TRENDS IN THE PRESENTATION OF BUDGET INFORMATION IN ROMANIAN FINANCIAL STATEMENTS

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***Abstract*:** *The country's general economic development links public finances with the state, which needs financing, as they are a major concern for specialists in the field. The budget has objectively established itself as an appropriate and indispensable support for the establishment and rational management of public financial activities. A budget provides an overview of resources and how they are redistributed to achieve organizational objectives. Although the need for a system of programming and highlighting revenue and expenditure to support the implementation of specific activities and the dimensioning of their effectiveness is recognized, it is considered that this need is more pressing for public activities. As a financial management tool for strategic budgetary planning, best practices in the field of planning, and public financial management are strengthened, the public budget ends each year with the approval of the general account of its implementation. Romania is actively involved in the modernization of public sector financial management, thus it has managed to implement a well-functioning it service for reporting the financial statements of public institutions, which facilitates the collection of information needed for EU-level reporting. The implementation of this system at national level results in the discipline of the budget institutions and in full transparency as regards the budget used and how this budget has been spent. The aim of this work is to present, through an exploratory approach, the temptations in the presentation of budget information in the Romanian financial statements. Planning a realistic budget ensures optimal allocation of state resources, the achievement of political priorities, and involves only an extension of the time horizon in the preparation of the public financial plans, but also an economic focus and efficiency in the management of public resources. Responsible financial and budgetary management generates efficiency, effectiveness and performance in the design and implementation of balanced budgets for the functioning and development of the administrative capacity of public administration structures.*

Keywords: *budget, revenue, expenditure, effectiveness, financial management.*

JEL Classification: *M41*

Introduction

In the current context, public finances are a major concern for specialists in the field. The country's overall economic development always associates them with the state, which needs financing. Finance plays a key role in all activities; it is a system of scientific knowledge, methods and techniques for estimating the need for financial resources and funding opportunities. The state will set up funds, save or borrow, distribute the funds according to priorities, on specific activities, spend them and analyze the efficiency of spending. The budget has established itself objectively as an appropriate and indispensable support for the establishment and rational management of public financial activities. A budget provides an overview of resources and how they are redistributed to achieve organizational objectives.

The need for a system of programming and highlighting revenue and expenditure to

support the implementation of specific activities and the scale of their effectiveness is more pressing for public activities.
As a financial management tool for strategic budgetary planning, best practices in the field of planning, and public financial management are strengthened, the public budget ends each year with the approval of the general account of its implementation.
Romania is actively involved in the modernization of public sector financial management, thus it has managed to implement a well-functioning it service for reporting the financial statements of public institutions, which facilitates the collection of information needed for EU-level reporting.
The implementation of this system at national level results in the discipline of the budget institutions and in full transparency as regards the budget used and how this budget has been spent. The purpose of this study is to provide an overview of the temptations in the presentation of budget information in Romania's financial statements.

Research methodology

In order to achieve the purpose of this work, to present the temptations in the presentation of budget information in the financial statements in Romania, various methods and techniques specific to economic sciences were used, based on the access to and study of specialized literature, Through which the essence of the investigated processes was reached. By an exploratory approach, by documentation, by analytical methods and techniques, by the method of synthesis, induction and the method of deduction, a logical analysis and a critical analysis of the studied materials was developed, involving us by a personal opinion.

1. Review of the literatura

The public administration is focused on a number of fundamental changes in limiting the size of the public sector, new skills for government entities, increased managerial accountability, performance orientation, higher operational decision-making powers, local financial autonomy and decentralization, improving relations with citizens and services for the benefit of communities. In Romania due to the uniqueness of the state there is an interest in this visible and inevitable phenomenon, based on new, modern principles that meet the present needs of the Romanian society.
At the level of territorial administrative units the budget after L. Moisica (2009), is planned and established to finance public activities and is adopted by law. The term 'budget' is widespread and 'used to present the forecast for a certain period of time (usually one year), both of a country's income and of an economic entity's expenditure. In its simplest form, the budget concentrates an estimate of the revenue needed to finance the proposed expenditure, points out M.D. Manea, (2011).
The two basic components of a budget consist of: Revenue and expenditure. Through public finances, C. Busu says that specific methods and estimation techniques determine the need for financial resources and the possibilities for financing them, as well as the rationale for balancing budgets, financing deficits, carrying out financial control, financial forecasting, and also assessing efficiency in the financial field.
Managing Authority the Ministry of public Finance in Romania is the institution with a role in the management of public financial resources through specific instruments. The Ministry of public Finance issues the budget policy guidelines, including the indicative level of budgetary expenditure for the fields of activity financed from the State budget, according to the study carried out by O.S. Vezure in 2011. Due to technological progress, the state wants to maximize revenue collection and manage public funds efficiently through the State Treasury, the public treasury and its bank. The State Treasury shall ensure that the revenue and payments operations concerning public funds, including those relating to public debt, are carried out.

Virgil Madgearu, 1935, an economist adept of economic liberalism, supported in his work the way of financial balance, the idea of budgetary balance and the fact that in times of imbalance, the budget, currency and credit are mutually conditioned. In order to achieve a structural budget balance, government expenditure shall be rationalized and regularly controlled. At a time of crisis, in our view, instead of rationalizing expenditure, budget appropriations are often reduced to a minimum and public services can no longer function normally, some public services become ineffective, insufficient maintenance of installations is damaging them and paralyzing previous efforts. In modern theory, Paul Krugman said, fiscal consolidation to achieve economic growth is achieved by cutting labor costs.

Increasing fiscal revenues through tax increases is not appropriate, but rather through government loans, if public debt is sustainable and public expenditure growth is not recommended to be higher than private economy growth, as it can drive the economy into recession. Budget deficits are usually rising in times of recession as a result of high expenditure. Surpluses occur when expenditure is low in times of economic growth. The government, through its strategy, must find the optimal fiscal decision, use budget deficits and surpluses to standardize the economic cycle, considering a certain way of spending and an optimal level of taxation.

We can conclude that the deficits in the recession must be balanced with the budget surpluses in the economic downturn, which is why the budget should be balanced throughout the economic cycle and not every financial year. The use of financial-budgetary management to optimize the activity of the budgetary system, financed entirely or partly by public funds, has been of interest to studies for a long time, seeking ways of optimizing budget implementation, i.e. with the same financial effort to achieve greater effects, for example, when there are no difficulties in collecting budget revenues in a growing economy or at constant effort, maximum achievements are made in the economy.

Another possibility to optimize the budget is to do the same work but with a lower, almost minimal fiscal effort, an option for economies in economic crisis or when fiscal revenues are stagnating or even decreasing. The government can opt for state loans when the rate of economic growth is higher than the real interest rate. In this case, the ability to repay its debt is favorable due to economic growth, as the tax base will increase faster than the burden of servicing the government debt, which has a lower interest rate. The increase in government debt must be sustainable, otherwise the country's international reserves may be exhausted.otherwise, governments should reduce their government debt when the interest rate is above the rate of economic growth. If the economic results are good due to temporary positive trade shocks, the governments of the States can increase public debt. However, lending to infrastructure projects that bring added value in the future can be a means of smart growth.

According to M.A Georgescu, 2009, the new realities in the economy claim that the deficit solution is agreed not only to balance the budget implementation, by calling for extraordinary revenues, but also to draw up and approve from the very beginning deficit budgets. In practice, this phenomenon is carried out in different ways in European countries. Thus, in Romania, Law no. 5002002 on public finances no longer reiterates the obligation to respect the principle of budget balancing, leaving the Parliament the annual approval of budget revenues and expenditure the state of balance or imbalance of each budget approved by law.

2. The budgetary process

The budgetary process in Romania is legally supported by the legislation on public finances, the role of the budget adoption is the responsibility of the Parliament, which approves through the laws of the State budget, as well as the budgets of the national Fund for Health Insurance, and if necessary they approve laws to correct these budgets. The budgetary, theoretical and practical process goes through some steps as can be seen in Figure no 1.

Local public revenue materializes in receipts from taxes, duties, contributions, fines, penalties, payments from public institutions' income, income from renting and leasing of land and other state property, loans, grants, sponsorship, and aid. On a monthly basis, a 47 percent share of the income tax collected to the state budget is allocated to the local budgets at the level of each administrative-territorial unit.

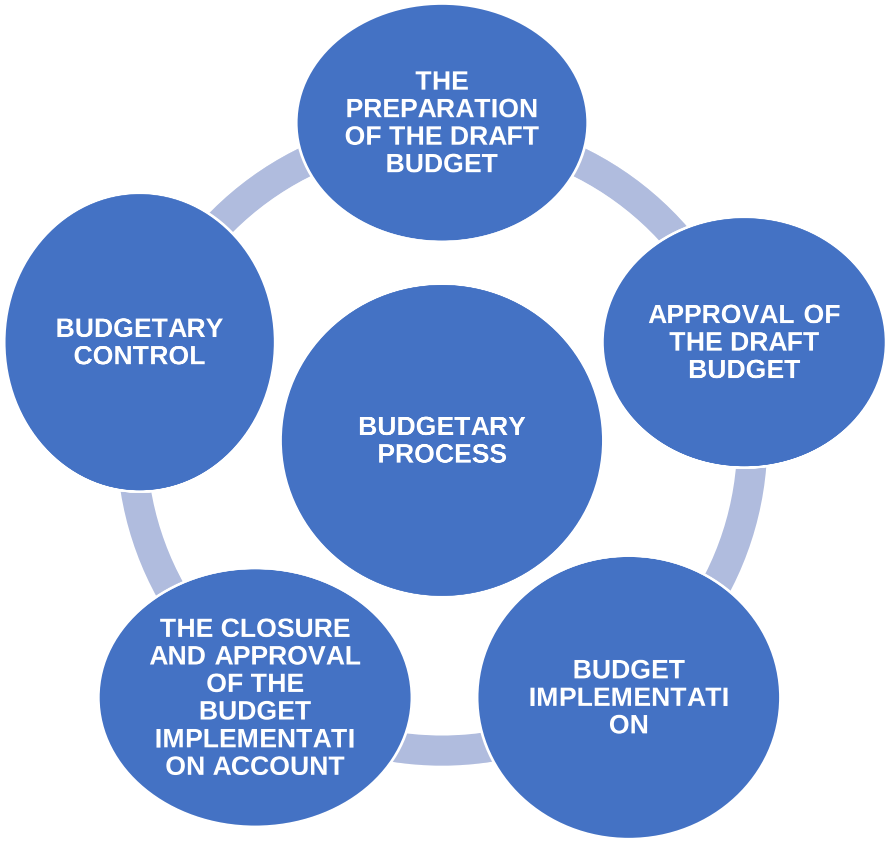

Figure no 1 Stages of the budgetary process
Source: Author projection.

In order to balance local budgets, by decision of the Director of D.R.F.P. 80% of the amount is granted according to the following criteria: Population, the area within the territorial administrative unit and the financial capacity of the public entity, and 20% of the amount is distributed by the County Council to support local development and infrastructure projects, which require financing. The state budget transfers to local budgets for investments financed by foreign loans, to which the government also contributes, according to the law, and is approved annually, in a global position, by the state budget law.

Public expenditure is payments made from resources mobilized in different ways for the purchase of goods or services necessary to meet the various objectives: General public services, economic actions. Local public expenditure includes operating expenditure – staff expenditure and expenditure on goods and services – and development expenditure.

The budget is reflected in the financial means needed to provide public goods and services. The budget, in the I. Cenar, (2007), is a system of financial flows related to the formation of public financial resources and their distribution, an instrument of State financial policy in the field of taxation and public expenditure. The budget is a document that collects, allocizes and redistributes the resources needed to adjust economic and social activity. The redistributive role of the budget is highlighted by the mobilization of resources and their distribution to finance activities or actions. The role of regulating the economic life stems from the importance of the state budget as a law-making instrument that reflects politics.

3. Presentation of information on the implementation of the budget

The budget implementation account shall be specific to the financial statements drawn up by public institutions and shall show the degree of achievement of the indicators set out in the budget. The budget implementation account shall comprise two parts, as underlined by I. Cenar, (2017), one affected by income and the other affected by expenditure.

Budget implementation, in practical studies on the application of International Financial Reporting standards in Romania, A. B. Popa,(2007), is defined as revenue collection and expenditure activity approved by the budget. At this stage of the budgetary process, a number of state operators are attracted: The fiscal apparatus with all its central and territorial structures, ministries, territorial-government units, public institutions and other public entities from which they receive transfers.

The items contained in the revenue part of the budget implementation account shall be as follows: Initial budgetary provisions, final budgetary provisions, entitlements in respect of which accounts have been drawn up and entitlements established which are still to be collected. In the case of expenditure, information shall be given on the following: Budgetary appropriations (annual, quarterly aggregated), budgetary commitments, legal commitments, payments made, legal commitments paid and actual expenditure.

The budget expenditure is made only on the basis of supporting documents, said M.D. Manea (2012), acknowledging receipt of material goods, provision of services, execution of works, payment of wages and other financial charges, payment of budgetary obligations and other obligations. In the process of budget implementation, budget expenditure shall go through the following phases: Commitment, liquidation, authorization, payment. The payment instruments shall be signed by the authorizing officer and the accounting officer.

The cash implementation of local budgets shall respect annual budgetary principles and laws which stipulate and approve the budget appropriations for expenditure in each budget year, as well as their functional and economic structure and shall be carried out through the territorial units of the State Treasury, with the budget revenue shown in separate accounts, carrying out revenue and payment operations within the limits of the budget appropriations and approved destinations. The main authorizing officers have to analyze monthly the necessity of maintaining budgetary appropriations and propose that the local council cancel or transfer the respective appropriations.

The budget appropriations approved by the local budget can be used by opening of credits by their main authorizing officers, within the limits of the approved amounts, according to T.T. Mosteanu (2012), and in compliance with the legal provisions governing the payment of the costs in question. Where revenue not collected and expenditure committed, cleared and authorized under budgetary provisions and not paid by 31 December, shall be charged or paid to the budget for the following year as appropriate. Unused budgetary appropriations by the end of the year shall be canceled as of right. The provisions of the annual budget laws and the amending laws only act for the budget year in question, says E. D.Dascalu (2006).

The appropriations available from non-repayable external funds and from public funds to co-finance the European Community's financial contribution remaining at the end of the budget year shall be carried over to the following year to the same destination. At the end of the

budget year, each public institution having legal personality shall draw up the budget implementation account. It shall reflect the outcome of the exercise by comparing revenue and expenditure incurred during the year. V. Grecanu Cocos, paragraph 2011, claims that, on the basis of the financial statements submitted by the main authorizing officers, the cash-in-house implementation accounts of the local budget, including the annexs thereto.
The principal authorizing officers shall draw up and submit for approval to the local Council by 31 May of the following year the annual accounts for the implementation of the budgets. On a quarterly basis and annually, the principal authorizing officers shall draw up financial statements relating to the implementation of the budget, which shall be submitted to the Directorates-General for public finances. The result of the end of the budget year, which shall end on 31 December with the approval of the general implementation account, may be a surplus or a budget deficit.
The improvement of the accounting information system, with the help of essential techniques for the electronic collection, processing and transmission of data and information, in an appropriate communication and computer environment is an increasingly important concern. Access to accounting data from anywhere on the Internet, access to information, and the speed at which it is transmitted, lead to rapid decision-making, efficient management of the entity, but also accounting. Modern and efficient it systems facilitate collaboration and communication between institutions so that erroneous data is eliminated. They form arteries for transmitting, analyzing and storing accounting information. Careful review of existing it systems is a key element.
I. Cenar,(2015) emphasizes that a step in this respect has been taken by implementing the public sector national System of Financial Reporting project, which aimed to produce a new reporting form for budget implementation and financial statements, submitted on a monthly basis, in electronic, standardized, secure form, In order to increase the confidence of data collected through cross-validations with Treasury data and to provide information for the internal use of the MF. Forexebug emerged as a necessity for the implementation of the Stability and Growth Pact, in which measures were adopted to safeguard budgetary discipline and promote the stability of the European economy.
Increase 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 on a single, electronic, standardized and secure form in accordance with the budgetary classification, They are the main objectives of the Forexebug, in line with the European Union Directive No85 of 8 November 2011. Access to information is critical but insufficient to achieve the objectives of budgetary transparency.
The transparency of the budgetary process is an important component of decision-making transparency, ensuring budgetary transparency, boosting the accountability of the authorities and increasing the effectiveness and efficiency of the use of public resources. This requires consultation and participation. It should also be noted that budgetary transparency is ensured at different stages of the budgetary process, taking good practice in this area as a benchmark. The liability of the public sector financial management for the accuracy of the financial information presented in the financial statements shall be aligned with the obligations of transparency, disclosure of the costs. The objective of applying standards on financial information included in the financial statements is to contribute to ensuring transparency of financial information relevant to the decision-making process of investors and other users. By applying financial disclosure standards, entities protect investors, and contribute to increasing company confidence.
The statistical analysis of the information presented in the reporting of financial statements highlights the importance of accounting and its impact on user decisions. We conclude that information is an indispensable resource for the development of successful businesses and for the improvement of financial management.

4. Conclusions

Romania is actively involved in the efforts to improve financial management in the public sector so that at present there is an accounting system based on commitments focusing on transparency and accuracy. The transparency of the budgetary process has been largely developed thanks to the insistence and pressure from international institutions and civil society. Ensuring decision-making transparency is perceived by institutions as redundant, unnecessary work. This means that transparency is not understood as an effective tool for making the use of public money more effective.

The need to implement a reporting system at national level results in the discipline of the budget institutions but also in full transparency as regards the budget used and the way in which it has been spent, this implicitly increases the confidence of data collected through cross-validation between system records and financial records of publicly owned institutions. Planning a realistic budget ensures optimal allocation of state resources, the achievement of political priorities, and involves only an extension of the time horizon in the preparation of the public financial plans, but also an economic focus and efficiency in the management of public resources. Responsible financial and budgetary management generates efficiency, effectiveness and performance in the design and implementation of balanced budgets for the functioning and development of the administrative capacity of public administration structures.

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