

THE CONTROL FUNCTION OF THE STATE TREASURY, AN EFFICIENT TOOL OF PUBLIC RESOURCE UTILIZATION

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Abstract:

The paper shows a summarized form of the control function of the State Treasury with respect to the budget execution of administrative divisions. It insists on the role of the operational Treasury within the administrative fiscal bodies. The Treasury has a preventive control in that it intervenes (exercises) before the economic and financial transaction, assumed and ordered by the credit officer, takes place. The control of the Treasury on the execution is done by the service / office - Control and Public Reimbursement.

Key words: control function, preventive control, budgets of administrative divisions, credit officer, Control and Public Reimbursement (service/office).

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The State Treasury is a unified and integrated system by which the state ensures the performing of the receipts and payments of public funds, including the ones regarding public debts and other state transactions, safely and in accordance with the legal provisions in force.

Regardless of the funding and subordination system, public institutions carry out the receipts and payments by means of those State Treasury divisions in whose jurisdiction they are tax registered. Public institutions cannot perform receipts and payments by means of credit institutions, except for the receipts and payments performed in foreign currency, as well as those made by means of Escrow accounts, opened with a banking institution, agreed by internal or external funding institutions.

By means of the State Treasury, receipts and payment transactions are performed with respect to public resources that concern the consolidated state budget, and the repurchase of the Treasury certificates for the population, converted into certificates of deposit, public debts in domestic and foreign currencies, including public debt service and other incomes and expenditures concerning public funds, regulated by the law, including the rights of receipt and obligations of payment of the state, on the basis of government and commercial agreements and conventions.

The Treasury of Public Finance is organized into a unified system, both on a central and a local level, with the purpose of comprising all financial transactions of the public sector.

The Treasury of Public Finance in our country¹¹ is organized as follows:

- on a central level:

- within the Ministry of Public Finance, under the name of the General Directorate of Treasury and Public Accounting (Central Treasury) - G.D.T.P.A

- on a local level:

a. within the Public Finance County General Directorate and the Public Finance General Directorate of Bucharest, under the name of the County Treasury and Public Accounting;

¹ Government Decision no.34/ 2009 on the organization and functioning of the Ministry of Public

b. within the city, town and communal Public Finance Administrations, there are operational treasuries;

The Central Treasury has established and performs a series of tasks that contribute to the achievement, by the Government, of the parliamentary mandate within the field of budgetary resources of the state. The main tasks of the Central Treasury are:

- it establishes the system of organization and functioning of the State Treasury;
- it develops and manages the income and expenditure budget of the State Treasury;
- it develops the general balance of the State Treasury and the execution account of the budget of the State Treasury;
- it manages the General Account of the State Treasury, opened with the National Bank of Romania, with the purpose to conclude agreements with it;
- it develops the works with respect to the annual general account of the state budget execution, the general account of government debt, respectively, the state's social insurance budget and the annual accounts of special funds budget execution, as well as the bills regarding these execution accounts, which it passes to the Government, in order to submit to the Parliament for approval;
- it exercises, through its specialized bodies, the control of budgetary credit utilization by public institutions;
- it manages the current General Account of the State Treasury;
- it administers the internal and external public debt;
- it contracts, manages and highlights the loans that cover the budget deficit;
- it performs some term financial investments;
- it develops the works of budget execution and Treasury accounts within the structures and the time limits, with the submission of measures to ensure a balanced budget;
- it develops the report on the General Account of state budget execution, of special and extra budgetary funds.

On a local level:

The activity of the County Treasury and Public Accounting within the County Public Finance General Directorate is managed by a Head Treasurer and it is organized in accordance with the legal provisions in force², as well as the methodological norms issued by the General Directorate of Treasury and Public Accounting (GDTPA) within the Ministry of Public Finance³.

The activity of the County Treasury and Public Accounting applies the mechanisms regarding the management of Public Finance on a local level, the cash execution of the state budget, local budgets, and state social insurance budget, the budget of the State treasury and special funds, private income budgets, as well as performing transactions related to government securities to individuals. As a specialized structure, it exercises the control over the issuance of the amounts in cash or by transfer from the accounts of some public institutions for expenditures, according to the income and expenditure budget approved by the law, complying with the open and distributed budgetary credits and their destination, following other objectives established by the methodological norms of the Ministry of Public Finance. The activity of the Local

² Emergency Ordinance no.146 of 31 October 2002 on the formation and use of resources via the State Treasury;

Order M.P.F. no. 1.235 of 19 September 2003 approving the methodological Norms for the application of the provisions of the Government Emergency Ordinance no. 146/2002 on the formation and use of resources via the State Treasury, approved with amendments by Law no. 201/2003, with subsequent amendments

³ Methodological Norms on the organization and functioning of the Public Finance Treasury no.5318 in 1992 prepared by the general Directorate Treasury and Public Accounting (GDTPA) of the M.P.F.

Treasury and Public Accounting is subordinated to the GDTPA – MPF in terms of methodology and function. The County Local Treasury's direct subordinates, in terms of methodology and coordination, are the operational divisions of the State Treasury organized within the city, town and communal Public Finance Administrations. According to the latest organization, the activity of the County Treasury and Public Accounting is composed of 3 services/offices/departments, namely:

- Service / Office / Department. Synthesis and Development Assistance for Local Budget Execution;
- Service / Office / Department. Management and Accounting of the Current Account of the Treasury;
- Service / Office / Department. Guidance and Control of the activities of Local Treasuries in which the department operates. Tracking sale activities and the ones regarding the management of government securities and treasury bills.

Within the Administration of Public Finance of the County capitals, the Treasury is coordinated by the Deputy Head. The Administration of Public Finance – Treasury and Public Accounting is organized as follows:

- Service/Office Receipts and Accounting of Budgetary Incomes;
 - Service/Office Control and Public Reimbursement within that department.
- Management of Accounts;
- Service /Office Accounting of the State Treasury;
 - Service/Office Cashier's Office, Treasury, Sales and Management of Government Securities and Treasury Bills.

Within the Administration of Public Finance of the municipalities, the Treasury is coordinated by the Deputy Head. The Administration of Public Finance – Treasury and Public Accounting is organized as follows:

- Service/Office Accounting of the State Treasury in which the department operates. Receipts and Records of Budgetary Incomes;
- Service/Office Control and Public Reimbursement within the following departments operate: Management of Accounts and Cashier's Office, Treasury, Sales and Management of Government Securities and Treasury Bills.

Within the Public Finance Administration of towns and communes, the Treasury is organized as the service/office subordinated to the Head of the Public Finance Administration.

According to the existing legal norms⁴, Treasury and Public Accounting in the County, fulfills the following main tasks:

- it organizes and coordinates the activities of the Treasury and Public Accounting of operational divisions of the State Treasury in accordance with the law and orders measures for their improvement;
- daily performance of the reimbursement by means of the Electronic Payment System and the payment instructions transmitted by the operational divisions of the State Treasury, according to the specific instructions in scope;
- it ensures the daily recording of receipts and payment transactions conducted through the correspondent account of the Treasury and follows in particular that all payment instructions, forwarded to the Ministry of Public Finance, to be settled, both in terms of the number of documents and their value;
- it develops, quarterly and annually, the balance of the State Treasury in the county, it examines the balances of the balance sheet positions and draws

⁴ Regulation of organization and functioning of County General Directorates of Public Finance approved by Order of the Chairman of the National Agency of Fiscal Administration no.3831 of 29 December 2011

the analysis report, it develops further syntheses on the budget execution, which are reported, periodically and operational, to the Ministry of Public Finance, in terms established by it;

- it provides the record for the budgetary credits allocated to actions funded from the state budget, the state social insurance budget, the National Unique Fund for Health Insurance budget, the unemployment insurance budget, local budgets, the State Treasury budget by the secondary credit officers, being forwarded to the operational divisions of the State Treasury, with which tertiary credit officers have open accounts;
- it exercises the preventive financial control over the specific transactions of the State Treasury;
- it ensures the execution of the expenditures from the State Treasury budget, by tracking their inclusion in the budgetary credits allocated by the Ministry of Finance and complying with the procedures concerning the completion of the four phases of the expenditure budget execution, that is engaging, liquidation, authorization and payment of expenditures;
- after the approval of the State Budget law, it provides technical assistance for the distribution of the amounts and rates broken-down by local councils, under art. 33 of law No. 273/2006 concerning local public finance, with subsequent amendments and supplements;
- it ensures the methodological guidance of the operational divisions of the State Treasury, following the instructions and legal norms in the field, proposing measures to improve the activity of the administrative divisions of the State Treasury;
- it checks the activities of the subordinated operational divisions of the State Treasury, considering the thematic plan passed by the G.D.T.P.A. of the Ministry of Public Finance and establishes measures to improve the operation mechanisms of the State Treasury.

The control function of the Treasury, in general, and of the Local Treasury, in particular, manifests itself on the expenditure of public funds, by public institutions. The control is exercised by the operational divisions of the State Treasury, through the Service\Office Control and Public Reimbursement. It has the following responsibilities:

- it checks the documentation filed by public institutions and opens, on their behalf, several accounts of budgetary credits, expenditures and availabilities according to the legal provisions in force;
- it verifies the documents concerning the allocation/withdrawal of credits from the state budget, state social insurance budget, special funds and local budgets and ensures their record by budgetary classification subdivisions;
- it checks the documentation relating to the financing of public institution investments from public funds according to the legal provisions in force;
- it checks and performs payments from public institution accounts and exerts the control over the payment documents presented by them, particularly ensuring the control of whether payments are arranged within the limits of budgetary credits approved within the income and expenditure budgets of public institutions;
- it ascertains whether capital expenditures are arranged within the limits of the amounts approved for the investment objectives contained in the lists of approved investments by the law, as well as observance of the availability of budgetary credits, open and distributed or availability of funds, as applicable;
- for internal transactions, it checks the logs and statements of accounts of budgetary expenditures in terms of consistency between the data recorded in the system and payment documents on paper;

- it verifies the reimbursement via the electronic payment system and takes in the system, the payment documents submitted by public institutions;
- it checks the documentation submitted by the economic operators and opens on their behalf adequate availability accounts, exercising the control over the payment documents submitted by them;
- it checks, sets and approves, at the proposal of public institutions, with accounts opened with them, both for legal persons, and for those without legal personality, the ceiling of cash at the end of the day, falling within the maximum ceiling, approved by the legal provisions in force, with respect to currency and financial discipline;
- it checks the bank statements and the daily recording logs of the receipts and payments to / from accounts opened on behalf of public institutions, aiming at the recording, in chronological and systematic order, of transactions made on the basis of supporting documents, the proper use of synthetic and analytical accounts;
- it checks cash transactions recorded in expenditure accounts with the credit "Cash" account;
- it performs the enforcement of expenditure accounts or availability of public institutions, through the establishment of deductions under the law in force;
- it checks and ensures at the end of the budgetary year, the closing of the expenditure accounts opened with the State Treasury division;
- it checks and targets the situation of the cash flows presented by public institutions;
- it checks, daily and monthly, the expenditure execution account of the state budget and local budgets in economic profile, respectively, the budget credits allocated to credit officers, by chapters and debt expenditures and cash payments, arranged within the open and distributed budgetary credit limits;
- it checks and enforces the legal provisions concerning the charging of fees for availability accounts, opened on behalf of public institutions, wholly funded from own incomes;
- it exercises the control over the payment documents submitted by economic operators, providing in particular, whether payments fall within the limits of the availability of the deposits in the account;
- it checks the documentation submitted by economic operators for public funding of investments, according to the legal provisions in force;
- it forwards, daily, the balances of 50.69 accounts "Available to economic operators", to the tax authorities in order to take the necessary measures for the preservation of the amounts, for which the operators have budgetary obligations and the availability of other accounts established by the laws in force;
- it aims at the enforcement of budgetary claims in accordance with the law, through the establishment of deductions on the availability of economic operators in the accounts of the State Treasury, under executive orders issued by the authorities.

The control function is also performed by means of some specialized institutions organized in the Parliament, within their commissions, but especially through the Romanian Court of Auditors, the supreme financial control institution. This, according to the legal provisions in force⁵, it exerts further control over the budget execution of the consolidated state budget (the consolidated state budget is formed by: the state budget, the social insurance budget, the health insurance budget, local budgets, special funds and budgets of institutions with budgetary incomes).

⁵ Law no.94 of 8 September 1992 on the organization and functioning of the Court of Auditors published in the Official Gazette no.224 of 9 September 1992; Law no.77 of 31 January 2002 for the amendment and supplement of <LLNK 11992 94 11 201 0 17>Law no. 94/1992 on the organization and functioning of the Court of Auditors published in the Official Gazette no. 104 of 7 February 2002

Locally, the Court of Auditors mainly checks the legal provisions on the execution of local budgets made by the administrative divisions and using public resources (shares deducted from the income tax, amounts deducted from the value added tax (VAT), etc.).

Returning to the control function of the Treasury, of how it has been done over the years (since 1992, till now), the following considerations have resulted:

- during its early stages (1992), the Treasury made a preventive financial control, in the sense that it could interfere in the option of the credit officer and in the financial conditions in which financial transactions did not qualify for the necessary requirements, opportunity, efficiency, legality and reality, the Treasury would rejected it, thus showing a focus on the utilization of public resources;
- later, by the appearance of the local public finance law⁶, the significance of the administrative divisions has increased, reinforcing their autonomy, but reducing the responsibilities of the transactions of the Treasury, the liability for the efficient use of public resources returning to the credit officer, who, one has to admit, does not always have the adequate economic and financial knowledge (mayors elected by the subjective choices of the voters, sometimes with large gaps regarding the creation, management and use of financial resources of an administrative division). For this reason, the observations of the Court of Auditors are more numerous and with increased damages, with respect to the utilization of public finance resources;
- the switch to double-entry bookkeeping of administrative divisions has generated and continues to generate large gaps of a professional nature of the bodies designated by this activity of the financial-accounting department, and, therefore, a weaker counseling of credit officers (mayors) by the accountants of administrative divisions and the transactions of the Treasury, unfortunately, is bound by their decisions (mayors and accountants of administrative divisions);
- the preventive control exercised by the Treasury has, gradually, lost its magnitude, being only limited to verify if the amounts required by the credit officers fall within the stipulations of the income and expenditure budget of the administrative divisions, if credits have been allocated according to the functional classification, by each chapter and section, but in terms of the efficiency of economic and financial transactions, the Treasury has no point.

Considering only some of the most representative reasons, we believe that these measures are necessary, which we qualify as first emergency proposals that target the following:

- a) on Treasury activities:
 - creating the legal framework in order to reduce the number of cash transactions and increase the number of transactions through bank transfers and online, resulting in reduced cash transport costs and the elimination of risks during transportation;
 - implementing a reimbursement system in relation to other states;
 - increasing the staff according to the existing payroll on the start date of the Treasury's activities, because financial and economic transactions have increased, the number of public institutions has also increased, the

⁶ Local Public Finance Law no.273 of 29 June 2006 published in the Official gazette no. 618 of 18 July 2006, with subsequent amendments and supplements

complexity of economic and financial forms and processes, developed through the operational Treasury, are constantly growing;

b) on the activities of administrative divisions:

- improving the internal managerial control in administrative divisions and public institutions;
- creating the Internal Audit structure in administrative divisions;
- performing, continuously, a training program for employees in public institutions.

Without claiming that the issue of the control function of the Treasury has been exhausted, we consider that those who lean on this paper, can notice the essential of this function and, by proper scientific research, to develop it, thus giving the State Treasury the position it enjoys in countries with a significant, considerable financial and banking institutional development, etc.

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