

- SECTION FINANCE AND ACCOUNTING –

FOREXEBUG IMPLEMENTATION AND ROLE IN INCREASING PUBLIC ADMINISTRATION ACCOUNTABILITY

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The Master Loan Agreement with the International Monetary Fund has laid down that the commissioning of an advanced information service for reporting financial statements of public institutions should be one of the control elements to achieve Romania's obligations.

In its relations with international financial institutions such as the International Monetary Fund or the World Bank, the Ministry of Finance is requested to give detailed information regarding the financial statements of public institutions. In such circumstances, it has been imposed that the Ministry of Finance should be aware of budget implementation and budget commitments detailed at primary level, in a functional and economic profile, of all approximately 15,000 public institutions and businesses, consolidate this information into a data base available both to the Ministry of Finance and to other stakeholders.

In order to achieve this goal, this year they have managed to implement the FOREXEBUG information system. This paper aims to highlight the features of its implementation and its effectiveness in increasing public awareness.

Key words: public administration, accountability, reporting, financial statements

JEL Classification: H60, H61, H83

1. Introduction

The national system of financial statement reporting in public institutions means all informational applications and rules defined by the operation procedure of the national reporting system that ensures the process of verification, monitoring, reporting and controlling of public entities' budgets, budget commitments, financial statements and preparing according to them centralized and/or consolidated or other reports set up by the system operation procedure.

FOREXEBUG was initiated by the project called "Increasing Public Administration Accountability by Modernizing the Information System for Reporting Public Institutions' Financial Statements (FOREXEBUG)" co-financed from the EUROPEAN SOCIAL FUND by the 2007-2013 Operational Programme on Administrative Capacity Development. Its main objective is the desire to increase the efficiency of central and local public administration and administrative transparency by creating modern standardized instruments to provide public institutions the possibility of reporting their financial statements and issuing detail information on the use of public funds in accordance with budget classification.

The main features of the system are the some simplified forms for public institutions' reporting of financial statements, monitoring and electronic controlling functionality of legal and budgetary commitments with direct impact on improving the financial discipline and preventing the occurrence of public institutions' arrears.

The project allows providing reliable information on the use of public funds for domestic use by the Ministry of Finance, public institutions, other relevant institutions and the public, both at detail and consolidated levels. It also provides loan officers with effective budgetary management, ensuring real-time information on using the approved budget in all public institutions that are hierarchically subordinated.

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2. Implementing FOREXEBUG in Public Institutions

A. The first legislative references to the implementation of the Electronic System for reporting public institutions' financial statements were represented by Emergency Ordinance no. 88 of 18/09/2013 regarding adopting certain fiscal-budgetary steps to fulfil commitments agreed with international bodies, as well as amending and supplementing certain acts, published in Official Gazette, Part I, no. 593 dated 20/09/2013. The Normative Act approved the operating procedure of the national reporting system that includes all the definitions, rules, forms, reports, methodologies, terms, data and information structures, reporting and recipient public entities, reporting obligations of public entities and other obligations of the latter, the way to electronically send or record reports or data, access to and interaction with the system, regulating the use of electronic signatures and the manner of authentication, archiving electronic documents in public entities and in the reporting system, and any other rules required for system operation.

According to this Normative Act, the motivation of FOREXEBUG implementation is given by the need to follow these goals:

- strengthening budget discipline in public entities and accountability of loan officers in the budgetary process;
- reducing the general consolidated budget deficit by reducing arrears reported by public entities;
- following commitments made by the Romanian Government to the international financial organizations on the approval by a government Ordinance of standard definitions for commitments until mid September 2013, so that the commitment control system currently under construction should be supported by necessary legal and procedural changes, and to approve a set of criteria for prioritizing significant public investment projects;
- improving budget planning and prioritizing significant public investment projects in order to enhance the absorption of EU funds so as to create fiscal space and economic growth support;
- need for compliance with performance criteria assumed in the Stand-by Arrangement between Romania and the International Monetary Fund in order to meet the commitments made by Romania in the letter of intent sent to the International Monetary Fund and ensuring fiscal consolidation by increasing state budget revenues through a more efficient tax-authority debt collection from a larger number of taxpayers.

According to the mentioned legal framework, implementation deadlines were represented by 31 December 2014 for the commissioning and testing of the operation procedure, respectively until 30 June 2015 for the use of the national reporting systems for all public entities included in that procedure. In reality, as a result of delays arising from the system implementation, integrating public institutions was completed in the second quarter of 2016.

B. Order 2004 for approving the Procedure on public entities' register no.2004 of 13.12.2013 published in Official Gazette no.794 of 17.12.2013 including instructions on the submission and amendment of data in the Public Entity Sheet Form.

C. Another Normative Act is the Order of the Ministry of Finance no.517 of 13.04.2016 for approving procedures related to modules which are part of the operating procedure of the national reporting system – FOREXEBUG - published in Official Gazette no.307 of 21.04.2016. It gives details on the procedures for the module called “Electronic Signature of Reports and Public Entities’ Access to national reporting system functionalities – Forexebug”, the module called “Completion and Submission of Public

Institutions' Individual Budget" and the module called "Registering Legal Commitments and Budget Commitments in the Commitment Control System".

3. Steps in applying the FOREXEBUG information system

Applying the FOREXEBUG financial reporting system has involved the following steps:

1. REGISTRATION IN FOREXEBUG

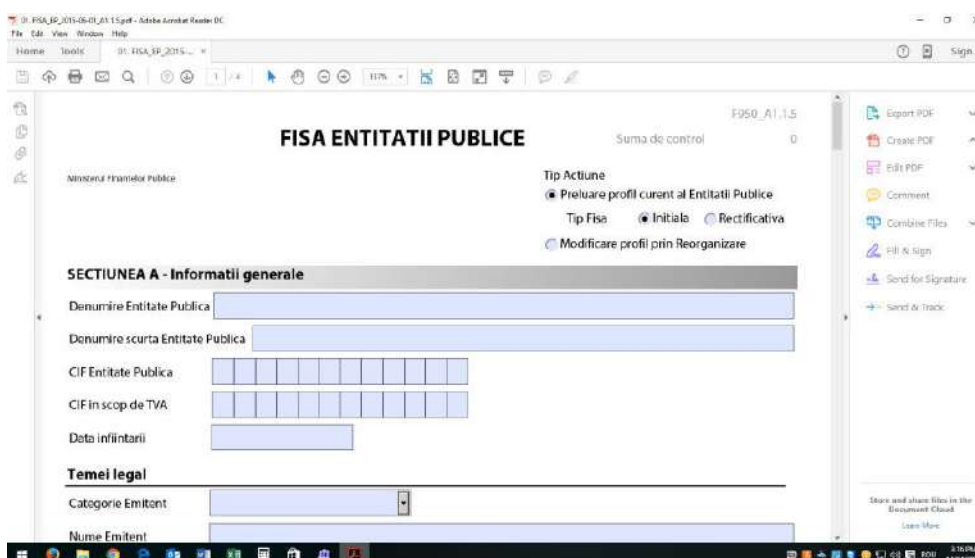


In order to register a public entity in the FOREXEBUG reporting system, it is necessary to send a Public Entity Sheet Form by the State Treasury by means of which the public body will declare general identification information, the type of work performed, the type of hierarchical subordination (if applicable) and the type of funding (sources).

For a public institution to be able to access the FOREXEBUG reporting system, it is required that the loan officer should delegate one or more people as user/users holding a valid digital certificate for electronic signature.

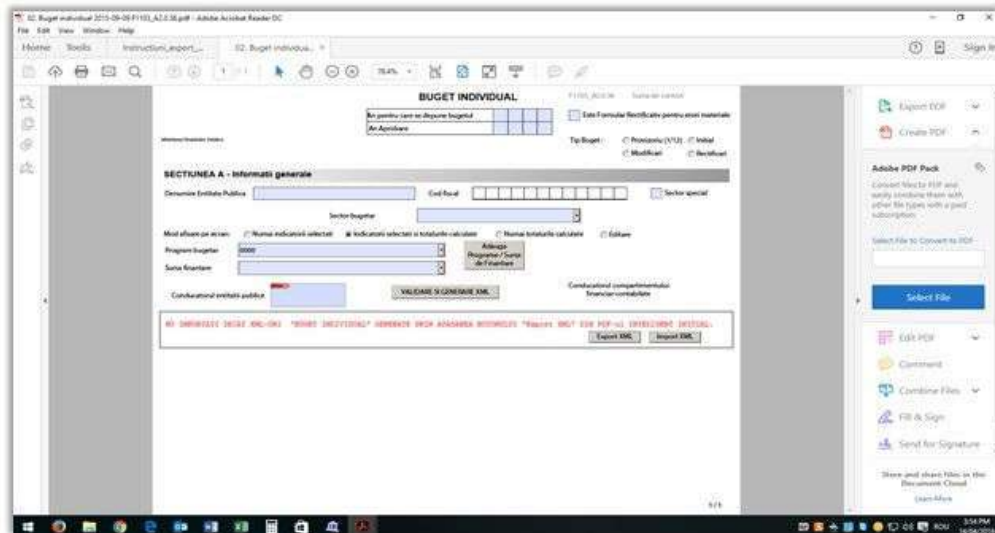
User registration in the FOREXEBUG reporting system requires sending an application for registration approved by the loan officer to the State Treasury, along with a copy of ID and an electronic signature digital certificate exported electronically. An electronic signature digital certificate is issued nominally and may be used only by the person in whose name it has been issued.

Registration is done by sending a Public Entity Sheet Form to the State Treasury. This is a pdf. document where a public entity declares general identification information, the types of activities performed, the type of hierarchical subordination and funding sources.



Most of the fields of data collection in A Public Entity Sheet Form are filled in using predefined lists. After filling out the data, the form is validated and signed using the electronic signature digital certificate.

2. The first stage of registering economic information on budget execution is filling in the budget form (a pdf. file with an xml attached) by means of which a public institution registers initial budgetary provisions and subsequent budget amendments.



According to the information sent by a public entity sheet, the budget form is verified by the system and validated or not. Information is provided on inconsistencies that are exploited in the process of correction and retransmission.

As in the case of Public Entity Sheet Form, a budget form includes fields for data collection with predefined lists that help easily identify the information to be filled in.

BUGET INDIVIDUAL F1103_A2.0.36 Suma de control

An pentru care se depune bugetul	2	0	1	5
An Aprobare	2	0	1	5

Este Formular Rectificativ pentru erori materiale

Tip Buget: Provizoriu (1/12) Initial
 Modificari Rectificari

SECTIUNEA A - Informatii generale

Denumire Entitate Publica: Cod fiscal: Sector special

Sector bugetar: Editare

Mod afisare pe ecran: Numai indicatorii selectati Indicatorii selectati si

Program bugetar: Sursa finantare:

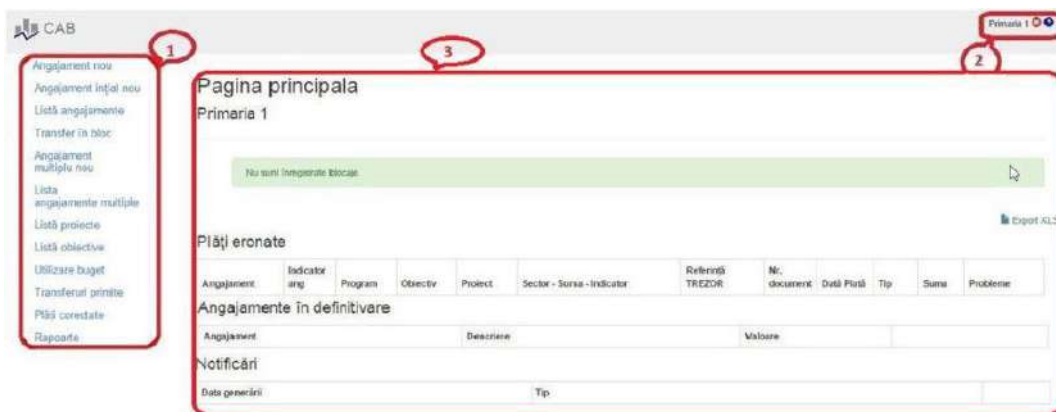
Conducatorul entitatii publice: Conducatorul compartimentului financiar-contabilate

NU IMPORTATI DECAT XML-URI "BUGET INDIVIDUAL" GENERATE PRIN APASAREA BUTONULUI "Export XML" DIN PDF-ul INTELENT INITIAL.

3. The second step of registering economic information is introducing budgetary commitments by means of the Budgetary Commitment Control (CAB) Application of the FOREXEBUG.

The CAB application presents a list of menus of registration and display of budgetary commitments and commitment-related data, each option being used to create a certain kind of commitment.

A budgetary commitment is an administrative act reserving a budget credit in order to remove the payment obligation arising from the execution of a legal commitment.



4. The next step is the introduction of receptions related to budgetary commitments. Within the Budgetary Commitment Control application for liquidation and ordering operations of ALOP (commitments, liquidations, ordering, payments), there is only one operation - Receptions.

Within actions with a fulfilment period of over one budget year, reservation is made within the related budgetary credits approved in the budget for each tax year, according to the payment obligations arising from the execution of a legal commitment. In the context of related budgetary credits approved for legal commitments relating to the supply of goods, services or execution of works, a budgetary commitment creates payment obligations only after fulfilling the conditions set out therein.



5. The last step in filling in a budget execution in the FOREXEBUG reporting system is sending payment orders and cheques for cash withdrawal to the State Treasury (*Payment*) which will bear the unique identification code of the budgetary commitments made up in the Budgetary Commitment Control application.

4. Advantages and Disadvantages of FOREXEBUG Implementation

Starting from the overall objective, namely increasing the efficiency of central and local public administration and administrative transparency by providing public institutions with modern standardized tools for reporting financial statements and publishing detailed information on the use of public funds, according to the budget classification, the FOREXEBUG implementation has aimed at the following results: transparency and uniqueness of financial reporting related to the public domain, reducing the time to prepare financial reports, creating a joint database, accuracy and standardization of data and information, easy access of third parties and other specialized institutions, management and synchronization of revenues and expenditures of public institutions with the information found in the system.

One can appreciate that most of these goals have been achieved: the system centralizes data from every loan officer, regardless of rank; reporting the budget execution is done by the

Treasury and not hierarchically by the main credit officer as in the past; credit officer's access to the database, transmission of data based on electronic signature, reducing the volume of data to be reported by each credit officer; reducing the working time and related resources due to a significant decrease of data to be centralized and reported.

Yet, a number of negative issues have been raised, including:

- Delayed implementation of the information system by about 1 year (from June 2015 to June 2016) amplified by the lack of specialized training of operators in public institutions. The training courses conducted by representatives of the Ministry of Finance were often devoid of substance, due to a lack of practical experience of the trainers.

- Difficulties related to accessing the system because of conditions imposed by the existence of a digital certificate. Although the compulsory online submission of tax statements had existed since 2011, there were still many institutions or their representatives who had not contracted until FOREXEBUG accessing any services for the digital certificate issue. Thus, in a short period of time, few providers of digital certificates coped with the large number of applications.

- Difficult correction of errors (e.g. - if a credit officer accidentally enters wrong data in the individual budget, the system crashes and the error is signalled both to the credit officer who has mistyped the individual budget and to the main credit officer, and the other credit officers cannot enter data until unlocking the system);

- Delayed updating of operations (e.g. - if changes are made within individual budgets, that day one cannot operate commitments and payments for those changes, and they are performed the next day because the system, even if it transmits that the data have been validated without errors, by the presentation interface, processes overnight the data entered that particular day.

Conclusions

The FOREXEBUG implementation has been especially to executives in public institutions a difficult process both in terms of the unknown things occurring in the implementation and amplifying the workload and time required to deploy tasks (additional operations required to perform payments by filling in additional fields on payment orders, plus operations in the CAB's).

In addition, the last step in filling in the budget execution in the FOREXEBUG reporting system namely sending payment orders and cheques for cash withdrawal to the State Treasury is not yet operational, which makes the system efficiency reduce significantly.

Amid the harmonization of accounting programmes, softwares for reporting various situations and statements provided by the National Agency for Tax Administration, as well as the completion of system implementation, one can estimate that its objectives will be achieved.

References:

1. Emergency Ordinance no.88/2013 on fiscal-budgetary steps to accomplish commitments agreed with international bodies, and for amending and supplementing certain normative acts, published in Official Gazette, Part I no.593 of 20.09.2013;

2. Order of Ministry of Finance no.517 of 04.13.2016 for approving procedures related to modules which are part of the operating procedure of the national reporting system - FOREXEBUG, published in Official Gazette no.307 of 21.04.2016;

3. Order 2004 for approving the Procedure regarding public entities' registers, no.2004 of 13.12.2013, published in Official Gazette no.794 of 17.12.2013;

4. CAB user manual available at <https://extranet.anaf.mfinante.gov.ro/anaf>