1. INTRODUCTION

The Arthur Andersen & Co. published a study called "Decade of change – Banking in Europe – the next ten years" in which 600 reputable leaders of banks, financial institutions and businessmen shared their opinions about the development of the European Banking System. Summarizing the answers for one of the questions such as – What do you consider the most important factors of a bank's successful operation? – we can make the following ranking: qualification of the bank management (controlling role), bank marketing, quality of the management information (controlling role), installation of modern technologies, innovation of banking products and services, competitive cost structure (controlling role), risk management (controlling role), prominence of the strategic planning (controlling role) and equity endowment.

Among the above mentioned points it is essential to have extensive information system with a logical structure, which is provided by a well established controlling system.

The "oversupply" of the banking services – with the expansion of the market economy – has led to a competitive pressure among the domestic banks. Certainly the widening of the banking services meant higher risk factor for the financial institutions.

The direct consequence of this strong change of the market conditions was the need for information. It is difficult to answer questions like the following without proper information:

- Which bank product has the highest cost recovery level?
- Whether all branches are profitable?
- Which banking division is the most profitable?

As a result of these, the decision-makers need an information base to be created including relevant details and numerous decision variations; to have better adaptation to the market.

If we look at it from a different perspective we can state that – also as a result of the strong competitive situation – it is time to transform the planning system which can follow the quick changes of the market conditions thus it provides the success to reach the operative and strategic targets of the bank.

2. THE CONCEPT AND TASKS OF BANK CONTROLLING

Basically bank controlling means there is good harmony among profitability, growth and risk-taking factors. It embraces the fields of management, planning, balance-income analysis, bank calculation, control, coordination and organization. Western banks' controlling concept – including banks in Germany - uniformly based on this concept, certainly it means there can be differences between the techniques used by banks to put it into practice. All these statements show that controlling is a philosophy and a way of thinking, which can be extended to the decentralized management area also through information management. Thus bank controlling is able to become a management information centre.

We could have met several different definitions regarding controlling, while we were reading the literature; from which one of the them gives a clear definition and covers bank controlling and its role in banking control the best (Péter Horváth).

"Controlling is – from the functional point of view – a management subsystem, which coordinates planning, control and information provision". This definition can be built in a commercial bank's organizational and operational system.

First and foremost we state that the main tasks of controlling just like in every other field, are actual and only because of the special nature of the "product" (in bank controlling the product is the different banking transactions such as cash flow management, lending, investment etc.) its role can expand and develop according to the banking sector.

Main tasks and functions of bank controlling are the following:

a) Improving accounting system towards management accounting
b) Planning – strategic planning and operative planning
c) Plan-fact analysis -cost analysis, income analysis, risk analysis, expected future trend analysis
d) Information provision: managerial information system development of reporting system with an appropriate IT support.

These controlling tasks and their weights depend on the size of the bank, its profile, the size of its network. We distinguish centralized and decentralized tasks. The ones that focuses on the whole bank and the coordination, integration of the different activities on its various fields are considered to be the centralized controlling functions which basically synchronize the active and passive business activities. We talk about decentralized controlling functions in case it targets only a part of the bank at a given planning period.

Certainly the size and function of a bank or financial institute plays a crucial role when judging centralized and decentralized controlling tasks. Centralized controlling tasks can be found in small and medium sized banks.

We summarized the banking services as the degree of centralization/decentralization (see Table 1.).

Below we continue summarizing the different controlling activities of centralized/decentralized tasks.

- Centralized tasks: developing business policy, profitability and risk analysis, profit requirement calculation, expenditure plan calculation, systematic evaluation of target theme implementation, development of integrated plan-fact controlling system, developing business policy alternatives, developing managerial information system
- Decentralized tasks: developing decision oriented mentality, decentralized expenditure plan, implementing certain planning and controlling tasks, regulation of information process

3. STRATEGIC AND OPERATIVE BANK CONTROLLING

The two-level or two-step management method of the controlling activity can be achieved through strategic and operative bank controlling.

This closely linked “two-step planning” gives the integrated bank concept. On the first step basically is the outline of the bank’s overall comprehensive strategic objectives – as the market risk and opportunity – and also the risk policy targets and structural profit requirements.

As a second step – particularly balance sheet structure optimization – the operational management of profitability and liquidity are defined through plan-fact budget control system.

So the strategic controlling activity regarding the bank as a whole deals with only developmental, structural and security issues; mostly with the balance sheet structure risks, market risks, structural yield options, growth potentials.

a) Strategic controlling

The strategic controlling contains the following subfields:

- portfolio management: takes into consideration the transaction structure, market structure and opportunities; in other words it tends to ensure through the market strategy the optimum utilization of the bank return potential,
- structural balance management: it examines risk factors and return requirement depending on the balance structure; to achieve long-term financial balance.

Portfolio management

Within this framework becomes essential to define the market strategy originating from the banking product structure. Behind all these stands an important target such as the yield potential and securing the bank’s long term competitive position. Such strategic decisions become necessary like the bank's security policy which defines the content, circle and quality of the output according to three aspects: selection of banking services, quality of services, depth and level of detail of services.

The starting point of defining product selection is to decide how wide the bank is willing to continue the three main banking activities (cash flow, lending, capital market operations).

Regarding the quality of banking services, the main aspects are: security, reliable, discretion, speed and the individual execution of banking services.

The banking services program is made up of the (more or less) strongly differentiated of the recommendation of different service groups.

After establishing the business policy the next question is the way of mediation – known as distribution policy – namely the transmission of banking performances to the consumers.

Balance structural management

Here takes place the evaluation of the balance sheet structure in the sense of risk to partly or completely eliminate the different banking risk factors. We distinguish active and passive security activities in order to localize both liquidity and profitability risks. The previously mentioned definitions and their contexts are summarized in the following (Table 2).

Table 1 Subdivision of banking services

<table>
<thead>
<tr>
<th>Description</th>
<th>Own organization</th>
<th>Foreign organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralized</td>
<td>the service centre is the bank centre</td>
<td>cooperation partner in bank centre</td>
</tr>
<tr>
<td>Decentralized</td>
<td>representative branch-network</td>
<td>bank relations financial market agents</td>
</tr>
</tbody>
</table>

Table 2 Bank risk factors

<table>
<thead>
<tr>
<th>Possible security policy aspects</th>
<th>Typical bank risk factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profittability</td>
<td>Liquidity</td>
</tr>
<tr>
<td>Active security policy</td>
<td>evaluation of activity from the aspect of risks hence self-regulation through thresholds</td>
</tr>
<tr>
<td>Passive security policy</td>
<td>dispositional equity reserve</td>
</tr>
<tr>
<td></td>
<td>dispositional liquidity reserve</td>
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The two basic aspects of risk management and security are:
• the key issue of bank risk management is the structure and form of the bank’s balance sheet
• from the aspect of the bank’s profitability bearing capacity the key is the size of the cumulated risk factors

b) Operative bank controlling
While strategic bank controlling (portfolio and balance structural management) is a comprehensive, global management mode ergo outlines business policy of the bank; the operative (budget management) concretizes these objectives. So budget management is an integrated, operative management tool for bank management to break down the general targets to the bank’s subfields, in order to make them visible, tangible namely specific tasks.

It is quite important to divide the comprehensive balance- and outcome targets (defined by the portfolio and balance structural management) in a unified, closed budget-plan and control system, into different areas of the bank so that the plan fulfilment of subfields can determine bank efficiency.

Budget planning involves constant control, analysis and evaluation of the casual aspects of differences in order to find out what kind of management activities needs to be used to follow the plan or whether the change of market conditions (unforeseen) requires modification of the original plan.

4. Bank leadership oriented accounting
Essentially the accounting system of the banks is an information system which aims to satisfy both internal and external information needs as much as possible. Bank accounting systems are based on the Accounting Act, the accounting rules for financial institutions, tax legislations and (as a result of the international nature of the financial institutions and obligatory of the audited balance sheet) on the generally accepted accounting principles.

The specifications of bank accounting arises primarily from the “uniqueness” of accounting, bank balance structure and also from accrual and detection. So that formulation of these factors should be used as basic requirements.

When developing a leadership oriented system, the following tasks must be met in a bank:
• against the traditional cost-income aspect, expenditures and incomes should be grouped according to return-input, to be able to measure efficiency.
• we must separate costs into types and location of costs
• fixed and variable costs must be defined for different functions
• ensure resolution of details that allows the developed bank controlling system’s planning and management information system to be updated
• distinguish transactional and operational bank activities and the related accounting procedures

5. Banking organization questions in the controlling activity
We can broadly define controlling as the information centre of management, where management knowledge is collected, grouped and transmitted in a way to make it possible for the different areas of banking activities to harmonize them with its main targets.

Controlling approach to bank structural requirements
Since we talk about the whole management approach, it is essential (to be implemented) to develop the internal infrastructure. One hand it requires a controlling mentality, orientation on all bank management levels, on the other hand it is necessary to have organizational, planning and controlling prerequisites. Without these income oriented management cannot be created.

Such a bank structure is based on two principles:

a) Result-oriented aspect and action in the bank hierarchy
In order to reach such mentality on all levels of the bank’s hierarchy (top-level, divisional level, level of professional details), it is necessary to place business policy in the center. Thus it is essential to:
• develop a system of objectives that is broken down into all levels of management and result oriented
• monitor employees (departments) – with decision making authority – decisions’ impact on bank results
• result oriented assessment and support of employees (departments)

b) Fostering the evolution of the result-oriented aspect such as the internal infrastructure
This results some requirements on the following levels:
• Customer-, profit-oriented organization, where clear task and responsibility allocation of bank fields’ contribution to the outcome can be constantly followed.
• Integrated, closed planning and evaluating system, based on the same plan and control, which ensures that differences can be – as a result they do not arise from methodological differences – analyzed, evaluated, influence and controlled.
• Efficient and flexible information system used for managerial decisions as they are always only as good as the quality of their supporting information system. We need to keep track of existence of the organized and clear-content accounting system. So that the reliability of the internal bank accounting is essential from the controlling activity perspective.

Organization position of the controlling activity
The controlling function requires two fundamental questions to be clarified, from one hand to decide about the hierarchy level along with the
question whether controlling should be a direct crew (body) department or it should be added to the bank organization as a so called branch department. From the other hand it is also important to clarify the question of delegated authority of command to controlling.

The decision about which level controlling is dedicated to, in the organizational hierarchy depends on mostly how deep are those changes that are required to install bank controlling.

6. Controlling planning and control (gap analysis) special prevalence in the banking sector
Planning and control have to have a strong correlation because the only possibility for management to act in time are the well developed appropriations and actual data during planning.

The functions of planning—in banking terms—are the following:
- Information and documentation function: have written records of the goals to be achieved set by the organization
- Coordination-integration function: coordinating the activities of the different bank areas in order to make the operation of the organization more efficient.
- Incentive-motivating function: the organization sets living goals and rewards their compliance and sanctions failures. In case these individuals, groups are also taking part in the planning process then their commitment to the developed plan would greatly increase.

The more complex the organization is, the higher the formalization of the planning system gets. The necessity of the formalization of planning is indisputable both in theory and practice but the appropriate degree of formalization is controversial. Formalization must not increase time investment and expenditure and limit flexibility significantly.

Time dimensions, content and forms of bank planning accounting.

a) Strategic planning
When developing the strategy, the following factors needed to be examined:
- Market of financial services
  The bank has to measure what services, at what price can be found currently on the market and accordingly determine its services. It has to measure its current activities and their growth scenario and consider the opportunity of developing new products and their introduction to the market.
- Who are the market actors, current and future competitors, potential allies?
  Actors must be interpreted broadly because there are other organizations beside commercial banks such as insurance companies, savings banks, specialized financial institutions and financial advisors.
- What is their customer base?
  Every bank has a unique customer base. We can group customers in several ways (population, entrepreneur, budgetary institutions etc.). Each of them requires different strategies.
- Types of competitive factors
  Factors such as quality and quantity of the services, price competition, availability, promotions and public relations play an important role.
- Is there an adequate situation for technological environment?
  Basically the banks' current situation are defined by communication systems and information technology. The more innovation are introduced, the more old products disappear.

The strategic plans do not end with the outline of a long-term action plan. The following standpoints must be met:
- the values (given when outlined goals) must be relevant, accepted objectives must be measurable, verifiable, degree of the differences and completion should be definable exactly,
- plans must be feasible, motivating and must not be frustrating.

Strategic planning in banks is used on the highest management level, broken into periods. During strategic planning different analytical methods are applied such as the SWOT analysis or gap analysis.

b) Operative planning and accounting in banks
The operative plans can provide clear guidance—for those who are in charge of realization—for next year's activity. The definition of responsible units and target value is completed during operative planning. The responsible units must be separated in a way that the unit manager could influence—with dispositive decisions—the implementation of the plan, compliance with the budget and also to be responsible for these.

The most common responsible unit in banks are the following:
- branches, as independent and spatially separated units, normally called as profit or investment centres,
- line of businesses, as strategic business units with their own incomes and costs
- units with central functions, called cost-centres
- individual projects, called investment centres

Annual planning has a significant role in a way that it reveals the feasibility of the strategic plan. Therefore the strategic plan can be reconsidered if the annual plan seems have difficulties.

To conclude, contently based operative plan can be only backed by the strategy. Otherwise it would not be clear on what path the bank goes on. According to the special banking activities we can emphasize the main controlling fields regarding to planning are: financial controlling, cost controlling and result controlling. Management tasks of the banks are provided by integrating two well-defined sub-fields (controlling functions of the bank's internal operation and service). This integration can only be achieved by linking planning, plan-fact analysis and information service functions together.

References:
- Horváth P, 2012: Controlling, Verlag Franz Vahlen GmbH.
- Körmendi L – Toth A, 2002: The scientific and practical approach to controlling, Panem. Franz Vahlen GmBH.