

Budget of Revenues and Expenditures in Public Institutions

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Abstract

Regardless of the field in which they operate, public institutions must establish platforms and projects to determine the course of action, the direction in which they must go, what is the pace, what is the effort and what are the effects on the economy, which requires the preparation revenue and expenditure budgets. This means that public institutions can track the distribution of funds as well as consumption by destination.

The current economic situation requires the rigorous establishment of the necessary financial funds for public institutions in order to achieve economic and social processes, accurately determine priorities, develop the level of efficiency in the use of budget funds and exclude uneconomical consumption without compromising objectives. Public institutions that receive public, budgetary or extra-budgetary allocations must accurately represent in their budgets the public funds that have been allocated to them and take into account the legal regulations regarding their use.

Key words: revenues, budgets, public institutions, expenditures, financial

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1. Introduction

In this paper I set out to study the accounting of budget expenditures and the budget execution of an educational institution, because this part of the accounting activity of an educational unit is very important, both in relation to the general framework of public accounting legislation and the particular framework of the accounting regulations regarding the educational institutions as units subordinated to the local state administration.

Unlike the accounting of economic entities, which focuses in particular on the profit obtained and the income they generate, all public institutions focus on the expenditure they incur so that they fit into the specifications of the revenue and expenditure budget.

2. Theoretical background

In the sense provided by law, the budget is a document by which the revenues and expenditures are provided and approved each year or, as the case may be, only the expenditures, depending on the financing system of the public institutions.

Revenue and expenditure budgets are established for short periods of one year and quarterly, being formed in accordance with the legal regulations in force concerning budget revenues and expenditures that are subsidized from budgetary funds and are approved by its authorities.

Public institutions draw up the revenue and expenditure budget in an orderly manner, in accordance with the activity and the effects which they expect in the year for which they draw it up, on the basis of the financial benchmarks - the budget revenue and expenditure. In order for the necessary budgetary funds on activities and areas of interest to be dimensioned correctly and balanced, as well as to plan the gains from the activities of the institutions, evaluation, calculation and substantiation indicators have been determined based on components characteristic of budgetary activities. their role is to serve as a starting point from which estimates of budget revenues and expenditures are made. From here, the public institutions can rigorously assess their

needs for funds in direct accordance with their duties or responsibilities, thus guaranteeing the material basis for achieving the objectives.

The budget of revenues and expenditures of public institutions aims to represent the debts in lei covered by the inclusion of all the expected gains to be made and the expenses for the performance of the actions and activities of the institution. The preparation of revenue and expenditure budgets will facilitate the introduction of an effective verification procedure that can establish similarities and differences in the forecasting and determine the corrective measures at a given time.

In order to predict financially correctly, a financial forecasting activity is needed, a multilateral phenomenon of evaluation, reasoning and actions that is carried out by the accountant of the public institution, together with other specialists in the economic field and other specialties from the compartments of the institution. They contribute to the analysis, sizing and substantiation of the landmarks that fall within the budget of revenues and expenditures.

The revenue and expenditure budget is the basis for the making of payments and payments made by a public institution. The determination of revenue and expenditure in the budget depends on the specific activity of the institution and the level of subordination of that institution. The revenue and expenditure budget of a public institution is included (as a whole or in the form of a balance) in the state budget or in the local budgets. Thus, "the budgets of the Presidency of Romania, the Government and of other public institutions that do not have hierarchically superior bodies are provided separately in the state budget". The Chamber of Deputies and the Senate, in consultation with the Government, approve their own budgets before the debate on the state budget and submit them to the Government for inclusion in the state budget ”.

The budgets of the various public institutions of local subordination are also included in the local budget.

An institution's budget is divided as follows:

1. Revenue section, in which the revenue is recorded in the order and category / grouping specified in the general framework of the budget classification (by chapters and subchapters) by type. In the case of institutions that obtain both revenues for the state budget and revenues reserved for self-financing, they are included separately in the budget. In the subsidized institutions, in the revenue section, together with the own revenues, the subsidy that is expected to be received from the budget is also registered;

2. the expenditure section, which includes the expenditure of each chapter and subchapter (these show the area in which the institution carries out its activity, type of unit and activity), by titles, articles and aligned, by economic nature.

The budget of a public institution is not characteristic of a true financial report, as parity between revenue and expenditure can only be achieved in self-financing institutions. In the case of public institutions financed entirely from their own revenues, the expenses are made only if they do not exceed the realized revenues, and the annual balances of funds resulting from the execution are taken over as revenues in the following year, usually.

The revenue and expenditure budgets shall be drawn up separately by the budgetary institutions for the subordinate subunits, shall be integrated into the budget of the institution and shall be approved at the same time.

Each institution has the obligation to draw up its own budget for the activity it carries out. Ministries, other central institutions, county directorates, etc. (hierarchically-superior institutions) also draws up a centralized budget which represents all the activities in their area of competence.

The drafting of the revenue and expenditure budget shall be carried out in accordance with the principles of the budget, which are closely related to each other.

Also, the elaboration of the draft budget must take into account the revenues expected for the budget year, the expenses specified by the authorizations contained in specific laws, in their functional and financial organization, the losses or profit of the institution, the legislations characteristic of the budget year.

The elaboration of the budget of the institutions must be in accordance with the elaboration of the state budget. Thus, the institutions record in the draft budget data on preliminary achievements for the current year, recommendations for the plan year and forecasts for the next three years. These projects are centralized and submitted in summary form to the Ministry of Public Finance, and locally, to the

specialized departments of local public administration authorities to use as a means of establishing indicators for the respective sector of activity.

In order to correctly determine public revenues and expenditures, the public institution must use both classical and modern methods based on cost-benefit or cost-effectiveness study.

The classical methods are as follows:

- the automatic or penultimate method: in order to predict the incomes and expenses for the following year ($t + 1$) the incomes and expenses of the previous year ($t-1$) are taken as a foundation, the year of which has ended;
- the method of increase (decrease): the results of the budget years are taken into account for five or more years prior to the one for which the budget is established, according to which the average rates of change of budget revenues and expenditures are calculated;
- direct valuation method: requires calculations for each category of expenditure and source of income in close connection with the evolution of GDP.

Modern methods include:

- the method of planning, programming and budgeting is a method of optimal use of budget expenditures, in the conditions of applying the decisions as efficiently as possible, so that
 - public spending is ranked through programs that are closely linked to government policy objectives;
 - the method of management by objectives is a method of quantifying budget expenditures that highlights the recognition of purposes for each sector of activity, so that each administrator of public money sets goals that will contribute to achieving the proposed objectives;
 - the method called zero budget base involves critical analysis of each type of budget expenditure and evaluation of its usefulness and efficiency, and this requires the existence of a large number of possible programs, to be decided for one of them, depending the possible results that can be achieved at a certain level of budget expenditures; this method involves the constant resumption of the analysis of all budget expenditures, as if starting from scratch for all public expenditures;
 - the method of rationalizing the budgetary options is realized as a closed cybernetic system, between the elements of which there are interdependent connections, so that the failures in one phase affect the others; the novelty of this method and a great privilege of the method is the high capacity for flexibility and reformulation of options.

Modern methods of sizing budget expenditures and making decisions about the short, medium, or long-term use of state resources are based on cost-benefit or cost-effectiveness analysis.

In carrying out expenditure, the institutions must comply with the general rules on implementation of the budget and the principles of budgetary financing.

Expenditure for which there is no legal basis cannot be foreseen in the draft budget.

Revenue and expenditure are allocated in the budget according to the budget classification.

Revenue is organized by chapters and subchapters, and expenditure by parts, chapters, subchapters, titles, articles, and paragraphs, as appropriate.

The revenues of public institutions obtained through the application of taxes, fees or contributions for activities performed to individuals or legal entities are assessed on the basis of physical calculation and consolidation elements and the amount of earnings per indicator (eg number of beneficiaries and earnings per beneficiary).

One of the estimation attributions of the public institution is the good establishment of the indicators regarding the revenues that are included in the budget of revenues and expenditures and which must show the valorization of all the opportunities that it has, having as final result the diminution of the financial effort. the state for the support and smooth running of public institutions.

The sources of income and their grouping are different, being closely related to the field of activity of the institution, and the establishment of financial indicators on income is based on rules such as the existence of the legal basis of income, preliminary execution for the base year, rectified with the possible influences expected for the future, the comparative study and research of the realized incomes and expenses, the use of calculation and substantiation indicators.

Public institutions may have income:

- entirely from the state budget or from the local budget, depending on the administrative hierarchy;
- from extra-budgetary revenues and from subsidies granted by the state budget or the local budget, depending on the administrative hierarchy;
- only from extra-budgetary revenues;
- other income categories.

Thus, if the public institutions are financed entirely from the state budget or from the local budgets, the revenues are formed from transfers from these budgets. Those public institutions that are partially or fully financed from extra-budgetary revenues, because they have income-generating activities, obtain revenues in correlation with the activity carried out and the field of activity.

If the public institution had in the previous year a surplus of revenues compared to the expenses incurred, to the category of revenues can be added the positive balance between revenues and expenditures of the previous year.

Another form of income may be participation in research programs and for which the institution has received funding from various external sources.

Expenditures are decreases in economic gains or service possibilities in the reporting period, representing outflows or the use of assets or the generation of bonds that result in a decrease in net assets (equity) other than those attributed to owners.

Public expenditures are those expenditures borne by the state budget or local budgets by the public financing authority to meet the needs of goods and services of society.

Public expenditures include socio-economic financial relations that occur between the state and economic representatives, both individuals and legal entities, in the activity of allocating and using the state's funds, in the perspective of accomplishing its tasks.

The determination of public expenditures must take into account the financial policy of the state, the number of employees, the set of public institutions that operate or are to be established in the new budget year, the use of the existing technical base with maximum efficiency, etc. At the same time, the following objectives will be taken into account:

- in the social field - use of state financial resources for education, social protection and insurance, culture, art, youth and sports, environmental protection, etc .;
- in the field of scientific research - supporting priority research programs;
- in the economic field - the realization of some investments and other economic actions of public interest, the granting of subsidies, facilities and other means according to the legal norms, within the limits of the credits approved by the annual budgets;
- ensuring the requirements of defending the country, public order and national security;
- financing the central and local public administration, etc.

Budget expenditures are only a part of public expenditures, which represent only expenditures that are financed from the state budget, while public expenditures comprise all expenditures that can be made from both state budget funds and own funds.

Budgetary expenditure included in the budgets of public institutions must be within the maximum limits and have a clear use.

Therefore, in drawing up the budget of the public institution, the following must be taken into account:

- need,
- preponderance,
- generality of the respective needs,
- consumption should not exceed the contributory capacity of economic agents.

The first phase in approving the revenue and expenditure budget is when the Parliament adopts the state budget and the local councils adopt the local budgets, the budget indicators are distributed to the ministries and other central authorities, then to the local institutions, after which the own budget of each institution is finalized. with the registration of the approved indicators with quarterly proposals.

After the budget is finalized, it is approved by the higher hierarchical body in the case of institutions fully or partially funded from the budget and by the head of the institution, with the approval of the higher hierarchical body, in the case of fully self-financed institutions.

Thus approved, the budget becomes an important tool in the administration, development and execution of economic and financial activity within public institutions.

Budgetary institutions which have subordinated units or carry out self-financed activities shall draw up separate revenue and expenditure budgets for them which shall be included in and approved at the same time as the institution's budget.

In Romania, the type of approval of each category of budget as well as the authorities that have competences in this respect varies depending on the hierarchy occupied in the budgetary system.

Receiving revenue and making payments and expenses means executing the budget.

The approved budget indicators, revenues and expenditures, are divided into quarters, depending on the legal deadlines for revenue collection, the deadlines and capacities to ensure the sources of financing the budget deficit and the period in which it is necessary to make expenditures.

Budget execution is the last stage of the budget process and can be summarized as follows:

- exposes the totality of the measures, methods, means and modalities used by those included in the specific relations regarding the achievement of the public finance indicators expected and approved by the operative financial balances of the state and the administrative-territorial units;
- it is the stage of realizing the budgetary revenues and expenditures by the concrete inclusion with money rights and duties of those provided by the legislation characteristic of the existing budgetary relations;
- reflects the total form of technical approach, starting from the general characteristics of the specific economic relations through which the responsible factors, the state with the specialized institutions and its partners, taxpayers and budgetary credit officers are involved in the process.

Public budgets can be approached both as economic relations of a certain bill (the execution of public budgets presents the materialization of economic relations that determine financial means on the background of the distribution of national income, in two ways, of mobilization and centralized distribution, to and from the state). supporting public policy interests recognized as such) and as operating financial balances.

Budget execution can be approached through: the budget system, respectively the totality of the relations with this significance; the elements of the system by presenting each public budget separately, with the two interpretations; the structure of the financial indicators, diminished to the generic expressions of incomes, respectively of expenses; duties and skills, located at specialized institutions and respectively at taxpayers and consumers of budgetary funds.

Practical experience shows a separation of the activity of executing revenues from that of executing expenses, because each of them uses specific tools and procedures.

The principles, rules, methods, techniques, procedures and operations on the basis of which the execution of the expenditure part of public budgets is carried out are supported by public finance legislation and other normative acts adopted by the legislature or issued by the Government and the Ministry of Public Finance.

The Public Finance Law contains important benchmarks regarding the execution of budget expenditures: the principles that guide them, financing techniques, quarterly distribution, budget appropriations not used by authorizing officers, transfers, non-reimbursable external funds, payment of salaries. In all the above cases, technical elements and concepts such as budget appropriations and budget authorizing officers are reflected in their own specific nature.

With regard to the revenue side, the executive has the obligation to comply with the budget provisions within the minimum limits.

As the types of state revenues are diverse, there are a multitude of operations included in their execution compared to the execution of expenditures. At the same time, the risk of fraud and embezzlement is lower than in the case of expenditure, which makes the separation between authorizing officers and accountants less inflexible.

The next step in making expenditures and collecting revenue for that budget year is to draw up the closing documents for the budget year. The operation is reflected in the budget execution account which expresses the budget surplus or deficit at the end of the budget year. The finality of the budget execution is found in documents that record the achievement of income and expenditure indicators first, to taxpayers (especially through accounting and fiscal balance sheets) as well as authorizing officers (through budget accounting reports, with emphasis on the execution of revenue

and expenditures, as well as budget execution accounts), then to hierarchically superior institutions (centralized budget accounting reports and their budget execution accounts).

The budget execution ends on December 31 of each year, which leads to certain rules regarding the issue of fiscal-budgetary management. Therefore, any uncollected revenue and any expenditure incurred, settled and ordered, within the budgetary provisions, and unpaid, as the case may be, shall be charged to the budget for the following year. Also, budget appropriations not used until the end of the year shall be canceled by right. The following year, the cash from non-reimbursable external funds and those from public funds reserved for the co-financing of the European Community's financial contribution, remaining at the end of the budget year in the accounts of the implementation structures, will also be carried over.

The end of the budget year means a set of operations, measures, procedures and attitudes that, in accordance with public finance legislation, have the role of rigorously outlining the level of achievement of revenue and expenditure indicators for all factors involved in budgetary relations.

The Ministry of Public Finance provides by norms or instructions, for the factors involved in the budgetary relations, a series of measures related to the closing of the budget execution, namely: obtaining total revenues, structure and holders simultaneously with the orientation of fiscal control in this regard; the most efficient and austere use of budgetary funds in austerity regime; carrying out budgetary engineering operations with regard to the end of the budget year, etc.

In December, there will be an intensification of actions related to the end of the budget year in order to increase revenue and expenditure.

The actual closing of the budget year also involves concrete activities such as: withdrawal of unused funds and cancellation of open and distributed budget appropriations; extension of the terms of settlement of some investment works; reporting on financial execution, etc.

Each year, the Ministry of Public Finance draws up the annual general execution account regarding the state and separate budget, the budgets of the social insurances and the budgets of the main authorizing officers of budgetary credits based on the financial statements presented by the factors involved in the budgetary relations. The main authorizing officers shall be responsible for drawing up the annual performance reports and attaching them to the annual financial statements showing, for each program, the objectives, expected results and results obtained, indicators and associated costs, legal commitment statements.

3. Research methodology

One of the research methods would be through the COFOG 3 system (International Classification of Public Administration Functions) and the development of an IT system for reporting budget execution and financial statements for public institutions, which ensures the transition to the system of accounts and revenue budget execution. and expenditure in the COFOG system 3.

The access portal offers the following modules:

- useful information - presenting all legislative information and guides for completing the other modules, presentations in electronic format for the use of the platform, the structure of xml files on COFOG 3 budget execution reports as well as instructions for viewing the reports that can be extracted from the application,
- reports from public entities in which reports on budget implementation over a given period can be viewed,
- other reports - containing the list of public entities and their Tax Identification Code,
- reports of public enterprises.

The access to the computer platform was made through the internet (online) based on an authentication that contains user and password.

Also as a research method can be used is the Forexebug computer system, where you can find all the detailed and well-documented budget executions for all public institutions.

To use the search or view function in the Forexebug computer system we need to know some data about the public institution: what type of report we want to search / view, the budget sector to which the institution belongs, the CIF of the chief authorizing officer or the CIF of the institution.

After entering this data, the application requires the insertion of a security code displayed in the image in the search form, which contains a combination of five letters or numbers, then press the "Search" button.

If the data is not entered correctly or the data entered is not enough to generate the desired report, the portal displays an error message.

The portal also provides assistance provided that the user enters the correct data in the budget sector and county fields. From here you can access a drop-down list of public institutions in the requested county, possibly typing a few letters or numbers in the fields "Name of Public Entity Principal Authorizer" or "Name of Public Entity".

The detailed budget execution represents the stage in which the budget commitments were introduced using the Budget Commitments Control (CAB) application within FOREXEBUG (Commitment), the receipts related to the budget commitments (Settlement, Ordinance) were introduced and the payment orders were sent. and cash withdrawal checks to the Treasury (Payment) containing the unique identification code of the budget commitments drawn up within the Budget Commitments Control application.

4. Findings

The information contained in the financial-accounting statements is very important in guiding the elaboration of the draft budget for the next year, in the correct reporting of the patrimonial situation of the institution and establishing the results of the budget execution.

The accounting data and information are processed periodically through the financial-accounting works for closing the financial or budgetary year, which determines the patrimonial situation of the institution and the results of the economic-financial activity carried out in a budget year and outlines a real and accurate image on the patrimonial unit.

5. Conclusions

The elaboration of the revenue and expenditure budget, as the main factor for managing the activity of the entity, represents in fact the substantiation of the costs related to the achievement of the objectives of the public institution and of the possibilities of its financing.

The analysis of the institution's needs and the forecast research is an obligation of the authorizing officer because it presents important conclusions regarding the evolution of the budget in a certain period, the influence of external factors in meeting the objectives (salary increases, staff movements, evolution of price increase etc.) and frequent legislative changes applicable to public institutions. In the future, it is desired that the IT system be developed by the Ministry of Public Finance, so as to ensure through it a total transparency of revenues and expenditures of public institutions and the easiest and most complete collection of financial statements.

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