THE STATE TREASURY – AN INSTITUTION SPECIALIZED IN THE EXECUTION OF THE CONSOLIDATED GENERAL BUDGET

TREZORERIA STATULUI, INSTITUŢIE SPECIALIZATĂ ÎN EXECUŢIA BUGETULUI DE STAT

D. POPOVICI[1], DANIELA M. POPOVICI[2]

[1] D.G.F.P. Timis, Timisoara, Romania; Dumitru.Popovici.TM@mfinante.ro
[2]SC TRATATIM SRL, Timisoara, Romania

Abstract: *The State Treasury plays an important part in ensuring the recording of all operations of collecting revenues, deducting expenditure and daily reporting of the cash execution of budgets that make up the consolidated general budget. Thus, at the level of the Department of Public Finances (DPF), one can find out with precision the disposable revenue proportion and the level of the total expenditure of public institutions, the public debt and other pieces of information that constitute the basis of setting up the fiscal-financial policy.*

Key words: *state treasury, consolidated general budget, execution of the revenues, expenditure execution, opening credits*

INTRODUCTION

The State Treasury represents a unitary, integrated system by means of which the state ensures carrying out payment and receipts related to public funds, including those connected with public debts, as well as other state financial operations, in safety and in accordance with the legal provisions in force.

Once the Treasury of Public Finances was set up, the institutional framework of our country was rounded off; since then up until the present day the State, through the agency of the Department of Public Finances, has been in a position to organize financial activities both at a central level and in other areas of jurisdiction; in this way has opened up the possibility to establish and apply the public revenue and expenditure policy. At the same time, the responsibility in the areas of public money usage and of ensuring

the financing of public interest objectives and approved courses of action did increase.

The Treasury of Public Finances assists the Department of Public Finances in drawing up, approving and executing central and local public autonomous budgets – by using the instruments of fundamental analysis and supervision of the financial, monetary and foreign currency balance, as well as of the public debt in the economy as a whole.

Thus, the Department of Public Finances has devised a unitary system of organization and operation of public finances treasuries both at the central level and at the level of territorial financial bodies, which ensure the cash execution to the consolidated general state budget. As a consequence, the cash execution effected by the State Treasury involves lower costs compared to financial operations performed through the banking system.

Regardless of the financing and subordinating system, public institutions make receipts and payments through the units of the State Treasury to which they have been registered fiscally. Public institutions are not to be allowed to carry out receipts and payments through credit institutions, with the exception of receipts and payments made in foreign currency, and of those carried out by means of escrow accounts opened in a credit institution that has been accepted by external or internal financing institutions.

The State Treasury is responsible for receipts and payments related to public funds pertaining to a consolidated budget, as well as for redeeming people's treasury certificates changed into deposit certificates, the public debt in lei and in foreign currency – including the public debt and other sources of revenue and expenditure related to public funds regulated through legal , the rights of receipt and payment obligations of the state based on government and trade agreements and conventions.

The consolidated general budget can be defined as a representation of the arithmetic totality of the budgetary system in the Romanian economy, aggregated and consolidated in order to form a whole. The consolidated general budget consists of:

a) the state budget;
b) the state social insurance budget;
c) the special funds budgets;
d) the State Treasury budget;

e) the budgets of autonomous public institutions;
f) the budgets of public institutions wholly or partially financed by the state budget, by the budget of state social insurance and by the budgets of special funds – as the case may be;
g) the budgets of public institutions financed wholly from personal income sources;
h) the budget of funds deriving from contracted external credits or from credits guaranteed by the state whose reimbursement, interests and other costs are ensured from public funds;
i) the budget of nonrefundable external funds;
j) the local budgets of territorial-administrative units.

The revenues of the consolidated general budget are deposited with the State Treasury units in the form of taxes and dues through open accounts, cash down or transfer.

Starting from this possibility, in Romania were implemented International Bank Account Numbers – i.e., IBAN, for public institutions and economic operators with open accounts in State Treasury units. The IBAN Code uniquely identifies at an international level a client's account used for processing payments as part of the electronic payment system. By resorting to this international account system, each budget has a secure evidence of the means of revenue achievement displayed by revenue sources, that is, by chapters, subchapters and paragraphs in accordance with the budgetary classification, as well as by payers – namely, economic operators, public institutions, and self-employed persons – with the exception of local budget revenues whose pursuit, administering and payer evidence come within the province of territorial-administrative units.

RESULTS AND DISCUSSIONS

The Execution of the Revenues of the Consolidated General Budget

The execution of the revenues of the consolidated general budget can be defined as a concrete operation observing the legal provisions of the Romanian state relative to collecting the public financial resources corresponding to the sub-function of constituting public finances. The means of collecting are by transfer or cash down.

a) Collecting by transfer – the tax payers pay their taxes, dues and

contributions owed to the consolidated general budget by means of a money order on the basis of which the credit institution (the commercial bank)/ the State Treasury, as the case may be, transfers the fiscal obligations owed from the tax payer's account to the account of the State Treasury where the former resides. Beginning with May 2005, collecting budget revenues by transfer has been achieved through electronic discounts between the credit institutions and the State Treasury by the Electronic Payment System (EPS).

b) Collecting by transfer – the tax payers pay their taxes, dues and contributions owed to the consolidated general budget by means of a payment invoice submitted to the Treasury cashier's pay desk.

Payment documents relative to the above-mentioned taxes, dues and contributions (both for transfer payments and for payments by cash down) are drawn up by economic operators on the basis of the computer science program offered free of charge by the Department of Public Finances – separately for each category of budgetary revenue (budgetary revenue account) and as an exception into a unique account.

The Expenditure execution of the Consolidated General Budget

The expenditure execution of the consolidated general budget represents a concrete operation of employing public financial resources in conformity with the legal state provisions for destinations that have been established according to the distribution function of public finances. Employment of financial resources is achieved through the budget credit system.

Through annual budgetary laws (of the state budget and of the budget of social state insurances) budgetary credits appropriate to each budgetary operation are being approved; these credits, which represent a maximum limit that cannot be exceeded, consist of the following types of expenditure: socio-cultural expenditure (education, health, culture and art, social care services, etc.), defense expenditure, public order expenditure, national security expenditure, public authority expenditure, economic actions, expenditure related to the public pension system, expenditure related to work accidents and professional diseases, unemployment expenditure drawn from the insurance budget and other operations.

In view of accomplishing a functional budgetary classification, the

consolidated general budget expenditure should be divided into sections, chapters, subchapters, titles, articles and paragraphs. Within the scope of each chapter of budgetary expenditure, annual budgetary laws stipulate that the following categories of expenses provided for and approved in conformity with the economic budgetary classification:

a) current expenditure spread out as: personnel expenditure; goods and services; subsidies, interests, transfers between public administration units, other transfers, social care services, projects financed through non-refundable external funds, other expenditure;

b) financial capital expenditure;

c) loans and credit refunds;

Opening Credits from the Consolidated General Budget

With a view to operating their expenditure, public institutions, regardless of their financing and subordinating system, are under the obligation to report to the State Treasury units – where they keep their accounts – their revenue and expenditure budget approved and distributed by quarters according to the law.

With a view to making payments, at the special request of credit chief accountants, the Department of Public Finances has opened budgetary credits granted on the basis of filling out the following application forms: "Application for Opening Budgetary Credits", "Explanatory Note" and "Budgetary Provisions for Credit Distribution".

Budgetary credits approved for the expenditure of a budgetary exercise cannot be employed for financing expenditure falling into the category of another exercise. Similarly, budgetary credits approved for a chief credit accountant by the annual budgetary law cannot be employed for financing the expenditure of another chief credit accountant. At the same time, the expenditure approved by law for one section cannot be used to finance the expenditure approved for another section.

The chief credit accountants can finance expenditures only after having opened a credit or after the Department of Public Finances has deposited funds in open expenditure accounts at the State Treasury. Opening budgetary credits for subdivisions of the budgetary classification represents the maximum limits up to which credit accountants can commit to making

payments. In conformity with the law, credit accountants are under the obligation to engage and employ budgetary credits related to the activities of the respective public institutions – provided the observance of the legal provisions. A commitment to making payments and the payments of expenditure operated from sums that have been approved can be accomplished by credit accountants only with the preliminary official endorsement for preventive internal examination granted by the leader of the financial service, that is, by the accountant or by another authorized agent.

Making payments directly from revenues collected for the consolidated general budget is not to be allowed.

Making payments through the Treasury from budgetary credits opened and distributed from the Consolidated General Budget

Within the limits of open or distributed budgetary credits, credit accountants decide to make payments out of accounts that have been opened at the State Treasury, observing the subdivisions of the budgetary classification (chapters, subchapters, titles, articles and paragraphs). Payments operated from opened or distributed budgetary credits, as the case may be, are made on the initiative of the credit accountants who bear the responsibility of using budgetary credits in conformity with the legal provisions in force.

Payments can be effected as follows:

a) cash withdrawals from the Romanian Savings Bank (CEC), of the sums representing personnel rights, as well as other expenditure that does not have the justification of having been made through transfers and the actual cash payments made through the cashier's pay-desk of the public institution;

b) money order transfers – effected from personal accounts into the accounts of economic operators opened at State Treasury units – of sums representing goods delivered, services performed or works carried out, as the case may be, on the basis of contracts or orders made with the above-mentioned operators in conformity with the law.

The role of the State Treasury in ensuring the financial balance of Territorial-Administrative Units (counties, municipalities, cities and villages)

Sums and deductible quotas are being distributed from certain revenues collected by the state budget in order to complete one's personal income with a view to financing activities provided for in the revenue and expenditure budgets of territorial-administrative units (counties, municipalities, cities and villages), in conformity with the provisions of the annual law of the state budget and of the law of the local public finances. Distribution and allocation operations are accomplished by the County Public Bookkeeping and Treasury Activity, as well as by the State Treasury operating units, as the case may require.

Territorial-administrative units benefit by:

a) deductible sums from the value added tax (VAT), covering decentralized expenditure (i.e., expenditure related to education and social care), as well as balancing local budgets;

b) deductible quotas from the income tax.

a) The VAT deductible sums approved for each county by the State Budget Law are distributed by the county General Direction of Public Finances (GDPF) offices, following the decision of the executive manager of territorial-administrative units on the basis of the criteria established by the law of local public finances. The distributed sums are included in the revenue and expenditure budgets of territorial-administrative units. When it comes to execution, the distribution of allocated sums is performed by operative treasuries;

b) deductible quotas are distributed by operative treasuries in conformity with the provisions of the law of local public finances on a monthly basis, within five working days since the end of the month in which the income tax was collected, in the following percentages: 44% to the local budgets of the villages, municipalities and cities where the income tax payers carry out their professional activities; 12% to the county local budget; 21% into a separate account, opened for the general management of the county public finances of the treasury in the county residential city, in view of balancing the local budgets of villages, municipalities and cities, as well as the county budget.

With regard to execution, the 21% deductible quota for balancing local budgets is distributed on a monthly basis by the Treasury Activity and County Public Bookkeeping in conformity with the provisions of the law of local public finances following an algorithm that involves the following components:

- the financial capacity determined on the basis of the income tax collected per inhabitant;
- the importance of the surface occupied in the territorial-administrative units participating in the distribution of the overall surface in their local territory;
- the importance of the population living in territorial-administrative units participating in the distribution of the overall population living in these units.

At the level of the Treasury Activity and County Public Bookkeeping the following services are also ensured:

a) the technical assistance and the coordination of chief credit accountants with a view to designing projects for the local budgets of villages, municipalities, cities and the county;

b) checking, centralizing and drawing up a synthesis of the budget project of the county as a whole and delivering it to the Department of Public Finances;

c) checking, centralizing the quarterly and annual financial situations and furnishing the Department of Public Finances with the centralized financial situation of the means of operating the local budget in the whole county, as well as with other situations too.

CONCLUSIONS

In conclusion, the State Treasury plays an important part in ensuring the recording of all operations of collecting revenues, deducting expenditure and daily reporting of the cash execution of budgets that make up the consolidated general budget.

Thus, at the level of the Department of Public Finances (DPF), one can find out with precision the disposable revenue proportion and the level of the total expenditure of public institutions, the public debt and other pieces of information that constitute the basis of setting up the fiscal-financial policy.

Approaching things in a critical manner, the creation and functionality of the State Treasury have resulted in the following gains and advantages for the Romanian state:

- having completed all operations related to public funds through a unitary, integrated system;
- getting to know with precision the amount of the revenue proportion and of expenditures from public funds;
- shortening the duration of discount on receipts and payments in relation to the credit institutions (commercial banks) by means of employing the electronic payment system;
- eliminating operations of assumption/delivery and transportation of paper documents from/to commercial banks;
- improving the administration of public funds;

As for temporary disadvantages:

- the non-implementation of a discount system in our relationship with other states;
- handling and transporting very large sums of money to and from operative treasuries and the branch office of NBR (the National Bank of Romania) due to the choice made by a great number of taxpayers to pay cash to the Treasury's pay desks to the detriment of transfer payments;
- the insufficient and/or inadequate supply with cash machines;
- the non-implementation of computer applications that would ensure the correlation between the provisions for the revenue and expenditure budgets of the local budgets and the data on execution accounts;
- suspending the preventive control effected by the Treasury of financial operations ordered by territorial-administrative units, although 95% of these operations employs public resources from the state budget disposed of in conformity with annual budgetary laws;
- the elimination of the methodological guidance of territorial-administrative units on how to handle accounting and financial activities;
- the absence of the legal frame for sanctioning territorial-administrative units and chief credit accountants who break the accounting and financial discipline.

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