

GUVERNAȚA CORPORATIVĂ LA NIVELUL MUNICIPIULUI BRĂILA

Angelica Bratu¹

Abstract

With the appearance of GEO no. 109/2011, of Law no. 111/2016, of HGR no. 722/2016 and the Guide of the Ministry of Public Finance regarding the full management of state participation in the economy and the unified application by public authorities of GEO no. 109/2011 at the level of Brăila Municipality, HCLM no. 190/23.04.2021 regarding the approval of the organization regulation and selection committee's operations by the administrative boards' members of the public enterprises under the authority of the Municipality of Brăila. This article will deal with the procedure for each public enterprise with proposals for improvement that will contribute to the efficiency of governance on each individual element.

Keywords: corporate governance, governance regulation, investors

JEL Classification: M41, M40

Introduction

With the appearance of GEO no. 109/2011 regarding the corporate governance of public enterprises, of Law no. 111/2016 for the approval of GEO no. 109/2011 and HGR no. 722/2016 for the approval of the methodological rules for the application of some provisions of GEO no. 109/2011, as well as the Guide of the Ministry of Public Finance regarding the integral management of state participation in the economy and the uniform application by public authorities of GEO no. 109/2011 based on art. 139 paragraph 1) in conjunction with the provisions of art. 196 para. 1 letter a0 of GEO no. 57/2019 regarding the administrative code, the Municipality of Brăila was obliged to approve the Regulation on the organization and operation of the Commission for the selection of the Boards of Directors of public enterprises' members under the authority of the Municipality of Brăila, adopting this HCLM no. 190/2021. Previously, based on the Opinion of the National Agency of Civil Servants, the "Corporate Governance Department" was established within the Technical Directorate, with two newly established positions of a legal advisor and inspector, through HCLM no. 70/19.02.2018. Until the position of inspector has been filled as a result of a competition, the work of the corporate governance department has been suspended. With the adoption of HCLM no. 343/16.07.2021 amending the explanatory note regarding the calculation of terms related to art 15 and art 47 of the Regulation approved by HCLM no. 190/23.04.2021 the activity of the corporate governance department could be carried out under legality conditions.

Thus, the first Report on the activity of public enterprises under the authority of Brăila Municipality according to the provisions of art 58 of GEO no. 109/2011 for the year 2020 no. 18868/29.06.2021 was published on the Brăila City Hall website, as required by the legal provisions in force. The next report for 2021 no. 20199/30.06.2022 is on the same website. For the year 2022, a report will be prepared during the year 2023.

The municipality of Brăila fulfills the function of tutelary public authority per the provisions of GEO no. 109/2011 regarding the corporate governance of public enterprises for the following enterprises:

- RA Brăila Free Zone Administration;
- SC Administration of Markets and Fairs SA Brăila;
- SC Braicar SA Brăila;

¹ dr. colab., „Constantin Brâncoveanu” Univesity of Brăila, Romania, e-mail: angelicabratu7@gmail .com

- SC Dunarea Public Utilities Company SA Brăila;
- SC Eco SA Brăila.

This article will deal with the procedure carried out for the Brăila Free Zone Administration RA with proposals for improvement that will contribute to the efficiency of corporate governance on each individual element, respectively:

- the internal control which is one of the key elements of good corporate governance and is the subject of evaluation both by the internal audit and by the external audit, under the attention of the audit committee;
- The Board of Directors that analyzes and approves the internal audit plan after its approval by the Audit Committee;
- Risk management subject to the attention of the internal audit and the audit committees;
- The financial and non-financial reporting that represents the central element of the entity;
- The external auditor who certifies the correctness of the information provided by the entity and increases the confidence of investors through the Audit Report and the favorable opinion;
- The establishment of Audit Committees that contribute significantly to increasing the degree of trust and reducing fraud;
- Transparency, which is one of the basic principles of corporate governance and represents the extent to which an entity discloses financial information to interested parties.

Detailing

For the year 2020

The municipality of Brăila fulfills the function of tutelary public authority per the provisions of O.U.G. no. 109/2011 on the corporate governance of public enterprises, for the following public enterprises:

- R.A. Brăila Free Zone Administration;
- S.C. The Administration of Markets and Fairs S.A. Brăila;
- S.C. Braicar S.A. Brăila;
- S.C. Compania de Utilități Publice Dunărea S.A. Brăila;
- S.C. Eco S.A. Brăila;

R.A. BRĂILA FREE ZONE ADMINISTRATION

R.A. Administration Free Zone Brăila, a Romanian legal entity, has its registered office in the Municipality of Brăila, Anghel Saligny Street, no. 24, registration number at the Trade Register J09/1300/1994, unique registration code 6088916.

Established by H.G. no. 330/1994, the Brăila Free Zone Administration has autonomous management status and operates based on economic management and financial autonomy, respecting the provisions of Law no. 84/1992 on the regime of free zones in Romania, with subsequent amendments and additions.

R.A. The Administration of the Brăila Free Zone administers an area of 110.40 ha, located in the inner city of Brăila Municipality, composed of a number of 4 perimeters, located both in the central area of the city and in the industrial areas.

1. Shareholding policy

Through H.G. no.1222/2003 it was approved the passage of the Brăila Free Zone Administration R.A. under the authority of the Local Council of the Municipality of Brăila.

In 2020, the Board of Directors of R.A. The Brăila Free Zone administration had the following structure:

1.1. During the period 01.01.2020 – 20.07.2020:

- non-executive administrator – president;
- non-executive administrator (employed within the R.A. Administration of the Brăila Free Zone);

- non-executive administrator;
- provisional, non-executive administrator;
- 1 vacant position.

1.2. During the period 27.06.2020 – 31.12.2020:

- non-executive administrator – president;
- non-executive administrator (employed within the R.A. Administration of the Brăila Free Zone);
- three other non-executive administrators.

The executive management of R.A. The administration of the Brăila Free Zone in 2020 had the following structure:

1. During the period 01.01.2020 – 24.07.2020:

- Director General;
- Economic Director.

2. During the period 25.07.2020 – 31.12.2020:

- Director General;
- Economic Director – vacant.

In 2019, as a result of the mandate contract's termination as a member of the Board of Directors of R.A. Brăila Free Zone Administration - according to H.C.L.M. no. 393/22.07.2019, and the fact that a provisional administrator was appointed within the Board of Directors until 18.12.2019 - according to H.C.L.M. no. 276/29.05.2019, the Local Council of the Municipality of Brăila, as public guardian authority, through H.C.L.M. no. 648/31.10.2019 triggered the selection procedure for the appointment of 2 titular members within the Board of Directors of R.A. Brăila Free Zone Administration - 2018-2022 mandate.

At the end of this selection procedure, no candidate was admitted.

The Local Council of the Municipality of Brăila issued Decision no. 178/31.03.2020 regarding the resumption of the procedure for the selection of the members of the Board of Directors of the Autonomous Region Administration of the Brăila Free Zone, the term 2018-2022, for 2 vacant positions, approved by H.C.L.M. no. 648/31.10.2019.

The selection procedure was finalized with the appointment as members of the Board of Directors of the Autonomous Administration of the Free Zone Administration of Brăila, mandate 2018-2022, based on H.C.L.M. no.358/20.07.2020.

The medium and long-term objectives, that follow the government strategy in the field in which R.A. operates. The Brăila Free Zone Administration, are:

- Increasing the company's own revenues by diversifying the range of services;
- Stimulating businesses in the perimeters of the free zone;
- Infrastructure development and capital expenditure efficiency;
- Continuous promotion of the activities carried out and identification of new clients over long periods of time;
- Reduction of outstanding debts.

From these objectives, they derived the specific and quantifiable performance criteria assumed, respectively:

- Increase in income;
- Reduction of expenses;
- Profit increase;
- Increasing labor productivity;
- Reduction of the time to collect receivables;
- Lack of arrears.

2. Strategic changes in the operation of R.A. Brăila Free Zone Administration

In 2020, there were no strategic changes in the operation of R.A. Brăila Free Zone Administration.

3. The evolution of the financial and non-financial performance of R.A. Brăila Free Zone Administration

The financial and non-financial indicators of 2020 were drawn up according to the Revenue and Expenditure Budget of R.A. Brăila Free Zone Administration, approved by H.C.L.M. no. 72/20.02.2020.

Thus, The Income and Expenditure Budget approved was subject to rectification by H.C.L.M no. 385/31.08.2020 and by H.C.L.M no. 632/26.11.2020.

According to the data sent by R.A. Brăila Free Zone Administration, the results are:

3.1 Analysis of income realization

In the structure, the expenses incurred are as follows:

No.Crt.	Indicator	Amount (RON)
1	Total revenue, out of which:	4.841.309,00
2	Operating income	4.762.637,00
3	Financial income	78.672,00
4	Extraordinary income	0

Operating income of 4,762,637.00 RON is composed of:

No.Crt.	Indicator	Amount (RON)
1	Operating income	4.762.637,00
1.1.	Revenue from sold production, out of which:	4.691.931,00
1.1.1.	Revenue from services rendered	1.284.455,00
1.1.2.	Revenue from royalties and rents	3.123.087,00
1.1.3	Other income from sold production	284.389,00
1.2.	Other operating income	70.706,00

Operating income of 4,762,637.00 RON is composed of:

No.Crt.	Indicator	Amount (RON)
1	Financial income, of which:	78.672,00
1.1.	Income from favorable exchange rate differences	22.991,00
1.2.	Income from bank interest	55.293,00

The total revenues recorded in 2020 were 5,052,470.00 RON. Out of these, 4,841,309.00 RON represent income reported as coming from the execution of the BVC for the year 2020, the difference of 221,161.00 RON represents income from the provisions' extinguishment, with the role of adjusting expenses regarding current assets. In this instance, 104.83% of the income permitted by the BVC for 2020 has been obtained.

3.2 Analysis of the inclusion in the scheduled expenses

From the analysis of the total expenses realized, it is found that expenses were carried out in a percentage of 92.97% of those programmed and approved by BVC.

In 2020, R.A. The Brăila Free Zone administration made total expenses in the amount of 3,938,859.00 RON.

In the structure, the incurred expenses are presented as follows:

No.Crt	Indicator	Amount (RON)
1	Total expenses, of which:	3.938.859,00
1.1.	Operating expenses	3.918.145,00
1.2.	Financial expenses	20.714,00

Operating expenses in the amount of 3,918,145.00 RON represent the following expenses in the structure:

No.Crt	Indicator	Amount (RON)
1.	Operating expenses	3.918.145,00
1.1	Expenditure on goods and services, out of which:	553.110,00
	Inventory expenses	212.191,00
	Expenses regarding services performed by third parties	97.721,00
	Expenses with other services performed by third parties	243.198,00
1.2	Expenses with taxes, fees, and similar payments	433.518,00
1.3	Personnel expenses	2.610.735,00
1.4	Other operating expenses	320.782,00

The financial expenses in the amount of 20,714.00 RON represent unfavorable exchange rate differences, resulting both from the foreign exchange of the currencies received and from the monthly update of receivables and debts in foreign currency, according to the provisions of Order no. 1,802 from December 29, 2014, for the approval of the Accounting Regulations on individual annual financial statements and consolidated annual financial statements.

The direction fell within the approved limits, on all chapters of the BVC established by the model approved by Order no. 3818 of December 30, 2019, regarding the approval of the format and structure of the revenue and expenditure budget, as well as its supporting annexes.

3.3 Total expenses per 1000 RON of total income.

For 2020, R.A. The Brăila Free Zone administration had the task of achieving the programmed revenues with an effort of 917 RON total expenses per 1000 RON total revenues, an indicator that was achieved, the directorate recording a level of 814 RON total expenses per 1000 RON total revenues, something that is materializing in an economy of 103 RON per 1000 RON total income.

3.4 Gross Profit

The gross profit achieved in the amount of 902,450.00 RON exceeded the planned level of 381,620.00 RON by 520,830.00 RON. Exceeding gross profit is the result of savings made on total expenses and exceeding total revenues approved by the budget.

3.5 Total Level of Claims

The total receivables registered in the patrimony at the end of 2020, have a gross level of 530,124.00 RON, upon which intervention was made in the sense of adjustment with the amount of 74,038.00 RON by setting up provisions for uncertain customers, thus, resulting in net receivables in the amount of 456,086 0.00 RON.

Out of the total amount of registered receivables, the amount of 99,242.40 RON represents overdue receivables against the due dates held by uncertain customers, for which actions have been taken before the courts.

3.6 Average monthly earnings per employee

The structure of personnel expenses, which were the basis for determining the average gross profit monthly per employee, is presented as follows:

INDICATORS		Year 2020 PLANED	MADE	%
C.	Personnel expenses, out of which:	2.835.455,00	2.610.735,00	92,07
C	0. Salary expenses	2.440.492,00	2.232.237,00	91,47
	1. Salary expenses, out of which:	2.150.664,00	2.003.406,00	93,15
	a) basic salaries	1.521.256,00	1.406.919,00	92,48
	b) increments, bonuses, and other bonuses related to the basic salary (according to CCM)	591.833,00	559.865,00	94,60
	c) other bonuses (according to CCM)	37.575,00	36.622,00	97,46
C	2. Bonuses, out of which	289.828,00	228.831,00	78,95
	a) social expenses provided for in art. 25 of Law no. 227/2015 on the Fiscal Code, with subsequent amendments and additions, out of which :	107.449,00	51.402,00	47,84
	a) gift vouchers:			
	b) meal vouchers;	138.000,00	133.050,00	96,41
	c) holiday vouchers;			
	d) expenses regarding the participation of employees in the profit obtained in the previous year	44.379,00	44.379,00	100,00
	e) other expenses according to CCM.			
	3. Other personnel expenses:			
C	4. Expenses related to the mandate contract and other management and control bodies, commissions, and committees, out of which:	338.289,00	326.218,00	96,43
	a) for directors/ directorate, out of which:	163.001,00	150.930,00	92,59
	- fixed component;	145.001,00	132.930,00	91,68
	- variable component	18.000,00	18.000,00	100,00
	b) for the board of directors/supervisory board, out of which:	124.888,00	124.888,00	100,00
	- fixed component	95.316,00	95.316,00	100,00
	- variable component	29.572,00	29.572,00	100,00
	c) for the AGM and censors;			
	d) for other commissions and committees established according to the law.	50.400,00	50.400,00	100,00

INDICATORS		Year 2020		
		PLANED	MADE	%
C	5. Expenses with insurance contribution for work	56.675,00	52.280,00	92,25
	No. of staff predicted at the end of the year;	42,00	38,00	90,48
	No. the average number of employees;	40,00	38,00	95,00
	Average monthly earnings per employee determined based on salary expenses (RON/person);	4.481,00	4.393,00	98,03
	Average monthly earnings per employee (RON/person) determined based on salary expenses excluding profit sharing and social expenses.	4.768,00	4.685,00	98,26

In 2020, the total average number of staff was 38 people, employed with individual employment contracts for an indefinite period.

3.7 Labor productivity per average number of staff

The labor productivity achieved per total average staff, in current prices, was 113,523.00 RON compared to a level of 125,333.00 RON foreseen and approved in the BVC for the year 2020, and as a degree of achievement, it represents a percentage of 110.40%.

3.8 Arrears

For 2020, R.A. The administration of the Brăila Free Zone has not registered and had no outstanding payments (debts).

3.9 Asset Inventory

The actual inventory of the heritage was carried out, based on Decisions no. 3578 – 3580/01.09.2020, issued by the general director of the directorate, in accordance with the provisions of the Accounting Law no. 82/1991 amended and supplemented, of Order no. 2861/2009 for the approval of the Norms regarding the organization and performance of the inventory of assets, capital and liabilities and Order no. 1802/2014 for the approval of the Accounting Regulations compliant with European directives.

Under these conditions, the factual inventory and the evaluation of the inventoried elements were carried out according to the provisions of Order no. 2861/2009 by filling in the inventory lists, comparing the "quantities existing in management with those highlighted in the warehouse records for material goods and confirming customer balances based on statements signed by the economic agents that register debts to the management on 30.09.2020.

The capitalization of the positions in the inventory lists, in the sense of comparing the quantitative value records from the accounting with the evaluated values for each good in the inventory lists, was carried out until the date of submission of the accounting balance sheet.

Considering that the inventory took place during the year, the data resulting from the inventory operation carried out on 30.09.2020 were updated with the entries and exits from the period between the date of the inventory, respectively 30.09.2020 and the end of the financial year (31.12.2020), the updated data being then included in the Register - inventory. The operation of updating the data resulting from the inventory was carried out so that at the end of the financial year the real situation of the assets, liabilities, and equity elements was reflected.

3.10 Realization of the investment program

For 2020, R.A. The administration of the Brăila Free Zone has planned a volume of expenditure for investments of 1,038,000 RON. These expenses were covered from the point of view of funding sources in the amount of 3,040,000 RON, coming from: - depreciation in the amount of 352,000 RON; - distribution of profit in the amount of 150,000 RON; - unconsumed investment sources from previous years of 2,538,000 RON; In 2020, investment expenses were carried out in the amount of 261,000 RON, which represents a realization of the foreseen value of 25.14%. Investment expenses were covered by their own sources of financing.

4. The economic and social policies implemented by R.A. Brăila Free Zone

Administration Economic policies were oriented towards reducing losses and increasing net profit. The achievement of new investment objectives was also considered.

5. Data on the opinions of external auditors

The activity of R.A. The Brăila Free Zone administration was audited by an external auditor, formulating the following opinions:

- The financial statements provide a true picture of the director's financial position on 31.12.2020;
- There are no conditions that could generate significant doubts regarding the management's ability to continue its activity;
- The financial statements were prepared based on appropriate and consistent accounting policies.

6. Other elements established by the decision of the public guardianship authority

All Decisions of the Local Council of Brăila Municipality regarding R.A. The administration of the Brăila Free Zone were carried out.

Bibliography

BRĂILA MUNICIPALITY TOWN HALL website

*** HCLM BRĂILA NO. 70/19.02.2018; NO. 190/23.04.2021; NO. 343/16.07.2021