

ANALYSIS OF THE BUDGET EXECUTION ACCOUNT OF A LOCAL PUBLIC ADMINISTRATION

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ABSTRACT: The financial reporting of public institutions includes official documents presenting the financial position of the assets managed by the state and the territorial administrations as well as the execution of the revenues. The financial statements are drawn up on the basis of the European and national legislative framework and are approved by the chief credit officer. The budget execution account is a component of the financial statements prepared by the public institutions in Romania. The article analyzes to what extent the expected revenues and expenditures within the budget are contained in the budget execution account. The budget execution account comprises all the financial operations taking place during the financial year and has a direct link with the revenue received and the payments made, structured according to the budget.

KEYWORDS: financial statements, expenses, revenue, budget.

JEL classification: M41, H83

References from the literature. Concepts and features

According to the accountancy history, in Romania the public accounting began to develop with the Union of the Romanian Principalities in 1859 when Prince Alexandru Ioan Cuza adopted the Regulations of Finance, being considered the first law of financial organization in our country. From the 19th century to the present, the accounting of public institutions has undergone many improvements, turning into a complex financial activity with a degree of reporting tailored to new accounting trends.

Financial reporting within public institutions is carried out using the set of financial statements including: balance sheet, property statement, cash flow statement, changes in asset / equity structure, financial statements that include accounting policies and explanatory notes, account budget implementation.

The budget execution account is a component of the financial statements that presents the achievements of the budget as at the date of their preparation. Within the budget of revenues and expenditures is estimated the size of the indicators, while in the budget execution account is presented comparatively the estimated revenues to be achieved with the realized revenues, the budget credits estimated to be consumed with the budget expenditures realized. The budget execution account shall be drawn up by the authorizing officers on the basis of the information contained in the revenue and expenditure accounts and on the basis of the receivables and creditors of the available accounts, which shall present a true and fair view of the accounts opened with the treasury or to the banks, as the case may be.

The result of the exercise is presented in two components of the financial statements, namely: in the balance sheet in the form of a source supporting the asset that is adjusted to the institution's budget according to its financing mode, but also in the budget execution account as an allocation product of funds and their use within the public institution according to the approved destination, it can therefore be said that the balance sheet costs the result and the budget execution account explains it.

The budget execution account includes all financial transactions that take place during the financial year and have a direct link with the revenue received and the payments made, structured according to the budget.

The financial execution account includes information on income, which includes:

- initial budgetary provisions,
- final budgetary provisions,
- established entitlements,
- realized receipts,
- established entitlements; as well as information on expenditure comprising:
- initial budgetary appropriations,
- final budget appropriations,
- budgetary commitments,
- legal commitments,
- payments made,
- legal commitments to pay,
- actual expenditure.

The basis for drawing up the budget execution accounts is the data from the roles of the budget financing accounts, as well as the cash flows, which must be the same as those in the accounts opened with the Treasury or the banks.

Reporting information on established rights will take into account:

- the data will be taken from the balances of the previous years, but also from the current turnover of receivable accounts receivable;
- Income that has been received without being recorded in the accounts receivable according to the law, shall be completed in the column of rights established;
- other methods of extinguishing debts than by cashing are cancellation, prescription or conversion into shares.
- the entitlements to be credited must be reflected in the balances of the accounts receivable at the end of the reporting period.

In the process of closing the annual budget execution, the state institutions have the obligation to analyze the state of state revenues and expenditures, as well as reflecting on the state social insurance budget, own budgets and special fund budgets of the current year. Liability for the conclusion, in accordance with the law and the deadlines set, of all financial operations relating to the revenue and payments of the budget year, shall lie with the authorizing officers and the managers of the accounting department. The main credit ordinators are responsible for:

- use of approved budget appropriations, according to the destinations they have received within the revenue and expenditure budget, by the end of the year;
- the withdrawal or distribution of budgetary credits under the law;
- making payments in advance, but also justifying or recovering them;
- the liquidation of fund assets by the end of the financial year, in clients and other receivables, as well as the reconstitution with the recovered amounts of payments. Amounts that could not be recovered by the end of the financial year are paid in the following year to the budget from which the public administration is funded under subchapter "Reimbursement of funds from previous years' budget financing";

The daily update of the information on the opening, distribution or withdrawal of budget credits, as well as the permanent check of the receipts and payments recorded in the account statements issued by the state treasury units, leads to the immediate correction of a possible error that may arise between the public institution's accounting and treasury accounting, the correction being made on the next business day.

An important item in the budget execution account is the information on the outcome of the budget execution which is calculated as the difference between the proceeds received and the payments made.

Illustrating the specialized literature in the practical activity

In order to translate the theory into practice, we will analyze the budget execution budget of City X, compiled on 31.12.2017, broken down into two components: income and expenditure. As far as the local budget of the City X is concerned, I will see below the situation of the budgetary provisions and of the income receipts, respectively the budgetary provisions and the related payments, on 31.12.2017. Income we have:

- Annual budget provisions amounting to RON 87,025,400;
- Quarterly budget provisions in the amount of RON 87,025,400;
- Receipts in the amount of RON 81,340,680.

The operation section includes:

- Annual budget provisions amounting to RON 65,010,214;
- Quarterly budget provisions in the amount of RON 65,010,214;
- Receipts made in the amount of RON 63,890,748.

The development section includes:

- Annual budget provisions amounting to RON 22,015,186;
- Quarterly budget provisions amounting to RON 22,015,186;
- Receipts made in the amount of RON 17,449,932.

Within the spending we have:

- Annual budget credits in the amount of RON 92,740,820;
- Quarterly budget credits in the amount of RON 92,740,820;
- Payments made in the amount of RON 85,988,890.

The operation section includes:

- Annual budget credits amounting to RON 65,528,384;
- Quarterly budget credits in the amount of RON 65,528,384;
- Payments made in the amount of RON 63,976,894.

The development section includes:

- Annual budget credits in the amount of RON 27,212,436;
- Quarterly budget credits in the amount of RON 27,212,436;
- Payments made in the amount of RON 22,011,996.

An analysis of revenue from the budget execution account will be illustrated using the indicators below.

Table no. 1 Analysis of the revenues from the budget execution account

Revenue					
No.crt	Synthesis indicators	Calculation formula	Value	Percentage	Period
1	Degree of revenue achievement	<u>Total revenues collected</u> Total programmed revenue	<u>81340680</u> 87025400	93,47%	Quarterly
2	Degree of achievement of own revenues	<u>Own revenues collected</u> Scheduled own revenues	<u>41871806</u> 45378570	92,27%	Quarterly
3	The degree of financing from own revenues	<u>Own revenues collected</u> Total revenues collected	<u>41871806</u> 81340680	51,48%	Quarterly
4	Degree of self-financing	<u>Own revenues collected</u> Total revenues collected	<u>15648944</u> 81340680	19,24%	Quarterly
5	The degree of dependence of the local budget on the state budget	Receipts from sources received from the state budget Total revenues collected	<u>63976894</u> 81340680	78,65%	Annual

As a result of the income analysis, it was found that 93.47% of the programmed revenue was collected, which is a favorable aspect of the institution concerned. The own revenues were 92.27% compared to the estimated ones, and their share in the total revenues is 51.48%, this percentage shows that the municipality of City X has a very high level of financing from its own incomes. City X is 78.65% dependent on the state budget.

Table no.2 Analysis of expenditures in the budget execution account

Expenditure					
No.crt	Synthesis indicators	Calculation formula	Value	Percentage	Period
1	Expenditure rigidity	<u>Payroll for staff</u> <u>Total payments</u>	<u>36641346</u> <u>85988890</u>	42,61%	Annual
2	Share of operating section	Payments for the <u>operating section</u> <u>Total payments</u>	<u>63976894</u> <u>85988890</u>	74,4%	Quarterly
3	Share of the development section	Payments related to the <u>development section</u> <u>Total payments</u>	<u>22011996</u> <u>85988890</u>	25,6%	Quarterly
4	The share of public debt service	<u>Local public debt service</u> <u>Total payments</u>	<u>565660</u> <u>85988890</u>	0,66%	Annual

The cost rigidity for the City X is 42.61%, a high percentage which should be diminished by applying direct administrative proposal policies to the level of the tasks of the directly employed staff. In the case of this municipality, the expenses incurred with the proper functioning and carrying out of the activity represent 74.4% of the total payments, and the expenditures directly related to the development section represent 25.6% of the total payments made, this percentage is very important because once with its growth, the entire community benefiting from the public services provided by the City X develops.

Conclusions

In conclusion, the budget execution account is a component of the financial statements showing whether the projected budget has been achieved. Within the budget, estimates are made of the revenue to be settled and the expenditure to be paid, and the budget execution account is to see whether this revenue has been received or that the expenditure has been paid. It can be said that the budget execution account presents a true and fair view of the statement of income and expense at the time of preparation of the financial statements.

The surplus or the patrimonial deficit is illustrated by the economic outcome that highlights the financial performance of the public entrant. The patrimonial outcome is calculated on each source of funding but also on total sources, as the difference between earnings and expenses incurred in the financial year.

Budgetary implementation is based on the principle of liquidity accounts, which shows the level of revenues received and the expenditures made from the approved budget credits, according to this principle, the revenues that have not been collected during the current financial year will influence the budget execution of the years when they will be cashed.

The financial statements of public institutions are drawn up only after the inventory has been completed and the differences recorded are recorded in the accounts. The annual financial statements must provide a true picture of the financial position and of the performance of the public performance at the close of the financial year. These reports are drawn up on the basis of the national and European legislative framework that merge to better transmit information to its users.

In my opinion, the budget execution account is of the same importance as the other components of the financial statements, because their purpose is to give the patrimony a fair picture. The budget execution account shows the allocation of funds and their utilization according to the approved destination.

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