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BUDGETARY SYSTEM REFORM IN MOND

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Abstract:

The Romanian Finance Ministry is currently implementing the project "Increasing the Accountability by upgrading computer system for reporting financial statements of public institutions (FOREXEBUG)", which has the objective of increasing the efficiency of central government and local administrative transparency, by providing the public institutions of modern instruments standardized, for reporting and disclosure of financial statements for details on the use of public funds in accordance with budgetary classification.

This instrument will allow automatic generation of summary reports (standard and ad-hoc) based on the data collected via electronic reporting of financial statements and will lead to improved budget management by reducing reporting burdens related activities and creating the possibility reallocation of time for analysis and decision activities in the area.

Key words: budgetary system, efficiency, electronic reporting, summary reports

1. Introduction

Finance Ministry is currently implementing the project "Increasing the Accountability by upgrading computer system for reporting financial statements of public institutions (FOREXEBUG)", co-financed by the European Social Fund Operational Programmed Administrative Capacity Development 2007-2013, which has the objective of increasing the efficiency of central government and local administrative transparency by providing the public institutions of modern instruments standardized, for reporting and disclosure of financial statements for details on the use of public funds in accordance with budgetary classification.

Through this project, the Ministry of Finance creates simplified forms for reporting financial statements by public institutions and functionality of electronic control and monitoring legal and budgetary commitments, with direct impact on improving financial discipline and prevention of arrears of public institutions. The project will enable the provision of reliable information on the use of public funds for the internal use by the Ministry of Public Finance, public institutions, other relevant institutions and the public, both at the level of detail and strengthened. It will also provide the authorizing officers effective budget management, providing real-time information on using the approved budget in all public institutions subordinated hierarchically.

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2. Increasing the accountability by modernizing the information system for reporting financial statements of public institutions through the FOREXBUG program.

The FOREXBUG system will ensure proper functioning of electronic mechanisms for aggregation, centralization, consolidation and reconciliation of financial data reporting entity hierarchies, funding sources and other criteria.

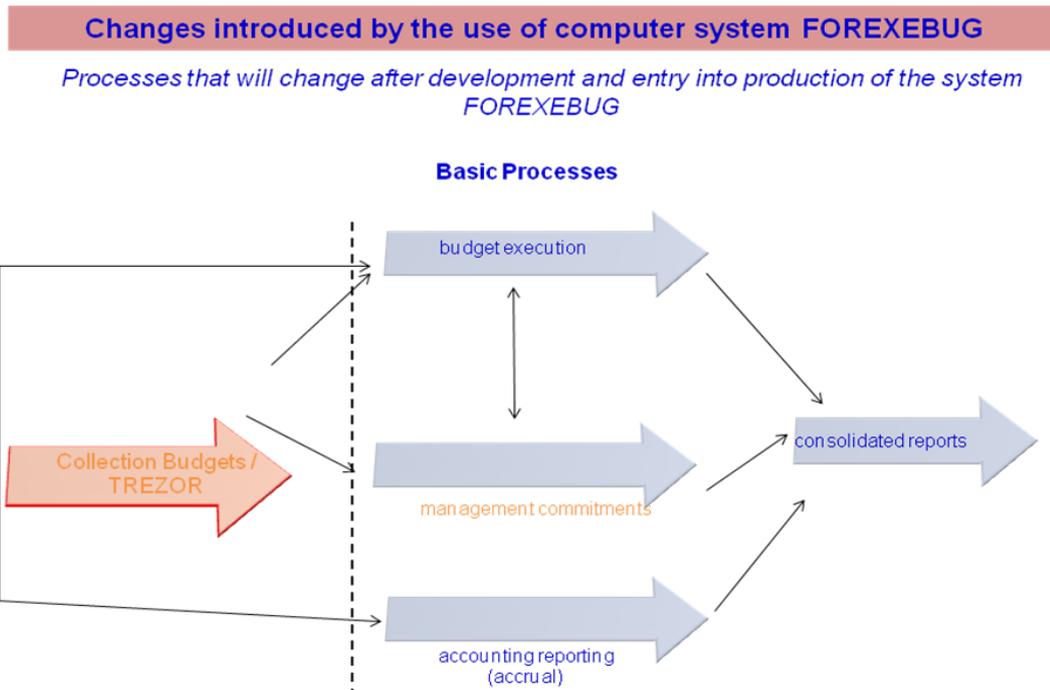


Figure 1

This instrument will allow automatic generation of summary reports (standard and ad-hoc) based on the data collected via electronic reporting of financial statements and will lead to improved budget management by reducing reporting burdens related activities and creating the possibility reallocation of time for analysis and decision activities in the area.

Through this project, the Ministry of Public Finance aims to achieve the following objectives:

1) Monitoring through the Treasury the budgetary and legal commitments. This objective is to be achieved by introducing into the computer system, called "FOREXBUG" operations of all projects (contracts, orders, administrative documents, etc) to be affected by public funds to give each legal commitment or budget, a unique numeric number that will be assigned and procurement to the contract or public order. It is worth mentioning that the public institution cannot make new budgetary and legal commitments if recorded arrears.

However, through the "FOREXBUG" system budget revisions are to be made on the budgets of the main credit holder, it will then make changes to the budgets of the loan financing. Also by this system are to be made the transfers of budget appropriations and transfers of appropriations between authorizing credit holders or between programs.

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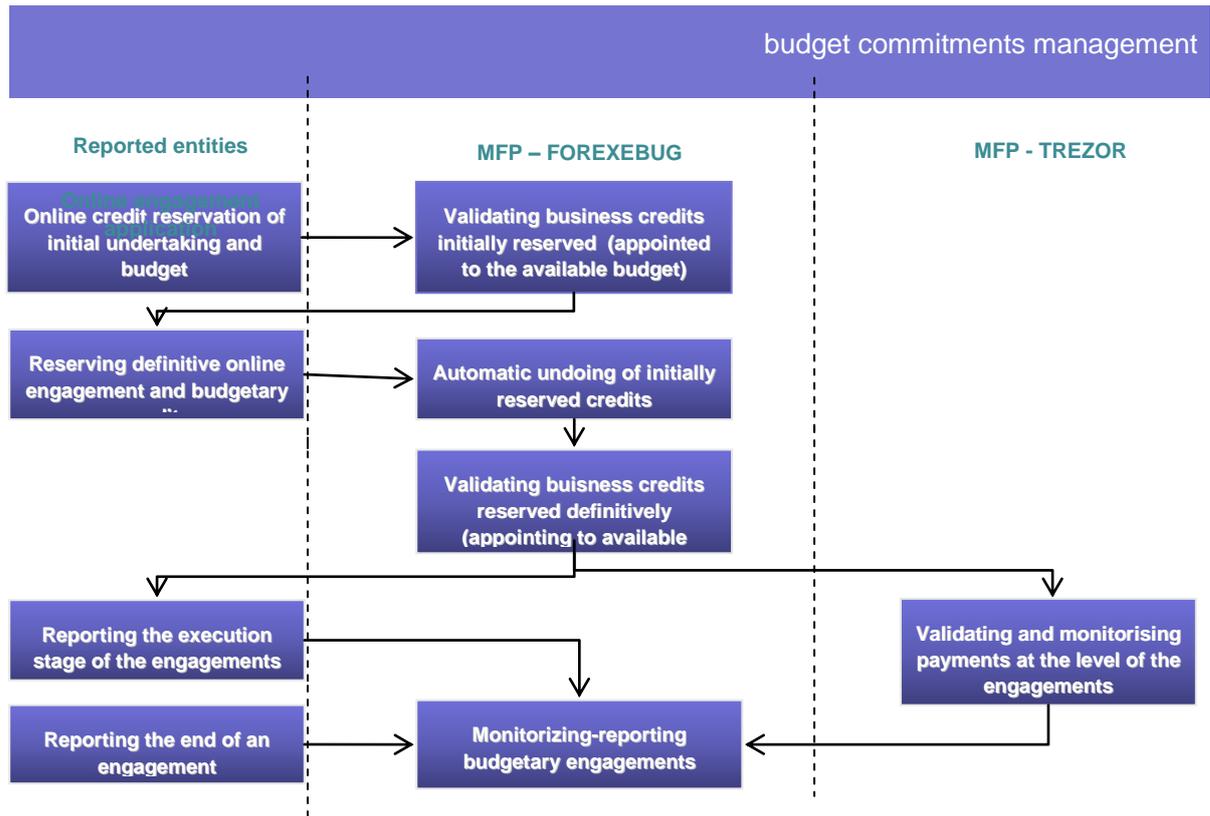


Figure 2

2) Monthly reports on budget execution will be done automatically by the "FOREXBUG" system. Starting this year (2014) budgets are public institutions to prepare and approve the "lei". In this form budgets will be submitted Treasuries and entered into the system. Payment orders issued will include the IBAN code, budgetary classification to specific paragraph and explanation of the budget commitment for which payment is made. Therefore, the system will generate daily data on commitments, payments and available to each officer.

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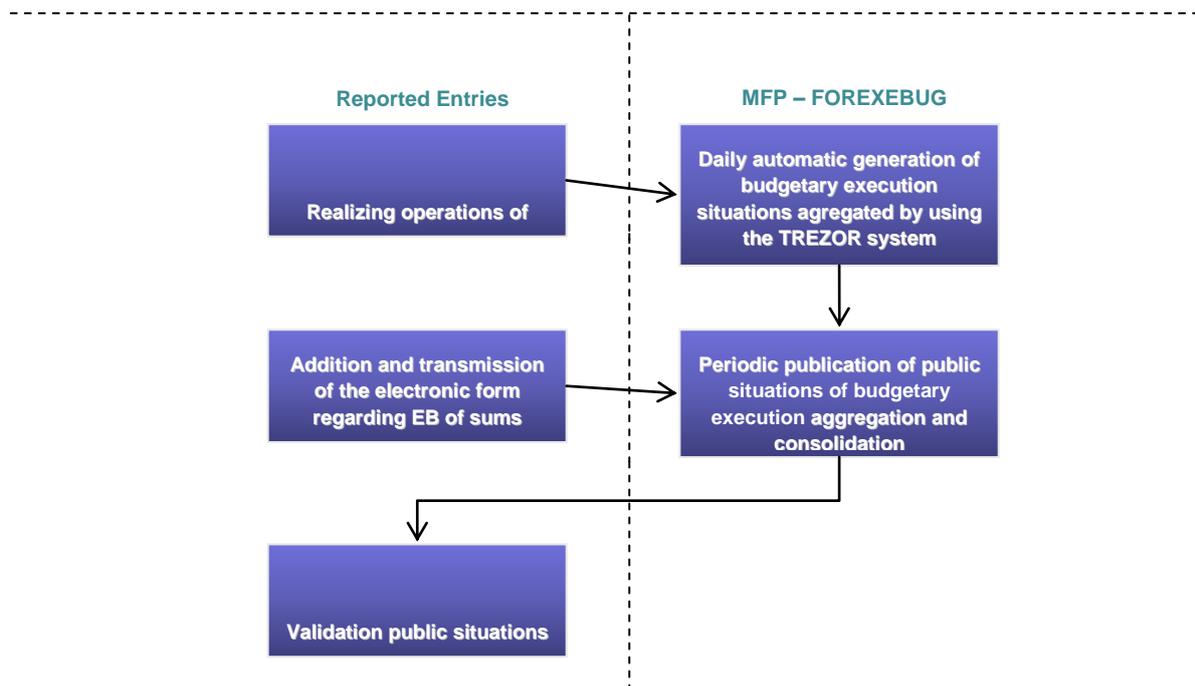


Figure 3

3) The financial statements shall be prepared and submitted by the "FOREXBUG" by each credit holders, based on standardized forms, on the same principle by which tax returns are submitted to the Ministry of Finance Portal by Form 112. The financial statements will be made by completing standardized analytical balances. The financial statements will be approved by the financial structures of hierarchical secondary authorizing credit holders or the main authorizing credit holder by certified electronic signature.

The system aims at the achievement of the following objectives:

- The ensuring of electronic machines for aggregation, centralization, consolidation, reconciliation of this data on reported hierarchical entities, source of finance and other dimensions
- Increasing the level of trust of collected data with crossed validation with data from the system and providing trustful information for intern usage of the MFP, of the public institutions, of other institutions and of the public, not only on a detailed level, but also consolidation on different levels.
- Validation of data concerning budgetary execution of income and spending for assigning these in the limits of approved budgets and of the actualized programs at the level of every public institution.
- Automatic validation of payments done with the TREZOR system, especially when it comes to making budgetary execution situations, to assign these in the budgetary limits aproved and of the actualized programs at the level of every public institution
- Increasing administrative transparency: public institutions will use the same report system, resulting a data base that will have access to any FOREXBUG user
- Fast and facile centralization of data and the increase archive capacities for detailed financial situations of public institutions with the use of electronic archives

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- The improvement of budgetary management with the reduction of afferent report activities and creating the possibility of relocating time to activities in the area of analyze and decisions
- Reducing the number of forms about quarter and annual reports

3. Conclusion

The FOREXBUG system has a series of advantages, but also drawbacks. Among the potential advantages that may be identified, we may mention the following:

- The system centralizes data from every officer, regardless of rank;
- Reporting of budget execution will be done by the Treasury and not hierarchical, by the principal loan as at present;
- The data will be validated at least monthly by the credit holder hierarchical;
- Credit holder access to the database;
- Data transmission based electronic signature;
- Reducing the amount of data to be reported by each credit holder;
- Reduction of working time and related resources as a result of significant reduction of data to be summarized and reported.

As with any other tool, the FOREXBUG system is not a silver bullet, as it is also accompanied by a series of disadvantages. One of the main disadvantages is related to the fact that the work in the Ministry of Defense will be hampered by dividing data into two systems, both in the FOREXBUG system and the current system used by military units in the composition of the General Directorate of Defense Intelligence reporting system data only up to level FOREXBUG title expenses.

Also, the difficult correction of errors is another disadvantage (example - if a credit holder accidentally enters wrong data in individual budget, the system crashes and error is signaled both credit holder who entered the wrong individual budget and of the main credit holder, and the other credit holders can not enter data, until the system is unlocked).

Another disadvantage refers to the delayed update of operations (if changes are made in the individual budgets that day budgetary commitments and payments related to the changes, which will be done the next day, because even if the system transmits that the data were sent without any error, through the presentation interface, it renders over the night the data entered that day).

The project will operate in parallel with the current system of financial reporting, during the commissioning of the national reporting and testing operating procedure system in relation to public entities until 31 December 2014 and the date of July 1, 2015 reports will be accepted only in the system and will not be forwarded in on paper to the Ministry of Finance and upper units.

The project implementation will generate the Ministry of Defense a quite large human and financial effort, I suggest that the following changes to be made in the implementation of the budget to be made aware of the military units in due time.

References:

- [1] LAW No. 500 of 11 July 2002 on public finance;
- [2] Law no. 270 of October 15, 2013 amending and supplementing Law no. 500/2002 on public finances
- [3] ORDER NO. 2021 of December 17, 2013 modification of the Methodological Norms regarding the organization and management of public institutions' accounting, chart of accounts for public institutions and its implementing instructions, approved by Ministry of Public Finance no. 1917/2005

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[4] ORDER NO. 2004 December 13, 2013 Approving the Procedure on the register of public entities

[5] Order no. 2006 of December 13, 2013 on the amendment of Order no. 1.271 / 2004 for approving the Specifications regarding IBAN structure related budgetary expenditure and revenue accounts and open accounts at the State Treasury units availabilities

[6] Order no. 2006 of December 13, 2013 modification of the Methodological Norms regarding the use and completion of the payment order for the State Treasury (OPT), approved by Ministry of Public Finance no. 246/2005

[7] ORDER NO. 136 of February 5, 2014 approving the Methodological Norms regarding the use and completion of the payment order multiple salaries (OPTM)

[8] Emergency Ordinance no. 88 of September 18, 2013 on Fiscal Measures to fulfill the Commitments Agreed with International Bodies and amending and supplementing Certain Acts