

THE NEW CHALLENGES OF PUBLIC INSTITUTIONS ACCOUNTING

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Absract

Accounting of public institutions is an area in the middle of change, at the beginning of the year 2104 being recorded changes are consistent with significant impact on such areas, general, accounting. Given that the transformation process of how reporting is in progress, I found it helpful to attend a study aiming at the transformation imposed by the new legislative package, but what are the main issues that might affect implementation of the project. We have identified three directions by which the Ministry of public finance requires changing, such as: adaptation of the chart of accounts used by public entities, the creation of a national system of monitoring, reporting, verification and control of the financial statements, legal commitments and budgets of public entities and increasing training of Heads of financial and accounting departments. This structure is designed and realized study.

KEY WORDS: *The national system, accounting of public institutions, chart of accounts, platform computing*

1. INTRODUCTION

A long time public institutions accounting was different from that used by the companies, having a much different from the latter.

As the integration into the European Union was "de facto" hierarchical levels and reached increasingly lower, Ministry of Public Finance has initiated a process of modernization and alignment of the accounting of public institutions at european practices. The promoter of these changes was The General Direction Of Public Accounting, Treasury of the Ministry of Finance, which has begun reforming the accounting of public institutions in 2002 which brought back "to supplement the cash accounts (cash) accounting with accrual (accrual)".

Modernization of this sector continued through the entry into force of the order of the Minister of Public Finance no. 1917/2005 approving the *Methodological norms regarding the organisation and management of public institutions, accounting chart of accounts for public institutions and the instructions for its application*, which has introduced a new chart of accounts, similar to that used by private entities in accounts.

Year 2013, reported the onset of a new stage in the transition accounting of public institutions which it traverses the shape and the requirements of the European Union. Thus, by means of a legislative package which includes laws, the Government's emergency decrees and orders of the Minister of Public Finance, has focussed on three main aspects of the coverage of public accounts, such as:

- to update the chart of accounts;
- introduction of a national system of monitoring, reporting, verification and control of the financial statements, legal and budget commitments public entities;
- increase the level of professionalism of the financial accounting departments through this governing access in light of the acquisition of the *Certificate attesting the knowledge in the field of european system of accounts*.

In this paper I will present in detail the aspects of interest that may impact your current activity of accountants public institutions, structured on the three areas of action by the Ministry of Public Finance, listed above.

2. THE NEW CHART OF ACCOUNTS

Changes to the accounts of public institutions, in terms of updating the chart of accounts, consisted of:

- changing the structure of the respective accounts and effect in synthetic accounts of grade I, II and III;
- development of analytical accounts based on a structure that comprises, in this order: sector code, source of funding, operational clasificatie (where appropriate) and economic clasificatie (where appropriate);
- introduction of new accounts;
- accounting monograph adaptation to these changes

The act introduced changes was The Order of The Minister of Public Finance no. 2021/17.12.2013 *for the modification and completion of the methodological Norms regarding the organization and management of public*

institutions, accounting chart of accounts for public institutions and guidelines for its application, approved by order of the Minister of public finance no. 1917/2005.¹

According to him, **for all accounts listed in the chart of accounts**, the detailing was introduced to synthetic accounts level III degree, according to the following structure:

-synthetic account of I degree-3 character (the first character class, the character symbolizes the second group, and the third character designates a synthetic account);

-synthetic account of grade II-6 characters: it is formed by joining a synthetic account of grade I character space and code (2 numeric characters) synthetic account of grade II;

-synthetic account of grade III-9 characters: it is formed by joining a synthetic account of grade II character space and code (2 numeric characters) synthetic account of III degree.

In the tables below is set out, by way of example, the transposition of the accounts of synthetic accounts.

Synthetic account in accordance with the O.M.F.P. 1917/2005

Tabel no.1

No. crt.	Class	Group	Synthetic gr. I	Synthetic gr. II	Account symbol	Account Name
	4				4	Third-party accounts
1	4	0			40	Suppliers and similar accounts
	4	0	1		401	Suppliers
	4				4	Third-party accounts
2	4	3			43	Social insurance, social protection and similar accounts
	4	3	1		431	Social insurance
	4	3	1	7	4317	Employers' contributions for sick leave and allowances

Synthetic account in accordance with the O.M.F.P. 2021/2013

Tabel no.2

No. crt.	Class	Group	Synthetic gr. I	Synthetic gr. II	Synthetic gr. III	Account symbol	Account Name
	4					4	Third-party accounts
	4	0				40	Suppliers and similar accounts
	4	0	1			401	Suppliers
1	4	0	1	01		401 01	Suppliers under 1 year
	4	0	1	01	00	401 01 00	Suppliers under 1 year
	4	0	1	02		401 02	Suppliers over 1 year
	4	0	1	02	00	401 02 00	Suppliers over 1 year
	4					4	Third-party accounts
	4	3				43	Social insurance, social protection and similar accounts
2	4	3	1			431	Social insurance
	4	3	1	07		431 07	Employers' contributions for sick leave and allowances
	4	3	1	07	00	431 07 00	Employers' contributions for sick leave and allowances

Another amendment of O.M.F.P. No. 2021\2013 was the one concerning the development of the analytical accounts. Thus was created a standardized structure of analytical accounts, the binding, so minimal. Into account the following categories were introduced: code sector, funding source, functional classification and economic implication. Prior to the occurrence of O.M.F.P. 2021\2013, the last two categories **were associated with expense accounts and financing, as well as the accounts of budget balance, legal and budgetary commitments, the appropriations allocated on a monthly basis and the commitment appropriations.** Through the adoption of new accounting rules, functional and economic classification classification is attached to third-party accounts and availability. In addition to this standardized form, every public institution can develop their own system of analytical. Thus, the account of a vendor of office supplies, for a university education, it is of the form:

¹ It was published in the Official Gazette, part I, no. 831 of 24.12.2013 and entered into force on the date of 01.01.2014.

Class	Group	Synthetic Gr. I, II, III	New Account Name	Code sector	Funding source	Functional classification ³ Chapter, subchapter., paragraph	Economic classification ⁴ Title, article, aligned
4			Third-party accounts				
4	40		Suppliers and similar accounts				
4	40	401	Suppliers				
4	40	401 01	Suppliers under 1 year				
4	40	401 01 00	Suppliers under 1 year	01	A	65.01.06	20.01.01

Code sector and funding source code are two symbols introduced by O.M.F.P. 2004/2013, with the definition of the requirements for the establishment of the *Register of records of public institutions*. Thus, the codes have been allocated each existing variants, so that any public entity can complement *The public entity chart*.

Using the example in the table above, the account will appear in the balance of such analytical verification:

⇒ **"401 01 00.01. A. 650106.200101-Vendors under 1 year"**

This account can be developed within the framework of public institutions through detail, thus:

⇒ **"401 01 00.30.01. A. 650106.200101-Vendors under 1 year - S.C. ZEUS S.R.L."**

On amendments to accounting monograph, the main amendment is that the closure of the accounts of expenditure and financing. Earlier changes, financing and expenditure accounts, the account shall be corralled with account 121 " Result patrimonial" at the end of the quarter and the (fiscal) by accounting items of the form:

770	=	121.xx
„Financing from the budget”		„Result patrimonial”

and

121.xx - „Result patrimonial”	=	6xx - „Expenses”
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At the beginning of the year following the passage of the current outcome result for previous years:

121.xx - „Result patrimonial”	=	117.xx - „The result carried forward”
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or

117.xx - „The result carried forward”	=	121.xx - „Result patrimonial”
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By applying the new provisions, these accounting records, for an institution financed entirely from the State budget, it operates as follows:

➤ made only quarterly closing expense accounts, including fourth quarter:

121.xx - „Result patrimonial”	=	6xx - „Expenses”
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➤ year-end closure of accounts is made of funding::

770 - „Financing from the budget”	=	520 02 00 - „The result of the exercise of the state budget of the current year”
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At the same time:

520 02 00 - „The result of the exercise of the state budget of the current year”	=	489 00 00 - „Settlements on the conclusion of the execution of the state budget of the current year”
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➤ At the beginning of next year to make the switch current earnings results for the previous years:

117.xx - „The result carried forward”	=	121.xx - „Result patrimonial”
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și

489 00 00 - „Settlements on the conclusion	=	117.xx - „The result carried forward”
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of the execution of the state budget of the current year”

In conclusion, the main differences between the monograph (concerning the closure of the accounts of expenditure and financing) and the current one are:

- funding accounts are closed only on an annual basis at the end of the year, while before the corralled on a quarterly basis;
- funding accounts are closed using other accounts than those used for the accounts of expenditure;
- at the opening of the year following the reported result is done differently, using and 489 account "Settlements on the conclusion of the execution of the State budget of the current year".

3. NATIONAL SYSTEM FOR MONITORING, REPORTING, VERIFICATION AND CONTROL OF THE FINANCIAL STATEMENTS, LEGAL AND BUDGET COMMITMENTS PUBLIC ENTITIES

Based on a series of assumptions that were necessary to adopt normative acts regulating and strengthening financial discipline of public institutions, the Romanian Government has designed platform that can meet these requirements. The legislative initiative has been transposed in the Government Emergency Ordinance No. 88/2013. This regulatory action, promoted in the Government budget, tax promotes two concepts: the national system of verifying expenditure by public institutions and prioritize public investment projects.

Premises which have led to the emergence of the national system are listed in the preamble O.U.G. nr. 88/2013 respectively:

- need strengthening budgetary discipline at the level of public entities and of the accountability of authorising officers in the budget process;
- to reduce the general consolidated budget deficit by reducing arrears incurred by public entities;
- the fact that a major priority of the Government is to improve the budgetary and planning a move to significant government investment projects, to enhance the absorption of EU funds in order to create fiscal space and to support economic growth;
- the necessity of their classification in the performance criteria in the stand-by Arrangement between Romania and the International Monetary Fund.

The national system of monitoring, reporting, verification and control of the financial statements, legal and budget commitments public entities (hereinafter referred to as "**National System**"), is, as the title indicates, a complex informatics platform that brings together several independent, interconnected computer systems. The task of designing, implementation and its implementation has been attributed to the Ministry of finance.

In order to achieve the commitments, the Ministry of Public Finance has implemented a project co-financed from the European Social Fund, and the operational programme for Administrative capacity development, hereinafter referred to as "increasing the accountability of public administration through the modernization of the information system for reporting financial statements of public institutions (ForExeBug)".²

The national system is composed of many computer applications, administered by the Ministry of public finances, such as:

1. R.E.P. – Register of public entities - what is constituted by autodeclarare, that by filling in each institution of the form "The public entity", which form shall be signed electronically
2. TREZOR – application used by the Treasury to manage the State's receipts and payments transactions, reports and summaries. This application will be used further as a provider of information to other applications;
3. DeDoc – It is a new application that will allow public institutions to submit, in electronic format, a number of documents needed for the proper functioning of the system of national accounts, approved budgets: payments made through credit institutions, deposit balances, and other situations where required;
4. ForExeBug – is an application of the national system, through which it will conduct operations such as: individual and aggregate budgets collection, the collection of data relating to payments, collect data on the budgetary commitments, the collection of information in the accounts of public institutions, conducting briefings and reports by beneficiaries;
5. OPFV – the program for public entities to generate orders and payment.

Relationships are established between these applications, it can be shown schematically as follows:

²<http://www.mfinante.ro/forexebug.html>

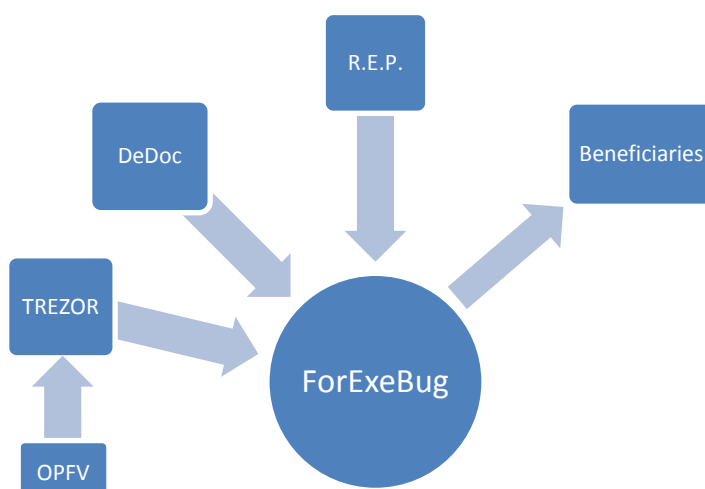


Fig.no.1 Relationships are established between the computer applications

Plan of implementation of the national system provides the functionality trials to end at 31.12.2014, and at 30 June 2015 all public entities will use the platform.

So far the following steps were taken:

1. **Updated IBAN accounts system used by public entities for making payments.**

The amendment is that IBAN accounts have been created for each paragraph of clasificăției of budget expenditure. Accounts have been standardized on the types of public entities, so paying for Office supplies, all higher education institutions will use the account: RO35TREZ23D650601200101X. Within the Treasury develops analytical account, according to the tax code. This change will allow monitoring of payments carried out by public entities at the paragraph, as well as the transfer of data, detailed, between ForExeBug and SAFE DEPOSIT. The ForExeBug will be able to generate such a report "To the execution of expenditure" on the basis of the data transferred at the last level of detail required by law.

2. **Was established The public institutions** by collecting "Information sheets public entities" submitted electronically by the reporting entities. The form was created and made available to users by the Ministry of Finance. As they arise changes likely to alter data declared initially, they will be able to correct it by filing a corrective card.

3. **Was conducted a presentation/training session**, which was attended by all the heads of the financial and accounting departments, both at central level and at the county level. During the session were presented issues of a general nature concerning the operation of the platform.

4. **Computer applications were made**, and soon to be available for testing.

With the implementation of these changes, but also to the future, there were *negative influences the work of financial and accounting departments*. Of these drawbacks can include:

A. Increasing bureaucracy, in relation to the State Treasury, budget-credits component on-payments. Until 31.12.2013, budget, credits open to sending monthly payments were detailed at the item level. With the implementation of the new measures, the detailing is done at the level of the paragraph. So, submit a detailed budget to the level of appropriations allocated paragraph-level paragraph and payments shall be made in the accounts corresponding to each paragraph IBAN. If in the past payments of wages (net salaries, social security contributions and income tax) is the default 3 money orders at present shall be prepared for the same operation 13 money orders. Also, towards the end of the year (October-December) when approaching the level of payments to the budget, the number of operations approved amending budget reported to the Treasury increases due to "\fărămițării". For example: *salary of a teacher of a University is composed of several elements: base salary (100101), merit salary (100102), management compensation (100103), the bonus for seniority (100104), bonuses for working conditions (100105), pay by the hour (100111), other rights (100130). Net salary payment shall be made using the 7 orders, related to economic clasificăției described. To do this, each paragraph should have budgeted budget funds and credits assigned to it. The necessary funds for the current month is drawn around the time of the previous month, 15 of which hampers fair estimate on each paragraph of the payment amounts. To get to the final, situations in which credits have not been opened, on the paragraphs present requirement, which is why no payments may be made only after a change in the credits that are submitted to the Treasury. Towards the end of the year enters the equation and budget paragraphs, the number of situations requiring changes achieved through increasing Treasury.*

This type of modification is realized in the past, each authorising officer, but for this there were more prepared, endorsed, approved and recorded in the accounts. The Treasury pursued employment payments in the budget approved only at the heading level, and changes within the Securities and performing subdivisions within the accounting departments of the institutions.

B. Modification of the structure of g\l accounts generated in all public entities, operations to update the software, some of which are still in progress;

C. On the accounting of the budget commitments, payments and credits, it will duplicate the work of accountants in the sense that these operations will be highlighted as using ForExeBug and using own software.

➤ Payments, to the extent that will be conditioned by the existence of the ForExeBug of certain information may not be made at the time, affecting the quality of budget execution. The reasons for which such situations may arise are:

➤ inactivity of Ministry of Finance Public servers, due to some technical failure or inability of the application to process a very large data volume (it should be noted that the program will be used by more than 10,000 users: people from reporting entities and employees of the Ministry of Finance);

➤ interruption between the MFP server and public institution;

➤ the emergence of unforeseen emergency situations, which require operations in a very short time.

➤ careless of an operator of a third loan originator (School) will result in blocking of payments for the Chief authorising officer and authorising officers answerable to it (Ministry, School Inspectorates, schools), to fix the problem

D. Although it is an ambitious project, welcome, quality human resource involved cannot answer at the moment needs. Although they are familiar with the basics, how to work and rigorously enforced by the restrictions of the system will "give hassle" both authorising officers and employees of the Ministry of Finance.

Although we have identified a number of difficulties in the implementation of the project, using the appropriate means, the shortcomings will be overcome and platform implemented. It is possible to stagger the terms initially.

Must be mentioned, however, and certain *advantages brought by the national system*³:

- increase the effectiveness of local and central public administration and administrative transparency by making available to the public institutions of the modern, standardized tools for reporting financial statements and publication of information on the use of public funds detail, in accordance with the budgetary classification;
- increase the reliability of collected data via cross-validation with data from the system and providing reliable information for the internal use of the MPF, public institutions, other institutions and the general public, both at the level of detail and consolidated on various levels.
- automatic classification system of payments to the budget;
- automatic processing of any budgetary corrections;
- reducing the number of forms of quarterly and annual reports;
- to align accounting standards of European public administrations: FOREXEBUG system will allow detailed reporting of financial performance, the standards imposed by the EU in relation to economic activities clasificăției Government COFOG level 2.

4. INCREASING THE PROFESSIONALISM OF FINANCIAL ACCOUNTING DEPARTMENTS

The third channel covered by the Ministry of public finance to promote changes in the field of public accounting is that of increasing the level of professionalism of the workers concerned, and in the first phase are target drivers of financial and accounting departments.

Thus, by law nr. 270\2013 for the modification and completion of the Law no. 500\2002 regarding public finances, introduce compulsory *possession certificate attesting to knowledge gained in the European System of Accounts, as well as the recognition of the european regulations in this area*, for participation in the contest for a post of finance and accounting department. The same normative act specified that *the acquisition and maintenance of accreditation certificate represents the condition specifies mandatory to fill the post of head of the finance and accounting department*.

Detailed rules for the application of law No. 270/2013, shall provide all the steps for obtaining the certificate, namely:

- ✓ attending a session of training/course organized by regional structures of the Ministry of Finance;
- ✓ keeping records of enrollment for the certificate;

³ Conclusions contained in the report of the ForExeBug system, available at <http://www.mfinante.ro/forexebug.html>

- ✓ support for the exam in the form of a grid, which has a maximum of 100 points, which must be obtained at least 70 points;
- ✓ the issue of the Certificate.

Totodată este prevăzută și obligația menținerii atestării, prin reexaminare, la fiecare 5 ani.

For leaders of financial accounting departments depending on the performance of course is free, the process is already underway.

It is desirable that after completion of the attestation of financial and accounting departments, the Ministry of Public Finance to turn attention to the Echelon Echelon 2, respectively of persons fulfilling the duties of Chief accountants in their absence. More specifically to offer free training at the same level with the same cost.

The implementing rules also provide for the validity of the certificate may be terminated prior to fulfilling the term of 5 years from the date of issue, subject to two cumulative conditions are met:

1. the holder has been sanctioned for serious misconduct regarding the fairness of the financial statements drawn up and signed or endorsed, by a supervisory body;
2. the licensee shall, following a reassessment of knowledge does not promote the accreditation exam. The exam schedule, at the request of the public institution where the driver turns on the holder, within 1 month from the date of receipt of the notification by the control bodies.

4. CONCLUSION

The process of modernization of the accounting of public institutions is one of magnitude, which touches different aspects of accounting regulation, regulation: the system of reporting, human resources, material resources at the disposal of public institutions.

Although we have identified a number of shortcomings in the process, I believe that its implementation will generate added value in the work of those institutions responsible for reporting to the foreign partners of Romania: Ministry of Finance, National Bank of Romania, the National Statistics Institute and others.

However for the success of the deployment operation is desirable for greater involvement of the Treasury in the verification of the compatibility of computer systems used by public entities with which you want to deploy, and even more so as there are still institutions which have not yet adopted the new system of accounts valid from the date of 01.01.2014. In addition, training sessions for workers in public institutions should focus on the practical component in the sense in which they carry out operations in a test environment of the program. In this way you will discover: the actual level of preparation, any shortcomings in the program, not taken into account particularities on the design of the system, etc..

Implementation will be a lengthy process and sluggish if training will continue in the form of window exposures and functionality of the program. Considering that in the administrative territorial units are used more computer solutions (current or obsolete) it is desirable that a collaboration between them and the Ministry of finance and other government bodies with responsibilities in the area of "digitalizării" State, to develop an integrated application. This Informatics solution should cover all aspects of bookkeeping: justification of budget revenue and expenditure, payroll, procurement, miscellaneous payments, track assets, financing and expenditure records, and more. It will also be implemented as a single solution in the framework of territorial administrative units, so that maintenance and good practices to be established at the central level and disseminated at the local level.

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