



Original article

## Self-control guide adapted to the characteristics of non-agricultural cooperatives



### Guía de autocontrol adecuada a las características de las cooperativas no agropecuarias

### Guia de autocontrolo adaptado às características das cooperativas não-agrícolas

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## ABSTRACT

In the control actions carried out in non-agricultural cooperatives in the province of Pinar del Río during the IX and XI National Internal Control Verification, a group of situations that hindered the development and consolidation of non-agricultural cooperatives were identified. Among them, it was found that the existing self-control guide was not adequate to the characteristics of this new form of management, which caused cracks in the efficiency and effectiveness of their internal control. The objective of this research is: To design a self-control guide for non-agricultural cooperatives in the province of Pinar del Río. For its implementation, the characteristics and particularities of the Non-Agricultural Cooperative Taller de Calzado "Estrella Roja" of Pinar del Río were taken into account. As a result, the Self-Control Guide to suit the characteristics of non-agricultural cooperatives was

designed, which consists of 72 aspects to be verified, distributed in the five components of internal control of the Self-Control Guide used, which allowed having a tool that will strengthen internal control and, consequently, to improve its operation. It also made it possible to evaluate the advantages of its implementation.

**Keywords:** internal control; self-control guide; non-agricultural cooperatives.

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## RESUMEN

En las acciones de control realizadas a las cooperativas no agropecuarias de la provincia de Pinar del Río durante la IX y XI Comprobación Nacional al Control Interno, se identificaron un grupo de situaciones que frenaban el desarrollo y consolidación de las cooperativas no agropecuarias. Dentro de ellas, se encuentra que la guía de autocontrol existente no estaba adecuada a las características de esta nueva forma de gestión, lo que provocó fisuras en la eficiencia y eficacia de su control interno. El objetivo de esta investigación es: Diseñar una Guía de Autocontrol para las cooperativas no agropecuarias en la provincia de Pinar del Río. Para su implementación, se tuvo en cuenta las características y particularidades de la Cooperativa No Agropecuaria Taller de Calzado "Estrella Roja" de Pinar del Río. Como resultado se diseñó la Guía de Autocontrol adecuada a las características de las cooperativas no agropecuarias, la cual consta de 72 aspectos a verificar, distribuidos en los cinco componentes del control interno de la Guía de Autocontrol utilizada, lo que permitió disponer de una herramienta que fortalecerá el control interno y, por consecuencia, a mejorar su funcionamiento. Asimismo, permitió evaluar las ventajas de su implementación.

**Palabras clave:** control interno; guía de autocontrol; cooperativas no agropecuarias.

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## RESUMO

Nas ações de controlo realizadas em cooperativas não agrícolas na província de Pinar del Río durante o IX e XI Controlo Interno Nacional, foi identificado um grupo de situações que impediram o desenvolvimento e consolidação de cooperativas não agrícolas. Entre eles estava o facto de o guia de autocontrolo existente não ter sido adaptado às características desta nova forma de gestão, o que provocou fissuras na eficiência e eficácia do seu controlo interno. O alvo desta investigação é: conceber um guia de autocontrolo para cooperativas não agrícolas na província de Pinar del Río. Para

a sua implementação, foram tidas em conta as características e particularidades da cooperativa não agrícola Taller de Calzado "Estrella Roja" em Pinar del Río. Como resultado, o Guia de Autocontrolo foi concebido para se adequar às características das cooperativas não agrícolas, que consiste em 72 aspectos a verificar, distribuídos nas cinco componentes de controlo interno do Guia de Autocontrolo utilizadas, o que permitiu dispor de uma ferramenta que reforçará o controlo interno e, conseqüentemente, melhorará o seu funcionamento. Também tornou possível avaliar as vantagens da sua implementação.

**Palavras-chave:** controlo interno; guia de autocontrolo; cooperativas não-agrícolas.

## INTRODUCTION

Internal control has historically been a concern of Cuban entities, to a greater or lesser degree, with different approaches and terminologies, which has led to different conceptions of internal control over time.

For Serrano Carrión et al. (2018): Internal control is known as the context in which organizations develop, as a process through which the management style with which they should be managed is settled, they allow detecting possible inconveniences within the organizational processes, becoming an aid within the decision making, thus guaranteeing an adequate compliance with the initially established objectives.

Mendoza Zamora et al. (2018) express that: this has lately become one of the pillars in business organizations, because it allows to clearly observe the efficiency and effectiveness of the operations performed by enterprises, as well as the reliability of records and compliance with applicable laws, rules and regulations and applied in production processes.

In addition, it has been recognized as a tool for the management of any type of organization to obtain reasonable assurance of the fulfillment of its institutional objectives and to be able to report on its management to its stakeholders.

Internal control system means all policies and procedures (internal controls) adopted by management to ensure the orderly and efficient conduct of business, including adherence to

management policies, safeguarding of records, prevention and detection of fraud and error, accuracy and completeness of accounting records, and timely preparation of reliable financial information.

Internal control, then, seeks to promote efficiency, effectiveness, transparency and economy in the entity's operations, the quality of the public services it provides, protect and safeguard the State's resources against any form of loss, deterioration, improper use and illegal acts, in general, against any irregularity or detrimental situation that could affect them.

The internal control system in Cuba is reflected in the Guidelines of the economic and social policy of the Party and the Revolution, approved at the 6th Congress of the Communist Party of Cuba. Guideline No. 12 states: "(...) to demand the ethical performance of the entities and their heads, as well as to strengthen their internal control system to achieve the expected results in terms of the fulfillment of their plan with efficiency, order, discipline and absolute compliance with legality" (PCC, 2011). The above has been updated up to the 8th Congress, where its Guideline 5 refers: "To demand the ethical performance of managers, workers and entities, to advance in the application of participatory, effective and innovative management methods that contribute to strengthen internal control, to foresee and limit risks to a reasonable security and adequate accountability. The external control will be based mainly on economic-financial mechanisms, without excluding administrative ones" (PCC, 2021).

Resolution No. 60 Internal Control System Standards defines the standard model of the Internal Control System to be designed and implemented. Among its particularities, it stands out the integrality, it considers all management processes, activities and operations, with a systemic and participative approach of all members of the organization. It is a flexible and adaptable model, it responds to the characteristics and conditions of each scenario, it allows the adequacy, harmonization and periodic updating of the Internal Control System to meet its needs with the required quality. It also recognizes the existence of limitations and risks in the processes, activities and operations originated by errors in the interpretation of legal norms, in decision making by agreements between entities and when evaluating the relationship with its environment (Office of the Comptroller General of the Republic, 2011).

The basic purpose of internal control is to promote the efficient operation of the organization. It consists of all the measures that are taken to provide management with the assurance that everything is working as it should (Fuentes Díaz et al., 2019).

According to the above concepts, it can be deduced that internal control is important since it supports management through the control of operations, verifying that resources are used efficiently. The fact that an entity has an adequate internal control will help it to maximize the use of resources to achieve a financial and administrative management that improves the company's performance (Calle Álvarez et al., 2020).

The implementation of internal control measures and the systematic performance of controls and the application of divisions to eradicate the deficiencies detected should be prioritized tasks for managers and employees, which will result in an increase in economic efficiency and in the quality and positive results of the activities carried out by the entities.

Cuban society is undergoing a process of updating and reorganization, known as updating of the Cuban economic model, with the aim of guaranteeing a sustained development of the economy, together with a new and necessary legal system, which must be supported by an efficient Internal Control System, where the administration plays a more prominent and timely role in the custody and protection of public finances and of the resources it has to fulfill its state and social duties.

Because of this, the country has been immersed in the constitution and operation of a new subject with legal personality, its own assets and autonomy in management, which covers expenses and tax obligations with its own income. Non-Agricultural Cooperatives, which come into force with a new legal regulation, previously they did so through Decree Law No. 305 "On Non-Agricultural Cooperatives" of 2012, repealed by Decree Law No. 366 of 2018 which regulated this type of cooperative, although with "experimental character". Currently Decree Law 47 of 2021 is in force, which objective is to establish the rules that regulate the constitution, operation and extinction of cooperatives in non-agricultural sectors of the national economy, hereinafter cooperatives.

At the 8th Congress of the Communist Party of Cuba, the updating of the Model proposes to consolidate and give continuity to our Revolution and constitutes a complex integral process of design and implementation of conceptual and practical transformations in the economic, legal and social spheres, recognizing cooperative ownership as one of the main forms of ownership over the means of production.

Cooperatives have their own or external managerial powers, which allow them to create favorable conditions and thus reach an optimal level of efficiency and effectiveness, since they are better

prepared to take advantage of the benefits of decentralization and integration of economic management as far as agricultural cooperatives are concerned (Labrador Machín, 2020).

These entities will be contributing to local development from the territories in their social, economic and environmental aspects, according to the development strategy until 2030, in relation to an inclusive, sustainable and intelligent growth that enjoys high levels of employment, productivity and economic, social and territorial cohesion (Acosta Morales, 2020).

Decree Law 47 defines: The cooperative is an economic entity, of a business nature, which is constituted from the voluntary association of people who contribute money, other goods and rights to satisfy the economic, social and cultural needs of its owner-members, as well as the social interest, based on their work and the effective exercise of the universally recognized principles of cooperativism (Council of State of the Republic of Cuba, 2021).

The National Internal Control Check is carried out annually in the country, where it is , prioritized objectives that respond to programs of great social and economic significance. With all this, it is souk to bring to the country respect for legality, control culture, economic education, discipline in terms of compliance with regulations and good governance, in addition to validating the Internal Control System as a management system in the achievement of good practices in terms of the efficient achievement of the objectives set.

In a preliminary investigation, it became evident that in the control actions carried out on the cooperatives constituted and operating in the province during the IX and XI National Internal Control Verification, a group of situations were identified that hinder the development and consolidation of non-agricultural cooperatives, which has shown that they have a General Self-Control Guide, issued by the Office of the Comptroller General of the Republic, which requires adaptation to the characteristics of this new form of management.

Hence, this research is aimed at: Designing a Self-Control Guide for non-agricultural cooperatives in the province of Pinar del Río.

## **MATERIALS AND METHODS**

Theoretical and empirical methods were used for the theoretical basis of the proposal, as well as different techniques for the search for information.

Within the theoretical methods: The historical-logical method is used to explain the historical evolution of the constitution of cooperatives and the development of internal control at the international level and in Cuba, as well as the essential general laws of the operation and development of the object of study.

The empirical method of scientific observation through the formulation of interviews and the analysis of documents guarantees the necessary information. The interviews were carried out with the purpose of knowing the criteria of specialists of the Provincial Comptroller's Office in Pinar del Río, the specialists who attend to the auditing and control in the non-agricultural cooperatives, as well as their partners and presidents. The documentary analysis was carried out with the intention of evaluating the regulations and norms in force on internal control, Self-Control Guide and legislation associated with non-agricultural cooperatives. The results demonstrated the scientific problem posed.

## **RESULTS AND DISCUSSION**

In the control actions carried out on non-agricultural cooperatives in the province, a group of situations that hindered the development and consolidation of these new forms of management were identified, which has shown that they lack an efficient internal control, an example of which are the results obtained in the framework of internal control verifications IX and XI where, in addition to assessing the Internal Control System, other deficiencies were detected by the acting auditors that jeopardize its proper functioning.

Based on the research, it was found that the Self-Control Guide, which was applied, consisted of 140 aspects to be evaluated, of which only 46 were applicable to Non-Agricultural Cooperatives (33%), which is insufficient to achieve a diagnosis of the functioning of internal control within them. Hence the need to adapt the Self-Control Guide to this new form of non-state management, taking into account the regulations and standards in force on internal control and the legislation associated with non-agricultural cooperatives, which facilitates its understanding and application and constitutes a means and not an end to achieve efficiency, economy and effectiveness in their operations. In

addition, it provides a timely and effective control in the economic activity, as well as reasonable security in the fulfillment of its objectives, besides helping the members in their work to improve the knowledge and mastery they should have about their entity and the steps to follow to evaluate the Internal Control and comply with the legal system.

In order to fulfill the objective, the Self-Control Guide was designed, adjusted to the characteristics and particularities of the Non-Agricultural Cooperative Taller de Calzado "Estrella Roja" of Pinar del Río, which contains 72 aspects to be verified, distributed in its five components. A summary of the most significant aspects established in each of the five internal control components of the Self-Control Guide used is given below.

#### **«Control Environment» component**

- The members and contracted workers are familiar with the Bylaws approved by the General Assembly
- Its members comply with the requirements established in the Decree Law:
  - a. Be 18 years of age
  - b. Be a permanent resident in Cuba
  - c. To be apt to carry out productive or service tasks of those that constitute its activity
- Members have identified the ethical values of the cooperative
- It is defined the General Meeting of Members, the President, Vice President, the Board of Directors, when applicable, the Administrator or Board of Directors, as appropriate, as well as the secretary and the control and inspection committee or the member in charge of these functions

#### **«Risk Management and Prevention» component**

- The Control and Audit Committee or the member in charge of these activities appointed by the General Assembly is in charge of these activities
- He or she oversees compliance with legal provisions
- He or she oversees the use of the Cooperative's financial and material resources
- He or she periodically reports on his/her management to the General Assembly
- The members of the rest of the management and administrative bodies do not belong to it



### **«Control Activities» component**

- They apply specific accounting standards and prepare their income and expenditure plans in accordance with the projected level of production and services
- Profits are determined and distributed among the members at the end of the fiscal year, once their financial and tax commitments have been met and the funds and reserves have been created
- Obligations to the State budget, repayment of the loan for the acquisition of the initial working capital and other bank loans received, as well as expenses incurred in the production process or in the rendering of services and any other outstanding obligation are considered as financial commitments
- The rules for the distribution of profits are established in the bylaws in accordance with the provisions of the Regulations of the Decree-Law
- The prices and tariffs of the products and services marketed are determined in accordance with the Minister of Finance and Prices

### **«Information and Communication» component**

- Determine access to information
- The information management system ensures that internal communication makes it easier for workers to know and understand the principles of cooperativism
- The administrator or administrative board reports to the President and the General Assembly of Members on the results of its performance
- The Control and Audit Committee or the member in charge of these activities periodically reports to the General Meeting of Members

### **«Supervision and Monitoring» component**

- Adequacy of the General Self-control Guide to the conditions and characteristics of the cooperative
- The results of the internal and external control actions are analyzed at the General Assembly and the corresponding action plan is elaborated
- The Internal Control System implemented corresponds to the principles and characteristics endorsed in Resolution No. 60/2011 of the Office of the Comptroller General of the Republic

- Self-assessments of the Internal Control System are carried out and documentary evidence of their analysis is presented to the General Assembly

As a result of the implementation of the Self-Control Guide in the Non-Agricultural Cooperative Shoe Workshop "Estrella Roja" of Pinar del Río, it was found that of 72 aspects to verify contemplated in the proposed guide, 67 are totally fulfilled and 5 of them have been partially fulfilled, all of which evidenced a step forward in its operation and allowed to have a tool that will strengthen its internal control, and that propitiates as advantages:

- The Control and Auditing Committee will have greater knowledge of the legislation applicable to these structures, will be aware of deviations in the different activities they carry out and will be able to act on them, and will gain experience in control activities
- Adequate accounting treatment of the operations resulting from its management
- To provide feedback and improve the Internal Control System implemented, as well as to achieve results with efficiency, order, discipline and absolute compliance with the law
- To have an internal control self-assessment tool that will contribute to strengthen its operation, as well as to have an acceptable or reasonable internal control

From all of the above, it was possible to observe relevant impacts, such as:

- It contributes to reducing the risk of loss by strengthening control, taking into account weaknesses in internal control
- 23.5% reduction in the occurrence of indiscipline and alleged criminal acts, which allowed for timely decision making

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**Conflict of interest:**

Authors declare not to have any conflict of interest.

**Authors' contribution:**

All the authors reviewed the writing of the manuscript and approve the version finally submitted.



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