

CHANGES IN THE REPORTING SYSTEM IN THE ROMANIAN PUBLIC INSTITUTIONS: FROM FINANCIAL TO STATISTICAL REPORTING

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Abstract: *Starting with September 2014, all the Member States of the European Union have the obligation to publish national account data according to the methodology of the European Accounts System 2010 (SEC 2010), approved by the (EU) Regulation no. 549/2013 of the European Parliament and of the Council / 21 May 2013. By the passage to the new system of national accounts it is pursued to reflect the new economic realities and, at the same time, to meet the users' informational needs, SEC 2010 being in agreement with the norms of the National Accounts System established internationally (SCN 2008). The present material approaches the new types of statistical reports that Romania must realize via the National Statistics Institute, as a consequence of the adoption of the European legislation on a national level.*

Keywords: *public sector, European Accounts System, Romanian public accounting, the budgetary execution.*

JEL Classification: H83.

1. Introduction

The reviewed European Account System includes a methodology and a transmission program defining the accounts and tables that must be provided by all the Member States according to the deadlines specified. The review concerns the annual, trimestrial and regional national accounts and the statistics of the governmental finance. SEC 2010 concepts are harmonized with those from other economic and social statistics. Seeing that SEC 2010 uses concepts and classifications [1], for example, the Statistical Classification of the Economic Activities in the European Union *NACE Rev.2* [2] which are used for the elaboration of other social and economic statistics of the Member States, for example industrial statistics, external trade statistics or labor force statistics, the conceptual differences are minimal. Moreover, these SEC 2010 concepts and classifications are harmonized with those of UN. This harmonization with economic and social statistics helps correlate and compare these figures, so that the quality of the figures in the national accounts may be assured. At the same time, the information contained by these specific statistics can be better correlated with the general statistics related on the national economy.

SEC 2010 is to gradually replace all the other systems and manuals, such as the Payments Balance Manual and the Debt and Deficit Manual, being a reference framework of standards, definitions, classifications and common accounting norms for the drafting by the Member States of the national accounts, so as to obtain results comparable as support to meet the European Union objectives.

The implementation of SEC 2010 supposes the retroactive revision of the time series of the annual, trimestrial and regional national accounts. In the case of Romania, this revision covers the period 1995-2013.

2. Implementation of the new European System of Accounts (SEC 2010)

To assure the balance between the data requirements and the collection possibilities, the concepts used in SEC 2010 present some important features. These features of the accounts are [3]:

- ✓ international compatibility;

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- ✓ harmonization with other economic and social statistical systems;
- ✓ consistency;
- ✓ operational character in the sense of the possibility of practical measurement;
- ✓ difference compared to most of the administrative concepts;
- ✓ stability during a long period of time;
- ✓ focus on the description of the economic process in monetary terms;
- ✓ capacity to apply in various situations and with different aims.

The data obtained in the framework of SEC are essential for defining and checking the economic and social policies of the EU and of the Member States.

The following examples illustrate the use of SEC framework [4]:

- ✓ monitoring and orientation of the process of elaboration of the monetary and macroeconomic policy in the euro zone and definition of convergence criteria for the Economic and Monetary Union (EMU) based on the numbers in the national accounts (for example, GDP increase rates);
- ✓ definition of the criteria for the excessive deficit procedure: measuring the public deficit and the public debt;
- ✓ granting financial support to the EU regions: allotting funds for expenses to the regions calls for the use of statistics concerning the regional accounts;
- ✓ calculation of own resources of the EU budget.

The calculation of the own resources of the EU budget depends on the data in the national accounts in three ways:

- ✓ the total of the EU resources is calculated as percentage of the GNR (Gross National Revenue) summed up of the Member States;
- ✓ the third own resource of the EU is its own resource based on VAT. The contributions of the Member States to this resource are established largely depending on the data in the national accounts, because these numbers are used to calculate an average VAT rate; RO L 174/36 Official Journal of the European Union 26.6.2013
- ✓ the relative contribution of each Member State to the fourth own resource of the EU is based on the estimate of the gross national revenue of the Member States. These estimates are the basis for most of the payments made by the Member States.

3. Methodological differences between SEC 2010 and SEC 95

SEC 2010 differs from SEC 95 both as application domain and as concepts. The main differences consist in [5]:

- ✓ recognizing the research and development as capital formation triggering intellectual ownership assets. This change will be recorded in a satellite account and will be included in the main set of accounts the moment when a sufficient solidity and harmonization degree of the Member States has been noticed;
- ✓ the expenses for armament systems corresponding to the assets' general definition have been classified as fixed capital formation, instead of intermediate expenses;
- ✓ the analytical concept of capital services has been introduced for the market production, so that a supplementary table can be produced, where they figure as added value component;
- ✓ the financial assets have been extended to cover to a larger extent the contracts for derived financial instruments;
- ✓ new norms for the recording of the rights on pension funds. In the accounts, a supplementary table has been introduced to permit the recording of estimates for all the social insurance rights, be they funded or non-funded. The whole array of information needed for a comprehensive analysis is presented in this table, where there appear the

rights and flows associated for all the private and public pension systems, be they funded or non-funded, including in the domain of social security pension systems;

✓ application of the norms of property exchange on goods has become universal, which triggered changes regarding the recording of the acquisition and resale activities internationally and of the goods sent to be processed, both abroad and in the framework of the national economy. Thus, the goods sent abroad to be processed are recorded at their net value, unlike SCN 1993 and SEC 95, where they were recorded at their gross value. This change has important implications on the recording of such activities in the framework of resources and uses;

✓ more orientations are offered regarding the financial companies in general and regarding the entities having a special purpose. The regime of these entities abroad, controlled by the public administrations, has been changed to guarantee the fact that their liabilities figure in the public administration accounts;

✓ the regime of the super dividends paid by the public companies was clarified, namely they need to be dealt with as exceptional payments and capital withdrawal;

✓ the principles for the regime of public-private partnerships were established, and the regime of the agencies under restructuring was extended;

✓ the operations between public administrations and public companies and those with securitizing tools were clarified to improve the registering of elements that could affect the public debt significantly;

✓ the credit guarantees regime was clarified and a new treatment has been introduced for standardized credit guarantees, such as export credit guarantees and student credit guarantees. The new regime consists in the fact that, to the extent to which a guarantee execution is possible, financial assets and liabilities need to be recorded in accounts.

The modifications in SEC 2010 compared to SEC 95 are not limited to conceptual changes. There are major differences on coverage degree and new chapters on satellite accounts, public administration accounts and the accounts of the rest of the world. At the same time, the chapters on trimestrial accounts and regional accounts have been extended considerably.

4. Transposition of the European legislation in Romania

The European Directive 2011/85/UE, foreseeing rules applicable to the budgetary accounting systems and rules of statistical reporting was transposed in the Romanian legislation by:

a) the passage to the accounts system COFOG 3, the normative act emitted in this sense being *OMFP no. 2021/2013 for the modification and completion of the Methodological norms regarding the organization and management of public institutions accounting, the Plan of accounts for public institutions and the instructions regarding its application, approved via OMFP no. 1917/2005*;

b) Passage of the revenues and expenses budget execution into the COFOG 3 system, the normative act emitted in this sense being *OMFP no. 720/2014 concerning the Methodological norms regarding the execution of the budgets of public institutions, later on updated by Order no. 271/2015*;

c) Holding the certificate attesting the knowledge on the European Accounts System of the heads of the financial-accounting departments;

d) Realization of an informatics system for reporting budgetary execution and financial statements.

a) By the passage to the COFOG 3 account system and the approval of OMFP no. 2021/2013, in the entire content of the Methodological Norms on the Organization and

Management of Public Institutions Accounting, the analytical accounting in the accounts was completed by the information: sector code, funding source and revenue classification (chapter, sub-chapter, paragraph), functional classification of the expenses (chapter, sub-chapter, paragraph) and economic classification of the expenses (title, article, paragraph), according to "Development of the Synthetic Accounts into Analytical Accounts in order to Report the Check Balance at the Public Finance Minister".

b) The realization of the revenues and expenses budget in the COFOG 3 system and the emission of OMFP no. 720/2014 implemented the Methodological Norms regarding the Execution of the Revenues and Expenses Budgets of autonomous public institutions, of public institutions funded integrally or partially from own revenues and of the activities funded integrally from own revenues, including internal credit budgets, external credit budgets, external non-reimbursable fund budgets, risk fund budgets and budgets concerning the privatization activity, managed by public institutions, regardless of their manner of organization and funding.

c) Certification of the knowledge acquired in ESA 2010 - European System of Accounts constitutes the specific condition obligatory for filling in the position of head of the financial-accounting department of a public institution. The legal framework in the national legislation is given by:

- ✓ Law no. 500/2002 on public finance, with its subsequent changes and completions - Law no. 270/2013 (Art. 19 Let. b2) and b3));

- ✓ OMFP no. 496/2014 for approval of the Methodological Norms on the withdrawal of the certificate attesting the knowledge acquired in the European Account System;

- ✓ Mentions of the Public Finance Minister on the application of OMFP no. 496/2014 – Certification of knowledge in the domain of the European System of Accounts.

The Certificate emitted by the Public Finance Ministry attests that the person has acquired the necessary knowledge to meet the specific obligatory condition required to fill in the position of head of the financial-accounting department or to be maintained in this position. The certification of the knowledge in the domain of European System of Accounts supposes a check of the knowledge acquired in this domain, in order to secure a position of head of a financial-accounting department. The evidence of the promotion of the exam attesting this knowledge is realized by having obtained the respective certificate. For the heads of financial-accounting departments in position, the courses and the certificate are free of charge.

The certificate is valid for a period of five years since the deliverance moment. The withdrawal of this certificate takes place automatically, when the five-year period expired, if the maintaining of this validity was not demanded anymore. If the holder of the certificate was sanctioned by a control organ for serious deviations in relation to the correctness of the financial statements drafted and signed or sanctioned, he shall notify the head of the public institution on the situation noticed, according to the skills set in agreement to the law, in order to analyze the opportuneness of a new knowledge check. In such situations, the validity of this certificate is maintained under the reserve of his covering the certification procedures, on the invitation of the head of the public institution, and paying personally the costs involved.

The public institutions have the obligation to fill in the job description for the vacancies of the financial-accounting departments, in the sense of the introduction of the specific obligatory condition of acquisition and maintaining of this certificate.

d) Regarding the realization of an informatics system reporting the budgetary execution and the financial statements, as a Member State of the European Union, Romania committed to apply the economic classification standards for governmental activities COFOG level 2, standards calling for much more detailed information from

public institutions. Moreover, in the framework of the relations with international financial institutions –Monetary Fund and World Bank – the Public Finance is asked for detailed information on the financial situation of the public institutions. In this context, it is necessary to know, on the level of the Public Finance Ministry, the budgetary execution and the budgetary commitments on the primary level, functionally and economically, of all the 15,000 public institutions and economic operators, to consolidate these pieces of information in a database accessible to the Public Finance Ministry and other stakeholders.

Thus, the platform <http://www.transparenta-bugetara.gov.ro/> has been launched, the largest database in open format, which can be consulted online by any citizen, with the help of a computer or a mobile device. On the platform launched by the Public Finance Minister, is available information (in .pdf .xlsx .xml format) on the financial-budgetary activity (revenues and expenses) of over 13,700 public entities. The information in the platform is taken over automatically from the [FOREXEBUG](#) system – the national system for checking, monitoring, reporting and controlling financial statements, legal commitments and budgets of the public entities of Romania.

5. Is the Romanian public administration ready to take over the novelties?

In order to increase the efficiency of the central and local public administration, respectively administrative transparency by making available modern, standardized tools to the public institutions to report financial statements and publish detailed information on the use of public funds, in agreement with the budget classification, in January 2012, the Public Finance Ministry implemented the project "Creșterea responsabilității administrației publice prin modernizarea sistemului informatic pentru raportarea situațiilor financiare ale instituțiilor publice" (Increasing the responsibility of the public administration by modernizing the informatics system to report the financial statements of the public institutions), cofunded from the European Social Fund by the Operational Program Administrative Development Capacity 2007 - 2013, cod SMIS 34952.

The aim of the project is to realize a set of forms for reporting the financial statements handed over by each reporting entity, in electronic, standardized format, and to increase the degree of trust of the data collected.

According to MFP [6], by implementing the project the following results have been obtained:

- ✓ a set of electronic forms for reporting the financial situations developed to be used by the reporting entities. The number of financial-accounting reports was reduced from 43 forms in physical format, to 15 electronic forms, in order to normalize and increase the data efficiency.
- ✓ aggregation, centralization, consolidation, and automatic reconciliation of the data collected by means of electronic forms for reporting financial statements;
- ✓ automatic generation of synthesis reports (standard and ad-hoc) depending on the data collected by means of electronic forms for reporting financial statements;
- ✓ automatic validation of the data regarding the budgetary execution of the revenues and expenses with approved budgets and updated programs of the reporting entities;
- ✓ automatic validation of the data regarding the payments realized by public institutions in TREZOR system with approved budgets and their updated programs (reporting entities);
- ✓ developed and functional application to control the budgetary employments of the reporting entities;
- ✓ training 220 trainers in ForExeBug, instructing 100 final users, instructing 60 IT specialists.

The implementation of the project was substantiated in an informatic platform (an informatic program) online (with internet access) with the help of which public institutions will report electronically the financial statements pertaining to patrimonial and budgetary accounting.

FOREXEBUG functions on the site of the Public Finance Ministry (Unique Access Point) where the users:

- a) transmit the information electronically using special forms (sheet of the entity, budget forms);
- b) introduce information using the Budgetary Employment Control application;
- c) transmit information using the State Treasury (payment order, paying slip, bank check);
- d) visualize information by the reports emitted by the Forexebug reporting system.

The first stage of the recording of the economic information regarding the budgetary execution supposes the completion of a budget form (pdf file with xml attached) with the help of which the public institution records the initial budgetary conditions and subsequent budget modifications. In the second stage, the budgetary employments are introduced, using the application Budgetary Employment Control in the framework of FOREXEBUG (*Employment*). The third stage requires the introduction of the receptions pertaining to the budgetary employments (*Liquidation, Authorisation*). In the last stage is completed the budgetary execution in the FOREXEBUG reporting system and are transmitted the payment orders and checks for liquidities to the State Treasury (*Payment*) bearing the unique identification code of the budgetary employments drafted in the application Budgetary Employments Control.

Forexebug will function in the year 2016 only for: a) way of data transmission; b) way of reporting budgetary accounting (budgetary execution) operating based on the ALOP principle; c) way of visualizing notifications emitted by the system (confirmations of status of the forms transmitted, reports, account statements). Starting with the year 2017 the public institutions will hand over the balances sheet only electronically in the Forexebug system in order to realize trimestrial and annual financial reports.

The legal regulations concerning the Forexebug national reporting system are: OMFP 88/2013 regarding the adoption of fiscal-budgetary measures to accomplish some commitments agreed upon by the international organism and OMFP 517/2016 for the approval of procedures pertaining to modules that are part of the operation procedure of the Forexebug national reporting system.

6. Instead of conclusions ...

The EU Member States need to avail themselves of national public accounting systems covering coherently and exhaustively all the public administration subsectors. The respective accounting systems allow the EU Member States to assure the periodical publication of the budgetary data specific of the public administration in agreement with the ESA 2010 stipulations. The Romanian public accounting has recorded notable progresses in this sense, being part of the trend of drafting not just financial reports, useful to microeconomic analyses and decision-making (on the level of public institutions), but also statistical reports, useful to macroeconomic analyses and decision making (State, government).

References

- [1] EU Regulation no. 549/2013 of the European Parliament and Council, Annex A, Chapter 1, Paragraph 1.22
- [2] JO L 393, 30.12.2006, p.1) (EU Regulation no. 1893/2006 of the European Parliament and Council of 20 December 2006, establishing the Statistical Classification of Economic Activities NACE, second revision, JO L 393, 30.12.2006, p.1

[3] EU Regulation no. 549/2013 of the European Parliament and Council, Annex A, Chapter 1, Paragraph 1.20

[4] EU Regulation no. 549/2013 of the European Parliament and Council, Annex A, Chapter 1, Paragraph 1.19

[5] EU Regulation no. 549/2013 of the European Parliament and Council, Annex A, Chapter 1, Paragraph 1.51

[6] Public Finance Minister, Press Communicate of 04.08.2016) published in *Revista de actualitate financiară* (Financial News Review).