

## THE TREASURY CONTROL ON THE INTEGRITY OF PUBLIC FUNDS

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### **Abstract:**

*Any patrimonial entity is vitally interested to be operative and to continuously increase the efficiency degree available and used by material, financial and human resources. The control ensures the operative knowledge of the way in which economic and social activities are carried out, the way in which economic, financial and contractual discipline is respected, to prevent economy disequilibrium. The establishment of the State Treasury laid the foundations for a new way of managing public financial resources available to the public power, through the Ministry of Public Finance. The public treasury, through its leaders, has the obligation to organize its own preventive financial control and to record all engagements within the accounting compartment and establish the operations projects subjected to the preventive financial control and the supporting documents and their circuit, in compliance with the legal provisions. The control exercised through the treasury represents a safe tool to manage efficiently and to establish an order in the use of the funds by public institutions.*

**Key words:** financial control, treasury, public financial resources, efficiency, verification, approval, management, operations, legal provisions, documents, signatures.

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### 1. INTRODUCTION

The contemporary society consistently promotes the fundamental criterion of efficiency, aiming primarily at intensifying the qualitative aspects of economic, social, administrative activities or other ones. This means that any economic agent, any organization and any other working body is vitally interested being operative and continuously increasing the efficiency of the material, financial and human resources. In order to survive competitive environment, every enterprise, regardless of its nature, must clearly measure every penny used and each ounce of energy consumed, aiming for the best results, with the least effort and expense. The same rigors must also be obeyed by public institutions, which often accuse the modesty of budgetary allocations, in relation to the size and evolution of expenses standards. The administrative organisms or the insurance and social protection entities don't have such comfortable budgets, which allow them to spend without restrictions funds allocated by the state, or by the local authorities.

Such a manner of solving problems does not necessarily have to suggest the spectre of widespread poverty or the exaggerated fear of bankruptcy, but rather an urge for prudence and prevention, as well as the need for constant concern for finding the most appropriate ways to effectively use existing or available resources.

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## 2. CONTROL, FUNCTION OF ECONOMIC MANAGEMENT

The control ensures a thorough and detailed knowledge of economic-social realities, but it cannot be limited to this. Through this one make judgments of value or of conformity, by interpreting the states of things or the realities ascertained by a continuous relation with the objectives to be achieved, the norms set in advance or the pre-established rules of development. In this way the control makes it possible to determine the deviations recorded, to establish their significance and implications, the causes that generated them and the measures that are required to avoid their repetition in the future.

The control activity involves at least three essential elements (which the Romanian specialists symbolically recognize by “the 3 C” or even more simply by “ccc”): knowledge [cunoastere], discovery [constatare], comparison [comparare], respectively knowing the state of ideal things, finding the practical realities and comparing (confronting) them.

Moreover, specialty literature (Vaes, 1964) defines this activity through a suite of five operations or phases, which give the general model for control actions, a model applicable on all occasions, regardless of the contents or nature of the verification carried out. In summary, the steps that make up the general control model are presented as follows:

The establishment of the ideal situation (which should exist or “ the desirable”), which is done with the help of programs, plans, norms or regulations, concrete tasks, currencies, models, organizational charts, guidelines, resolution criteria, forecasts;

The mentioning of tolerances allowed, of the maximum deviations allowed from the ideal situation, which must be known in advance;

The determining of the real situation, that existed at a given time or resulted after the complete execution of the tasks, directly or indirectly ascertained by the control bodies;

The confronting of the two situations (ideal or real) and the establishing of deviations or differences between them; any tolerances allowed will be considered here;

The formulation of conclusions that emerge from the control action; it is primarily about interpreting deviations and specifying their significance, but it may also include proposing or adopting the changes (measures) that are required.

As basic component of modern management, the control ensures the operative knowledge of the way in which the economic and social activities are carried out, the respect of the economic, financial and contractual discipline, the prevention of imbalances in the economy. The role of economic-financial control manifests itself in three main directions, which correspond, in fact, to the three large groups of interests that intervene in society.

Thus, in particular, the financial control exercised by the state is known and recognized for the rigor with which it makes sure that all activities, operations and transactions are carried out in accordance with the legal regulations in force and are not subtracted from the payment of taxes due to national budget. Obviously, this control defends first of all the interests of the state and of its institutions.

On the other hand, any patrimonial entity (conceived as a legal or natural person which manages its own patrimony) must develop its own internal control system, which will allow it not only to know in detail all management operations,

but also will help in delimiting responsibilities, for the integrity and proper administration of its material and financial means.

After the moment of the control exercise, compared to the moment of carrying out the activity or performing of operations, three forms of financial control can be highlighted:

*The preventive financial control* - is carried out in order to prevent deviations, shortcomings or deficiencies, what is illegal, inefficient, things that are all important, but which do not refer to its purpose to control and target operations that are legal and efficient, operations that are more than necessary and at the same time determined to achieve the purpose of the economic and social entities activity in particular, of the general society.

The financial control of this kind is exercised on the operations expressly mentioned in the law, the economic and financial operations provided in the documents drawn up and signed by the managers of the specialized departments, presented to the control team before the actual realization of the operations in question.

b) *The concurrent financial control* - is carried out at the same time as the activity goes on, according to legal provisions regarding the financial-accounting activity, which, based on the accounting law, is defined as specialized activity in measuring, evaluating, knowing, managing and controlling assets, debts and equity, as well as the results obtained. This concurrent financial control also derives in other normative provisions regarding public finances, taxation, currency and monetary, and for the financial-accounting activity and its accomplishment by the people who conduct the exercise a control with a permanent character.

c) *The subsequent financial control* - is realized after a stage of an activity is carried out. Through the control objectives established, through the control mechanisms and methodologies, concrete rules have been defined that define the character of financial control bodies later, such as the Court of Accounts and the Ministry of Public Finance with its bodies.

### **3. THE PREVENTIVE FINANCIAL CONTROL AT THE LEVEL OF PUBLIC TREASURY**

The public treasury is conceived as a financial institution, through which the public sector carries out its collection and payment operations over which the Ministry of Public Finance exercises fiscal and preventive financial control. The organization and functioning of the Public Finance Treasury both at central and territorial levels, is based on an appropriate mechanism by which the Ministry of Public Finance ensures the coordination of public sector finances in an integrated and unitary system.

Establishing itself as a stage in carrying out the reform of the financial-fiscal system in Romania, the establishment of the State Treasury laid the foundations for a new way of managing public financial resources available to the public power, through the Ministry of Public Finance.

The emergence of this financial institution has ensured the use of state resources with greater efficiency by the public institutions under permanent specialized control of the financial bodies, compliance with the funds destination provided by the annual budgetary laws, as well as the strengthening of the responsibility of the authorizing officers in the management of public money.

The Ministry of Public Finance, which is in charge of the Public Treasury, is the coordinating and regulating authority for preventive financial control (PFC) for all public entities. Preventive financial control is organized and exercised by component authorities, in unitary form, in the following forms:

- **the internal preventive financial control**, for all public entities and overall operations with financial impact on public funds and public heritage;
- **the delegated preventive financial control**, for the main authorizing officers of the state budget, the state social insurance budget, as well as the budget of any special fund, the National Fund and the agencies for the implementation of the Community funds, as well as to other public entities with risks raised by delegated controllers of the Ministry of Public Finance.

### **3.1. The internal preventive financial control**

The public treasury, through its managers, has the obligation to organize its own preventive financial control and keep record of all responsibilities within the accounting compartment and to establish the operations projects subject to the preventive financial control, the supporting documents and their circuit, in compliance with legal provisions. The record of all responsibilities, tasks, is organized, maintained, updated and reported according to the methodological regulations approved by order of the Ministry of Public Finance.

The internal preventive financial control is exercised, by order or decision, by people within the specialized compartments, designated for this purpose by the manager of the public treasury, where the operations on which preventive financial control is exercised, the conditions and the period within this activity is carried out.

In order to exercise their internal preventive financial control, the people who are employees of the public treasury, have the legal capacity to conclude a contract for the fulfilment of this attribution and also fulfil the following conditions cumulatively:

- have only Romanian citizenship and a domicile in Romania;
- know the Romanian language, written and spoken;
- have full exercise capacity;
- have an adequate health status, certified by a specialized medical examination;
- have higher economic or legal studies - except, when there are no people with higher education that meet the present conditions, they can be appointed for the exercise of their own preventive financial control and people with average studies of economic specialty;
- have an effective experience in the field of public finances of at least 3 years;
- were not convicted for committing an offense that would make them incompatible with the exercise of this activity;
- present at least two letters of recommendation.

The exercise of duties of preventive financial control by the people designated is performed on the basis of the following principles:

**Professional competence** - The person designated to exercise internal preventive financial control must know and apply consistency and firmness to legal

provisions, ensuring the legality and regularity of the operations projects subjected for approval, as well as their classification within the limits of the budgetary credits or of the commitment credits. For this purpose, the person responsible has the obligation to constantly know all legal regulations specific to the field in which s/he exercises the powers of internal preventive financial control for the authorisation purpose.

**Decision-making independence under the conditions of separation of duties** - The person designated to exercise internal preventive financial control is independent in making decisions and s/he cannot be required in any way to grant or refuse internal preventive financial control for approval purposes. For his/her acts, undertaken in good faith, in the exercise of his/her duties and within limits, in compliance with the legal provisions, the respective person cannot be sanctioned or changed from this activity. The management of the public treasury in which the activity of own preventive financial control is exercised is obliged to take the necessary measures to separate the powers of approval, execution and control for all operations, so that these are entrusted to different people.

**Objectivity** - In exercising the activity of internal preventive financial control and, especially, in making the decision to grant or reject a document, the designated person must systematically and thoroughly verify the operations projects, not to give in to prejudices, pressures or influences that could affect correct appreciation, show impartiality, have a neutral attitude, which is devoid of subjectivism.

**Moral conduct** - The person appointed with the exercise of internal preventive financial control activity must be of recognized moral probity, to have a correct conduct, to prove an irreproachable professional behaviour, at the level of the highest standards. It must have a worthy behaviour inside the company, to carry out activities in such a way as to have a good reputation.

**Confidentiality** - The designated person is obliged to keep the state secret, the service secret, in relation to the content of the projects of operations subjected for approval, not to disclose in any way information to a third person, unless s/he is authorized in the way, expressly by those in law or in the situation in which the provision of information represents a legal or professional obligation.

**Incompatibility** – People in the course of criminal prosecution, trial or who have been convicted, for facts regarding abuse in service, false, use of false, deceit, giving or taking bribery and other offenses that have caused damage to the heritage of natural or legal person, cannot be assigned to carry out the activity of internal preventive financial control. People, who are spouses or relatives of the first degree with the management figure of the public treasury in addition to this activity, cannot be designated, as well as those people who may be in a situation of conflict of interest in relation to operations subjected to approval. The person designated to carry out the activity of internal preventive financial control cannot be involved, through the service tasks, in approving, carrying out and registering the operations subjected to internal preventive financial control.

The people appointed must improve their professional knowledge and practice through continuous training programs. The management of the public treasury will ensure the necessary conditions for professional training.

The internal preventive financial control is usually organized within the specialized financial-accounting departments. Depending on the nature of operations, the manager of the public treasury may decide to extend it to the level of other specialized compartments where it is initiated, by legal documents, or payment obligations or other obligations of a patrimonial nature. Preventive

financial control is exercised, by approval, by people within the specialized compartments designated for this purpose by the head of the public treasury. The appointment act will include the limits of competence in its exercise. The people appointed are other than those who approve and carry out the operation subject to approval. The PFC approval is exercised by the signature of the designated person and who also applies the personal seal, which will include the following information:

- the name of the public treasury;
- the mention “approved for preventive financial control”;
- the number of the seal;
- date of granting the approval.

The documents presented for the PFC approval are entered in the Register regarding the operations presented for PFC approval. The term of pronouncement (granting / refusing the approval) is established, by internal decision, by the head of the public treasury, depending on the nature and complexity of the operations included in the general or specific framework of the operations subjected to preventive control.

The documents regarding operations on which the exercise of the preventive financial control is obligatory are transmitted to the people designated with its exercise by the specialized departments that initiate the operation. The documents regarding the operations affecting the public funds, or the public patrimony will be accompanied by the opinions of the specialized compartments, of additional notes, of documents or supporting documents or of a “**Proposal to engage in an expense**” or an “Individual/global commitment” elaborated according to the methodological norms. The people designated for the exercise of the preventive financial control will take over the documents and will proceed, at a first stage, to their formal verification regarding:

- the filling in of documents in accordance with their content;
- the existence of all signatures of authorized people within the specialized compartments;
- the existence of the supporting documents specific to the operation presented for approval.

If the mentioned requirements are not met, the documents are returned to the issuer, specifying, in writing, the reasons for the return of documents. After carrying out the formal control, the people designated register in the **Registry regarding the operations presented for approval for preventive financial control** and carry out the verification of the operation from the point of view of its legality, regularity and, as the case may be, the classification within the limits and the destination of the budgetary or commitment credits. If it is required, in order to exercise the most complete preventive control, other supporting documents may be requested, as well as the opinion of the legal specialty compartment.

If, after the basic verification, the operation fulfils the conditions of legality, regularity and, as the case may be, within the limits and the destination of the budgetary or commitment credits, the approval is granted by applying the seal and the signature on the copy of the document that is filed in the public treasury. The documents concerned and the supporting documents that accompanied them are returned, under signature, to the issuing specialized compartment, in order to continue their circuit.

If after the verification it is found that the operations do not meet the conditions of legality, regularity or classification within the limits and the

destination of the budget credits or commitment, the people designated with the exercise of the preventive financial control will refuse, in writing, the granting of the PFC approval, registering this fact in the **Registry regarding the operations presented for approval for preventive financial control**. The refusal of the approval, accompanied by the significant supporting documents, will be made known to the treasury manager, and the other documents will be returned, under signature, to the specialized compartments that initiated the operation.

The suspension, change or dismissal of the activity of exercising the duties of internal preventive financial control is done by an internal decision act concluded by the head of the public treasury.

The main **situations** in which the person designated with the exercise of the preventive financial control **can be suspended** are:

- is on maternity leave or temporary disability leave;
- is performing military service;
- is being prosecuted, prosecuted or arrested, according to the Code of Criminal Procedure;
- is in other situations in which the suspension of employment relationships occurs.

The main **situations** in which the person designated with the exercise of internal preventive financial control **can be changed** are:

- has become incompatible with this activity;
- has committed a disciplinary offense (acted against legal norms, internal regulations) against which this change represents a disciplinary sanction for the respective person;
- at the request of the person concerned, due to illness or for other reasons;
- as a result of the control or audit reports, operations aimed at internal preventive financial control were found to be illegal or irregular;
- when changing jobs.

#### 4. CONCLUSIONS

The Treasury ensures the organization of the best conditions **for exercising control** through the internal bodies of the Ministry of Finance regarding the achievement of the revenues. This creates the possibility for rigorous control over the documents in relation to the legal basis by which the obligation to transfer taxes to the budget was established; compliance with the terms of revenue transfer; compliance with the regulations in force regarding the transfer of taxes on budgets and the recording of revenues by chapters and subchapters provided by the budget classification.

The exercise of the control through the treasury is the safest tool to efficiently manage and to put order in the use of funds of public institutions. The Treasury provides that rigorous preventive control for all payments is arranged by the authorizing officers, in terms of the reality, legality, regularity, the framing in the budgetary provisions and in the existing amounts of money availability at a given time.

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