

Accounting of Public Institutions - Component of General Accounting and Especially of Public Accounting

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Abstract

Public accounting is the accounting that ensures the highlighting of all collection and payment operations related to public funds. It assesses the obligations of taxpayers, highlights the receipts from these obligations and determines the differences from the unfulfilled obligations, as well as the responsibility of the authorizing officers regarding the making of payments from public funds. Its organization is mandatory for all public authorities, territorial communities, national and local public institutions.

Keywords: public, institutions, accounting, obligations.

1 Introduction

Vincent Raude and Jean Claude Pagat¹ retain for public accounting several definitions, one usual, another technical and the third administrative. Thus, the usual definition formulates it as: “the set of rules applicable to the management of state revenues”, the technical one “rules for presenting public accounts”, and the administrative one considers public tasks and defines it as “public accounting rules are in at the same time rules for presenting the accounts and rules for organizing the services of public accountants”.

The shortcomings of these definitions consist in the fact that the usual one refers only to state revenues and does not consider a legal basis, the technical one is too limited, and the administrative one does not refer to authorizing officers. Finally, the authors we referred to, propose for public accounting the following definition that would express, in our opinion, its functions most correctly, namely: of public revenue officers and public accountants. " This definition gives the rules of public accounting a legal, technical outline and includes within it the obligations and responsibilities of both public accountants and authorizing officers.

2 Rules and norms of public accounting

Although public sector accounting is organized on the basis of separate plans of accounts, with particularities, both in terms of the structure of accounts and their operation, the basis of public accounting are common rules and regulations with those of general accounting, namely:

- ♣ the use of models of accounting registers and common forms regarding the financial and accounting activity;
- ♣ the models of the balance sheets, as well as the general chart of accounts for the public institutions, are established by the same body, respectively by the Ministry of Public Finance;

¹ Vincent Raude și Jean Claude Pagat – “Cours sur les règles de la comptabilité publique”, École nationale des services du Trésor, Paris, 1991, pag. 3-6

in this respect there is a unitary conception in the matter (chart of accounts, balance sheet and other specific forms);

♣ its operation is mandatory according to the same rules and methods as follows:

- accounting is conducted in double entry; some exceptions allowed for certain public institutions that have the right to organize one-off accounting (local communal councils) do not invalidate the rule;
- chronological and systematic recording in accounting of all collection and payment operations simultaneously, in the debit of some accounts and the credit of others;
- establishing the total debit and credit amounts, as well as the final balance of each account;
- drawing up, at least monthly, the checking balance, which reflects the equality between the total debit and credit amounts, and the total debit and credit balances of the accounts;
- presentation of the final monthly, quarterly, annual execution, of the revenues collected and of the payments made, as well as of the surplus or deficit, compared to the profit and loss account, in the case of financial accounting.

As in the case of general (financial) accounting, public accounting must ensure a true picture, regarding the situation of execution of the consolidated general budget, of the information necessary for the own needs of public institutions, as well as regarding their provision to law enforcement bodies. , with prerogatives in the matter. In this respect, public accounting must comply, in good faith, with the generally valid unitary rules and regulations of general accounting, as well as its principles, namely:

— The principle of prudence, which does not allow the underestimation of revenues and overestimation of expenditures, both in the process of drawing up budgets and in the execution process especially. This principle in public accounting must be manifested especially in terms of the correct assessment and registration of budgetary rights that public institutions have.

— The principle of permanence of the methods, which imposes the continuity of the rules and norms regarding the way of evaluating the revenues and the criteria for establishing the budgetary credits, ensuring the comparability in time of the information regarding the structure of the budgets;

— The principle of continuity of activity, which, in the case of public accounting, determines its existence as long as there is a public sector, and it will exist as long as there is a state organization. In this direction we could mention, possibly, about a development of the attributions of the public accounting, with the expansion of the public sector, whose public expenses, of the relation between them and the gross domestic product, have increased in the last century almost five times;

— The principle of independence of the exercise, which determines the beginning of the budget execution at a certain date, its conclusion at another precise date and, consequently, of the non-admission that during this period to register incomes and to make expenses belonging to other exercises. We could also call this principle of “adaptability of accounting information to the budget execution system used”, “management” or “exercise”. In this regard, the public sector has adopted the system according to which there is an annual record of budget appropriations, cash payments and receipts to the state budget, the state social insurance budget and local budgets. This system imposes the validity of budget appropriations opened and distributed only within the respective budget year; also, cash payments can be made only within the limit and within the term of validity of the credits. On the revenue side, only those receipts that are collected during the financial-budgetary year are valid, and those collected after December 31 are highlighted for the following financial year;

— The principle of non-compensation, which in public accounting finds its widest expression in that no payments can be made directly from receipts, all revenues are recorded in the budget, and for any expenditure that is made there is an obligation of approval. Some

exceptions to this rule, especially in the case of extra-budgetary and special funds, do not invalidate the general principle;

→ The principle of intangibility of the opening balance sheet is applied only partially in the situation of public accounting, because, in the case of public funds, the incomes due to the current year, but collected in the next year, are registered as income in the year in which they were collected. Also, the funds approved by the annual budgets and not used in that year lose their validity at the end of the year. Only in the case of certain budgets, such as those in extra-budgetary means and special funds, which have the right to carry over the execution balance from the previous year, could we talk about a certain intangibility of the opening balance sheet;

→ also, as in the case of patrimonial units, where the responsibility for organizing and keeping the accounts, in accordance with the law, is the administrator, and in the case of public institutions the responsibility, from this point of view, rests with the authorizing officer (ministers, heads of institutions public, central and local, etc.)

Compared to the rules enunciated, in connection with the functioning of public accounting in Romania, the authors we referred to earlier, Vincent Raude and Jean Claude Pagat, in the same paper mention the following fundamental principles of French public accounting: “the principle of distinction between opportunity and regularity; of the distinction between authorizing officers and accountants, and of not affecting the receipts and expenses”. To these three basic principles could be added: “the principle of responsibility (for authorizing officers and accountants) and of unity (regulatory unit, ability to handle accounts, Treasury unit)”.

Apart from the beauty of defining the principle of unity, we retain the principle of distinguishing between regularity and opportunity, which in our literature is not addressed.

Some similarities and parallels between public and general (financial) accounting are also in terms of balance sheet. If in the case of patrimonial units the balance sheet consists of the balance sheet, profit and loss account, and as an annex the management report, in the case of public institutions it consists of: balance sheet, with the necessary adaptations, the execution account, and instead of the profit and loss, and an explanatory report as an annex. Regarding the balance sheet, which is not subject to verification and certification by auditors, accounting experts, etc., or in the case of patrimonial units the execution account on the state budget, state social insurance budget and local budgets, must be approved by the same bodies which approved the respective budgets, and in the case of public institutions to be audited.

Of course, there are similarities between the organization and accounting of public institutions and financial accounting, but also significant differences, namely: the chart of accounts of public institutions contains accounts specific to these units, but there are some accounts, both as name and as content, which resembles the accounts in the general chart of accounts. For example, the “House” account in the chart of accounts of public institutions with the “House” account in the general chart of accounts.

We distinguish some similarities by content and function, especially between the accounts in the general chart of accounts and that of the public institutions, such as: class 2, 21 “Property, plant and equipment” in the general chart of accounts, with the accounts in class 0, 01 “Fixed assets” in the chart of accounts for public institutions; account 51 “Accounts with banks” from the general chart of accounts, with account 10, account 11 “Cash”, “Available from special purpose funds” from the chart of accounts of budgetary institutions; class 6 “Expenditure accounts” from the general chart of accounts, with class 4, account 41 “Expenditures of institutions” from the chart of accounts of public institutions, which through their debit or credit register the same economic phenomena, and the balances express the same content.

Although the chart of accounts of public institutions is common to all public institutions presented by the components of the general consolidated budget, between the accounts reflecting the financing system of public institutions, financed on the one hand by the state budget and local budgets on the other hand, there are important differences. , especially regarding the highlighting of the constitution of the public resources through which they are financed, as well as the conditions that must be fulfilled regarding the ceiling up to which cash payments can be made.

Also, there are essential differences between the way of closing the accounts of expenses at public institutions financed from budgetary funds and those financed from extra-budgetary means. If, for the former, the expenditure accounts are closed through the financing accounts, in the case of institutions financed from extra-budgetary (self-financed) means their closure is done through profit and loss accounts, through which, moreover, the income accounts are closed, more close to that of financial accounting.

An essential difference in the case of accounting of public institutions compared to the financial accounting of economic agents is the fact that the value of fixed assets and inventory items, in the case of public institutions, is recorded directly on expenses when purchasing them. In the case of public institutions we do not encounter the notions of wear and tear and depreciation of fixed assets or inventory items, as in the case of accounting of economic agents.

Therefore, the actual expenses in the case of public institutions, in most cases, do not correctly reflect the effort of society in connection with the maintenance or operation of a certain social-public indicator, pupil, student, hospital bed, military, etc.

Also, due to the specifics regarding the financing of public institutions in their accounting, in addition to the notions of actual expenses - as in the case of economic agents - we also find the notions of cash payments and net cash payments, whose level is determined by financing accounts, which only coincidentally coincide at the end of the budget year with the actual expenditure accounts.

At the same time, there are differences between the expenditure accounts mentioned in the chart of accounts of public institutions, on the one hand, and the expenditure accounts in the general chart of accounts and the State Treasury, on the other. the accounting of the State Treasury reflects the net cash payments, and not the actual expenses, as long as the expense accounts of economic agents and public institutions always reflect only the actual consumptions (salary payments, actual consumptions of materials, etc.)

Once the Budget Law has established the volume and structure of public resources to be mobilized, a major component of the process of their formation is that of the means and methods to ensure their collection, but especially their efficient management.

In this context, an important role is played by public institutions through which the process of setting up and using the main public resources of the state takes place.

In the process of establishing public resources, the public institutions of prime importance, as special authorities of the state, are represented by the Ministry of Public Finance and the Ministry of Labor and Social Solidarity, and their territorial bodies.

In fact, other ministries and central bodies, as well as their territorial bodies, have a significant role in the process of setting up public resources, especially in terms of setting up financial resources from extra-budgetary means.

If in the process of establishing public resources there are two public institutions that play a major role in this process, namely the Ministry of Public Finance and the Ministry of Labor and Social Solidarity and their territorial bodies, however, the process of using public funds is carried out equally through all central and local public institutions, which makes their role and importance, and primarily their responsibility, in terms of their high effective use. In exercising the attributions regarding the management of public funds, maintaining a

permanent balance between the inflows and outflows of resources is the keystone of the attribute of the competent public institutions of the state, the Ministry of Public Finance, first of all, in establishing and administering public funds.

Once this "transfer of purchasing power" from individuals and legal entities to state authorities, through mandatory levies from taxes, fees, etc., the second basic component, and just as important of the state function, is management, allocation. these huge financial resources to various beneficiaries - public institutions, enterprises, population (directly and indirectly).

The way in which, at every stage of its development, the state manages to prioritize, to sort out social and economic needs, depends the further development of the economy, and on this basis of an effective social protection.

The centralized financial resources available to the state, through the components of the general consolidated budget, have as main destination the financing of the "public sector", which, according to Prof. Gheorghe Manolescu² is defined as follows: "In this sense, it can be admitted that the public sector or the state as an economic agent) includes the set of activities, institutions and bodies characterized by collective or political decision-making processes, within which the election procedures are carried out through the voting mechanism".

The main "consumer" of these public funds is, therefore, the public sector through its institutions.

Public institutions - a category that includes the Parliament, the Romanian Presidency, the Government, ministries, the judiciary and other specialized bodies of the central and local public administration, ensure the financial resources necessary to finance expenditures, regarding their maintenance and operation, in the largest partly, at the expense of the state budget and local budgets. In this context, they have the obligation that all payment and collection operations be carried out only through the State Treasury, whose activity is carried out under the state guarantee.

Public institutions therefore represent the public units through which the state exercises and fulfills its functions and services in the economic, social-cultural, defense, public order, administrative, etc. fields. They can be of central importance, such as: the Parliament, the Romanian Presidency, the Government, the ministries and other institutions of the autonomous and local central administration. The local public institutions comprising the authorities of the administrative-territorial units, the county, municipal, city and communal councils, the public institutions and the public services with legal personality, regardless of the way of financing their activity.

As a financing system, public institutions can be:

- financed entirely from budgetary revenues, a situation in which the revenues they realize have the obligation to pay them, in full, to the budget from which they are financed;
- financed from extra-budgetary means (own revenues), with supplementation from budgetary funds, in the form of subsidies or budgetary transfers (state budget or local budgets). In this situation, the own revenues generated by the institutions in question are retained for self-financing, and those not used at the end of the year are distributed for the following year.
- financed entirely from extra-budgetary means, situation in which also their balance from the end of the period is carried forward for the next financial year;
- financed entirely from special funds. Their balance at the end of the period shall also be carried forward to the following financial year;

In this context, public institutions have characteristics that distinguish them from patrimonial legal entities, and especially from economic agents as follows:

² Gheorghe Manolescu – "Buget-abordare economică și financiară", Editura Economică, pag.17

- a) There are bodies through which the state exercises its role, attributions and functions in the administrative, social-cultural, defense, public order, national security, justice, social and economic assistance fields;
- b) There are bodies that generally do not carry out productive activities, through which to realize material goods, they produce social, administrative, justice, public order, defense utilities. Only by chance, their subunits can realize and produce utilities and services of an economic nature, a situation in which, however, they are subject to the rules and principles according to which private finances operate on financing, and the correlation of the state budget of economic agents.
- c) Depending on their method of financing - entirely from budgetary resources or partially, entirely from budgetary means or special funds - their own revenues are paid in full to the budget from which they are financed or carried over to the following year.
- d) In general, they do not have indicators of profitability and economic efficiency, but indicators of social, educational, cultural efficiency, etc. can be calculated for them. Since, however, the value of fixed assets and inventory items is spent on their procurement, the efficiency indicators that are calculated are largely distorted.
- e) Public institutions do not calculate and record the wear of inventory items or the depreciation of fixed assets gradually, but only once, when purchasing them.
- f) It finances its activity on the basis of revenue and expenditure budgets or only on the basis of expenditure budgets.

2.1 *Classification of public institutions*

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2.1.1 *By their activity importance*

According to the importance of their activity and their subordination, the public institutions are grouped in:

- 1) institutions of the central public administration;
- 2) local public administration institutions.

1) The institutions of the central public administration include: the Presidency of Romania, the Parliament, the Government, the ministries and the other specialized central authorities of the central public administration and the territorial institutions under their subordination.

2) The institutions of the local public administration include: the institutions of the local public administration, formed by the territorial administrative units, and include the communes, cities and counties, as well as the public units subordinated to them.

The public administration authorities through which local autonomy is achieved in communes and cities are the elected local councils and the mayors elected in accordance with the law.

The decentralized public services of the ministries at county level include, for example:

- General Directorates of Public Finance;
- County and Bucharest School Inspectorates;
- County Departments of Labor and Social Solidarity;
- County Sanitary Directorates;
- County Council of Culture etc.

The heads of public, central and local institutions, depending on the rights conferred by law in connection with the approval, distribution and use of budgetary funds, are called authorizing officers. Vincent Raude and Jean Claude Pagat, in their book, quote G. Devaux, who gives the definition of authorizing officer: , finds, liquidates a receivable or to order either the

collection of a receivable or the payment of a debt ". We notice from the definition given by G. Devaux that the authorizing officers are not attached to the notion of receipts and expenses, but to the notion of "receivables" and "debts".

The specialized materials and the Romanian regulations define the authorizing officer as: "head of a budgetary institution, central or local, who has the right to dispose of the budgetary credits approved by the income and expenditure plan of the institution". The same rights and obligations, arising from the definition given by the Explanatory Dictionary, result from the specialized materials and the Romanian regulations in the matter, which specify that "the main credit officers of the state budget, state social insurance budget and special funds budgets are the heads of ministers and leaders of the other specialized bodies of the central public administration". In the case of the local public administration authorities, the main credit officers are the mayors of the local councils, the general mayor of Bucharest and the presidents of the county councils.

2.1.2 By Romanian regulations

II. In accordance with Romanian regulations, public institutions are divided into:

- 1) hierarchically superior institutions, whose leaders have the quality of main credit officers;
- 2) subordinated institutions, whose leaders have the quality of secondary and tertiary credit officers.

The main authorizing officers receive the financing resources directly from the budget, for their own needs, as well as for those of the subordinated institutions, which they then distribute to them.

There are also situations when some public institutions, whose leaders have the quality of secondary authorizing officers, are in a relationship of subordination to the main authorizing officers and hierarchically superior to the tertiary authorizing officers. These authorizing officers do not have a direct relationship with the state budget, but from the credits received from the main authorizing officers they distribute budgetary means to the tertiary authorizing officers under their subordination.

The same authors, Vincent Raude and Jean Claude Pagat, note that authorizing officers are subdivided, as in the case of accountants, into "principal, secondary, proxies and deputies and enforcement agents", but only principal and secondary authorizing officers have the legal status of authorizing officers.

Another classification, according to the same authors, is that of "elected officers" and "appointed officers", the elected having a political responsibility.

Compared to the way in which the Romanian legislation regulated the status of authorizing officers, especially in terms of their responsibilities and rights, in the French literature we find increased attributions and rights for authorizing officers in France, in terms of collecting budget receivables. Among their attributions in the issue of receipts we mention: "they order the execution of receipts, ascertain the rights of the bodies, liquidate the receipts, issue receipts orders intended to ensure the receipts, notify these orders to the accountants in charge of receipts". To which responsibilities, in the line of revenue collection of French public officials, in our country they have established tasks and responsibilities in this line, less precise, the regulations in the field emphasizing, in particular, their rights and obligations regarding employment and performance. of expenses. Thus, the attributions are the following: "the use of budgetary credits; income generation; efficient and effective use of the amounts received from the budget (state, state social insurance, special, local funds); the integrity of the assets entrusted to the unit he leads; organizing and keeping the accounts up to date ". Although the law provides for the main authorizing officer and obligations regarding the realization of revenues, in practice this task is taken over by the tax authorities.

Central and local public institutions are financed from the budget or from special funds or from extra-budgetary means, based on the budgets of revenues and expenditures drawn up and approved each year according to the legal norms in force. In the case of local budgets, special and extra-budgetary funds include, on the one hand, revenues and, on the other hand, approved budget appropriations per year, quarters, broken down by subdivisions of the budget classification, within which authorizing officers may make payments. In the case of central public institutions, their budgets include only the provisions from the expenditure side, respectively the budgetary credits.

2.1.3 By their legal statute

III. From the point of view of the legal statute, public institutions can be classified into:

1) public institutions with legal personality;

2) public institutions without legal personality.

1) The public institutions with legal personality are those whose leaders have the quality of authorizing officers, quality in which they have the right to decide in hiring and making expenses.

2) Public institutions without legal personality are those whose managers do not have the quality of authorizing officers, in which case they can make expenses only within the amounts actually transferred by their authorizing officer in sub-accounts opened in their name.

3 Conclusions

In conclusion, public accounting, and first of all that of public institutions, is similar in many respects to general accounting, a resemblance determined mainly by the rules and principles of accounting in general, but has many essential differences determined by the specific functioning of public institutions. regarding the way in which they highlight the establishment of public revenues and the execution of expenditures, but especially of their way of closing at the end of the financial-budgetary year.

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