
- We suggested to take into consideration the circumstances that lead towards **the accomplishment of banking prophylaxis** and that refer to:
 - ✓ expressing in a report the external auditor's opinion about the efficacy or inefficacy of the internal control by using its positive form of expression;
 - ✓ making available for the users of financial information the evaluation report that includes statements about weak point even if the appreciations are like: they do not have a significant impact on the financial statements.
 - ✓ introducing the obligation to report publicly how previously identified weak point were remedied;
 - ✓ organizing some events like conferences, meetings with shareholders, other users of financial information, representatives of the supervisory authorities, of professional organisms, consultants, auditors or analysts with themes that bring into debate the remediation of control deficiencies in question;
 - ✓ tempering the management's desire to popularize ahead of time the accomplishments of banks.
- We created an **instrument useful** to the bank management in the financial reporting - a **Synthetic Image: Banking peculiarities and risk approach in the process of generating financial statements**.
- We synthesized **the most representative source-elements of volatility in the Financial Statements of banks**.
- **We created the Applicative Model of Communicating and Informing about ICFR (the IC/ICFR Model)** that offers to bank respondents for financial reporting useful solutions regarding the manner of presenting information related to the Internal Control Over Financial Reporting in the Financial Statements/ Annual Reports; it also guides them to understand and establish measures of compliance with the requirements from regulations, so that they would ensure the transparency and credibility requested to the bank environment.
- **We defined an intrinsic indicator (ICFR_e)** that expresses the profile of internal control over financial reporting, necessary for the econometrical analysis of interdependences with the risk profile and the investment behaviour. This indicator, result of a research that brings an extra value to the accounting domain, is remarkable by the innovative approach effectuated for obtaining additional information regarding the stage of the Internal Control over Financial Reporting in the systemically relevant banks from Europe, taking also into consideration the degree of confidentiality associated to this.
- We created the **RIC Balanced Scorecard Model**, a useful instrument both for shareholders – when monitoring and actively exercising control; it offers them an ampler image of financed activities so that they could opportunely intervene through informed and assumed decisions regarding the expectations for obtaining a long-term performance -, and for the management – when monitoring and achieving the strategic goals defined towards ensuring the performance expected to by shareholders.
We point out the relevance and adequacy of the suggested approach through the created model, of the option for key indicators that compose the variable of the model for the established goal; this aspect was demonstrated after applying **the t test with the SPSS Programme and of the analysis of descriptive statistics** wherefrom

resulted the fact that in 2011 up against 2008 there were significant changes at more than 70% of the studied indicators.

An extra value is brought by the research presented within the PhD thesis due to the actuality, validity and relevance of the dealt subject, as well as the samples that were formed and analysed. And this because of the fact that the sampled banks, especially in the ICFR/EBA sample, clusters considered to be relevant from the point of view of the systemic risk pursuant to the results of the testing made by The European Banking Authority from Basel (EBA) and generally accepted by the economic domain and the banking practice.

To conclude with, the effect of the global financial crisis consists of bank respondents' awareness regarding the importance and the due attention of the system of internal control. Drawing a parallel between year 2008, when the financial statements of banks present significant losses due to the crisis burst in 2007 in USA, and the year 2011, one can notice an increase of the transparency degree related to the Internal Control over Financial Reporting, that, due to the quality of the profile given to the **ICFR_e** indicator, it was demonstrated that it has a significant influence in a positive way on the bank performance. This aspect stresses the utility of the created **RIC Balanced Scorecard Model** – that includes the **intrinsic indicator ICFR_e** – when making informed and assumed decisions, with **beneficial effects** on achieving the organizational objectives, **the bank performance** and finally the social-economic welfare.

We consider that the results of this research would be well understood and received and would help the interested ones to make a financial reporting wherefrom the doubts related to transparency, incognizance of responsibilities when generating and publishing information addressed to banking actors would be far and away diminished. Moreover, making a new departure in regard to shareholders' implication may be based on the **RIC Balanced Scorecard Model**, turned to advantage by the consequences of the changes in the banking practices that took place in the last period, by the implementation of new informing standards and technologies.

The accomplished research, presented in the PhD thesis, achieved its established objectives and demonstrated the amplex and complexity of phenomena in question through developed comprehensive approaches – both the ones related to the theoretical spectre, and the ones related to the sphere of international banking practices -, through the established preliminary and general conclusions, through the suggestions materialized in own contributions useful for the development of banking practices. The proof of their relevance and veracity is represented by the empirical studies done on the strength of the ample documentation about the realities presented in the 400 Financial Statements/ Annual Reports that were analysed, about the information selected from the data basis of BANKSCOPE Bureau van Dijk and not only. On these lines, one can also remark the tests regarding the eloquence and veracity of the researches through comparisons at an international level, such as the ICFR/EBA Empirical Study. But, the aspects related to the particularities of some jurisdictions that were not included in the research, of policies and accounting options specific to certain banks, of the possibility to know some data related to the Internal Control over Financial Reporting and which are now confidential and could indicate other aspects, could refine more the results of the tests and the econometric processes. These aspects may become new perspectives for futures researches in order to identify, beside the goals of this PhD thesis, new opportunities through which the doubt and accusations brought at present to the banking environment would be replaced by the social credibility both at the level of banks, and at an international level.

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