

## **STATE TREASURY – THE GUARDIAN OF PUBLIC FUNDS**

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**ABSTRACT:** *The birth of State Treasury facilitated the creation of better conditions and possibilities for the organization of cash register execution accountancy of consolidated general budget components, especially regarding the watching over collecting incomes, a better control on payments and also to increase effectiveness and the accuracy of received information. The treasury must become a leading institution on the financial line, through which it can administrate and manage the public funds better.*

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### **Introduction**

The concept of public treasury is an old concept, having its genealogy in antiquity, when, in order to fulfill diversified public needs, there were formed and administrated funds within special institutions and these institutions have become with time what we call today treasury.

Public treasury, as a concept and trends in its evolution regarding organization, running and attributions in different phases of its history, has closely followed the development course of the social-economical society. That is why, the level of development and the complexity of financial operations that are performed by the public treasuries in different countries of the world depend, overwhelmingly, on the level of development for that country's economy, the ratio of state's intervention in that economy and the abundance or the poorness of resources in public finances that they have to manage.

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### **The evolution of State Treasury in Romania**

The organization of State Treasury in Romania, starting in 1993, was based on the background of profound transformations in political, economical and social layouts, determined by the transition of Romanian economy towards the competitive market economy.

According to Government Emergency Ordinance no 146 from November 2002, State Treasury is defined as being “a unitary and integrated system through which the state assures the execution of collections and payments regarding public funds, including the ones regarding public debt, and for other operations of the state, in safety conditions in accordance with the effectual legal dispositions”.

In modern economy, respecting the autonomy and organizational unification principles, and the liability of operations through the detachment of rights and responsibilities for credit’s sequencers and the accountants, during the process of diversifying the function and attributions of the Treasury, the state has entrusted to it duties and particular actions regarding its intervention in economy.

According to Ordinance no 1235 from September 19<sup>th</sup> 2003, “public institutions, regardless the financing and subordination, performs the operations of collections and payments through State Treasury units where they are fiscally registered”. Accordingly, for local and central public institutions, the State Treasury effectuates operations of offsets with and without cash in case of constitution and use of public resources.

In practicing these basic attributions, State Treasury must ensure a fiscal and operative control on collecting incomes and a precautionary control regarding the abidance of payments disposed by credit’s sequencers, in the limits imposed by legal stipulations and according to the destinations approved within each budget.

The State Treasury accountancy represents the main data base for the entire informational system of the state, that is why of the manner of its organization and management, depends widely on the correctness and, ultimately, the effectiveness of data reported through the informational system of State Treasury. For that matter, the Regulations regarding the implementing of Accountancy Law underlines the role of Treasury’s accountancy in constituting of national informational system hereby: “The Treasury’s Accountancy of public finances and public institutions constitutes the base of the informational system that functions from the base level up to the national economy’s level, with the help of which it is followed the permanent performance of public sector’s financial execution”.

Considering the main characteristics of fiscal-budgetary politics that are subordinated to the objectives of sustaining the growing of the economy and of reducing the inflation, aligning us to the opinions and recommendations of the European Commission, but also to the rating agencies appeared along with the seasonal evaluations, regarding the reducing of budgetary expenses, hence it results that, for avoiding the noted risks and, implicit the risk of starting the procedure of excessive deficit, it is necessary the embracement of a policy of limiting budgetary expenses and a more careful approach of the budgetary deficit, in consideration of the fact that these elements regard the public's general interest.

In these conditions, State Treasury is called to exercise one of its functions, that of administrator of public funds, function that assumes that all public financial resources to be collected, centralized and used through this financial institution, under a strict supervision and control.

### **The functions of State Treasury**

This function assumes that, permanently and at any time of the year, the report between collecting funds, on one hand, and the use of these under the form of cash payments on the other hand, to have a greater value, or in the worst case to be equal. In case that the degree of collecting public funds doesn't cover the payments and these are urgent, the treasury is obliged, invariable, to contract public loans without having the necessary rest, in many cases, to choose the most convenient version regarding the „cost” of this operation (rate of interest). Maintaining a suitable report in favor of collecting public funds is a real difficult problem during a construction of a budget with deficit, reason for which the public Treasury is obliged, almost permanently, to borrow funds for short term from the money market and for medium or long term from the financial market. In other words, the accomplishment of this function obliges the public Treasury to, on the ensemble of the circuit, the outcomes of funds for each action to be covered, compensated at any times with the entrances of funds, no matter their provenience: collection from taxes and fees, credit loans/bank loans (Central Bank), cash of its correspondents, internal or external public loans. To this end, the public Treasury must always „keep up”, from the point of view of funds' constitution, with the rhythm of effectuating the payments that have a greater regularity then collections.

Therewith, the State Treasury ensures the total correlation of incomes and expenses with the budget to whom they belong, which dictates that the collected incomes to be totally infused in the budget where they belong and the expenses, also, in their entirety to be supported by the budget

where they have been prefigured, the general rule being that an expense can be financed by only one budget. Also, the credit sequences to not make payments directly from the incomes in order to not eliminate the possibility of fiscal control on collecting incomes and the preventive control on making the payments through the compulsoriness of registering entirely the collections and payments. This principle is not working properly in the case of special funds budgets and owns incomes of public institution, being able to make expenses only after there have been previously constituted the necessary funds.

Regarding the collections of income, especially the making of payments from the budget must always be done only with the respecting of legal stipulations, the treasury's units wouldn't release the sums unless there were respected all the procedures regarding the commitment, liquidation and the ordering of the sums. The budgetary expenses have a precise and limited destination and they are determined by the authorization contained in the specific laws and in the yearly budgetary laws. Also, no expense can be included in public budgets, nor committed or made by these budgets if there is no legal base for that certain expense.

Regarding the making of the payments, the public institutions, regardless of their financing system and subordination are obliged to present to the State Treasury where they have opened the accounts, the approved income and expenses budget, distributed in trimesters under law conditions.

In deducting the sums cash or through transfer from the public institution's accounts for effectuating the expenses, State Treasury units verify the existence of income and expenses budget for that certain institution and the list of investments, approved under law condition, following the honoring of open or divided budgetary credits limits or of the funds availability, as is by case, and their destination, like some other objectives settled through methodological norms by the Ministry of Public Finances.

### **The features of fiscal policy**

Taking into account the current international context, the main features of fiscal policy in the period ahead, which will be subordinated to the objectives of sustaining economic growth and reduce inflation and achieve a budget deficit at a level correlated with macroeconomic objectives, regarding to the opinions and recommendations of European Commission and international financial organizations, regarding the reducing of public expenses for the purpose of diminishing current administration expenditures and the priority allocation of the resources

towards projects with multiplying effect in economy that represents the main way of limiting the economical decrease rhythm and for partial compensation of activity reduction from the private sector, for maintaining the budgetary balances, there are necessary some measures meant to reduce the volume of budgetary expenditures to a level that permits the honoring of internal and international commitments assumed by Romania's Government, including the ones regarding the level of budgetary deficit.

According to Government Emergency Ordinance 34/2009, the authorities and public institutions are prohibited from purchasing, leasing or rental of:

a) cars, as defined in par. (1) of art. 3 of Government Emergency Ordinance no. 109/2005 regarding road transport, approved with amendments by Law no. 102/2006, with later changes and completion.

b) Furniture and office equipment, as provided in subgroup 3.1 "Furniture" and 3.2. "Office equipment" in Group 3 "furniture, office equipment, protective systems of human values and materials and other tangible assets" of the Government Decision no. 2.139/2004 for approving the Catalogue regarding classification and the useful life of fixed assets, as amended, and the nature of their inventory intended to equip the office space.

Ensuring supply needs will be possible only through redeployment of the same institution or other public institutions. Exceptions to the above stipulations:

a) new public authorities and institutions established after the effective date of this ordinance, only in the first year of operation, if they do not come from the restructuring and / or reorganization of public institutions already existent;

b) acquisitions for projects financed by loans, foreign funds grants and related mutual financing and previous financing funds and funds from donations and sponsorships;

c) investment objectives implemented after the effective date of this ordinance, provided that in the general estimate of the work has been provided as an initial endowment;

d) renting cars by the Ministry of Foreign Affairs for ensuring the logistics necessary to the organization of foreign politics events, only in the situation that the vehicles from the institution park do not correspond to the objectives that must be accomplished.

Also, the payment of the invoices representing the value of purchased goods, performed services or effectuated works is made by the public institutions between 24-31 of each month.

In order to carry out the equilibrium conditions of public sector expenditures, the public institutions have the obligation to program its payments through transfer or cash, (according to the methodological norms approved by order of the Minister of Public Finance). Within three months from the date of entry into force of this ordinance, the payment terms associated with the closed legal commitments are correlated with the payment terms set out above.

Although the making of the payments is in the credit's sequencer's responsibility, treasuries operative bodies are obliged to exercise preventively a financial control on these, meaning they can not accept for pay the payment orders that have as object of payment material expenses forbidden to be made in the Government Emergency Ordinance 34/2009. Also, if the public institutions don't have forecasted the payments according to the valid legislation, or if the payments representing material expenses are realized until 24 of each month, these are rejected from payment from the operative treasury.

The way these measurements are applied and respected by the public institution is the responsibility of State Treasury units, these being called to ensure the proper compliance of the measures taken by the Government.

In case of failure for the Government Emergency Ordinance no 34/2009, the Minister of Public Finance is authorized to take the following measures:

a) blocking the appropriations of budgetary credits for the main credit sequencers of state's budget, the budget of state's social insurance, the budget of unemployment insurance, the budget of single national fund health insurance and local budgets;

b) the blocking of accounts opened of behalf of State Treasury units of public institutions funded partially or totally from their own income;

c) in case of not honoring the term of payment or the announced graphic of payments, the Minister of Public Finance reserves the right of removing from deduction the unannounced sums, and the responsibility for not deducting the order of payments presented to the territorial units of State Treasury is totally of the credit sequencers.

Considering the big volume of remaining payments registered by the administrative-territorial units towards the economic operators that perform services and works of locally public interest, also the debts that these register towards the state's budget, the budget of state's social insurance and the budget of special funds and also the stipulations of the stand-by arrangement between Romania and the International Monetary Fund regarding the remaining payments, that all these aspects target the public

interest and constitutes extraordinary and emergency situations whose regulation can not be postponed, according to the Emergency Ordinance no 51/2010. In the year 2010, the Minister of Public Finances grants to the administrative-territorial units loans from incomes obtained through privatization, registered in the general current account of State Treasury, with an interest of 6,25%, with a reimbursement term of maximum 5 years, with a grace period of one year to pay outstanding liabilities recorded by them on December 31, 2009 towards the economic operators that are suppliers of goods, services and works, including towards the economic operators that performs the public service of producing, transportation and distribution of heat in centralized system, outstanding at the date of requesting the loan. The period of granting the loan is settled in the loan conventions closed with the administrative-territorial units.

The sums granted to the administrative-territorial units on loan from the proceeds from privatization will be used exclusively for:

a) to settle outstanding tax obligations of economic operators, suppliers of goods, services or works of administrative-territorial units, including public service operators providing generation, transmission and distribution of heat in a centralized system;

b) to settle outstanding tax obligations of economic operators who have outstanding amounts of receivable sums from the public service operators providing generation, transmission and distribution of heat in a centralized system.

For requesting the loan from the Ministry of Public Finances, the administrative-territorial unit, through the main credit sequencer, prepares the application for requesting granting a loan from privatization incomes in accordance with the stipulations of Government Emergency Ordinance no. 51/2010, to which they attach the list of economic operators whose remaining obligations are extinguished within the requested loan and the copy of the local or county council resolution, by case, in which is approved the contract of the loan from privatization incomes registered in the general current account of State Treasury, stamped and signed, in accordance with the original.

The value of the loan requested by the administrative-territorial unit can not overcome the value of the smallest from the total of the obligations of outstanding payments registered by this on December 31, 2009 towards the economic operators providers of goods, services and works, including towards the economic operators that perform the service of providing, transportation and distribution of heat in centralized system, outstanding at the date of requesting the loan, and the total of outstanding tax obligations.

The sums granted as loan to the administrative-territorial units are transferred by the Ministry of Public Finance, from the incomes of privatization registered in the current general account of State Treasury, in account 50.02.44 "Available from loans granted from incomes of privatization according to Government Emergency Ordinance no 51/2010", opened at the territorial units of State Treasury on the name of the beneficiary administrative-territorial units.

The amounts recorded by the local administrative units on behalf of 50.02.44 "Available from loans of incomes from privatization as the Government Emergency Ordinance no. 51/2010" outlined in their accounts with account 550 "Available from funds for special purposes", analytically distinct. The administrative-territorial units retain in their account the sums for extinguishing the obligations stipulated in Government Emergency Ordinance no 51/2010 and transfers the corresponding amounts for extinguishing the obligations from Government Emergency Ordinance no 51/2010 in the account 50.70.34 "Available for economic operators from amounts received according to art 4, par. (2) from Government Emergency Ordinance no 51/2010", opened on the name of economic operators that perform public service in providing, transportation and distribution of heat in centralized system, to the administrative-territorial units of State Treasury.

The transfers of the sum in the account 50.70.34 "Available for economic operators from received sums according to art. 4, par (2) from Government Emergency Ordinance no 51/2010" is made by the administrative-territorial units, in term of 5 business days after receiving the above loan according to the maximum level of employment in amounts approved for extinguishing the fiscal obligations of the suppliers of goods, services and works of economic operators that perform the public service of providing, transportation and distribution of heat in centralized system, according to the loan conventions.

State Treasury units will accept for deduction the documents of payment for effectuating the operations only if these range between the sums communicated electronically by the General Direction of Treasury and Public Accountancy.

National Tax Administration Agency will communicate electronically to the competent tax authorities the list of economic operators suppliers of goods, services and works for the public service of providing, transportation and distribution of heat in centralized system and for the economic operators that have to receive outstanding sums from these ones, under their administration and also the allocated sums for the

administrative-territorial units with the purpose of extinguishing the tax obligations registered by them.

The competent fiscal body, through the service/department responsible for analytical evidence per payers, prepares the transfer notes of sums destined for extinguishing these obligations and sends them to the units of operative treasury.

The units of State Treasury have the obligation that within 5 days from receiving transfer notes send by tax authorities, to transfer the sums destined for the extinguishing of tax obligations from account 50.02.44 “Available from loans granted from privatization incomes according to Government Emergency Ordinance no 51/2010” in accounts of proper budgetary incomes, opened on fiscal identity codes of economic operators suppliers of goods, services and works of administrative-territorial units and respectively, of economic operators that performs public service of providing, transportation and distribution of heat in centralized system.

Also, the sums received in the account 50.70.34 “Available of economic operators from collected sums according to art 4, par. (2) from Government Emergency Ordinance no 51/2010” are transferred by the State Treasury units within 5 days from receiving the transfer notes made by tax authorities in accounts of budgetary incomes opened on fiscal identity codes of economic operators suppliers of goods, services and works of economic operators who perform the public service of providing, transport and distribution of heat in centralized system.

The above operations will be made by State Treasury units only if the sums included in the transfer notes are equal or inferior to those communicated in electronically system by the General Direction of Treasury and Public Accountancy. Contrary, the transfer notes will be refunded to the tax authorities for making the necessary corrections.

For the performed operations, State Treasury units issue statements for accountant holders, to which they will attach copies of the transfer notes made by tax authorities, afferent for the extinguishing operations of tax debt.

The sums that remain unused in the account 50.02.44 “Available from loans granted from privatization incomes according to Government Emergency Ordinance no 51/2010”, opened on the name of administrative-territorial units will be refunded by State Treasury units in the 30<sup>th</sup> day from collection, in account 65.01.01 “Deductions in the account of Central Treasury – own operations”, opened on the name of Ministry of Public Finances at the Central Operative Treasury, encoded with the fiscal identity

code of the administrative-territorial unit, with the purpose of privatization incomes reconstitution from the general current account of State Treasury.

The economic operators that perform the public service of providing, transportation and distribution of heat in centralized system transfers into the 30<sup>th</sup> day from collection the sums that remain unused from the account 50.70.34 “Available of economic operators from collected sums according to art 4, par (2) from the Government Emergency Ordinance no 51/2010” in the account 55.02.44 “Available from loans granted from privatization incomes according to Government Emergency Ordinance 51/2010”, opened on the name of the administrative-territorial units from which they have been received.

Within two business days from collecting the sums above, the administrative-territorial units refunds the collected sums from account 50.02.44 “Available from loans granted from privatization incomes according to Government Emergency Ordinance no 561/2010” in the account 65.01.01 “Deductions in the account of Central Treasury – own operations”, opened on the name of the Minister of Public Finances at the Central Operative Treasury, encoded with the fiscal identity code of the administrative-territorial unit.

In case that the administrative-territorial units do not respect the terms of refunding established in the loan conventions, the General Direction of Treasury and Public Debt is sending to the General Direction of Treasury and Public Accountancy, within 3 business days from the reaching the term of payment, the list of administrative-territorial units, grouped on counties, that register outstanding in payments and the total sum afferent for the rates of capital, the interest and delay interest.

The General Direction of Treasury and Public Accountancy together with The General Direction of synthesis of budgetary politics communicates to the territorial units of State Treasury, within 2 business days, the list received with the purpose to cease alimentation of those local budgets with broken shares from the income tax and with broken sums from some state’s budget incomes for balancing the local budgets.

Until the liquidation payment obligations of the administrative-territorial units, the broken shares from the income tax and the broken sums from some state’s budget incomes for balancing the local budgets, that have been ceased, will be allocated to the local budgets only for paying these outstanding obligations.

Another measure took by Romania’s Government to restore budget balance is to reduce the wages of the staff of public institutions, according to Law 118/2010 with 25%. The sums resulted from the decrease with 25%

of the gross amount of salary rights is transferred by the employers in the accounts of incomes of state's budget 20.36.01.20 "State's budget incomes - Payments from reducing the wages according to Law no. 118/2010", opened to the units of State Treasury in the area where employers are taking the tax records. The sums are transferred to the state's budget and then it is declared to the competent tax authority, by completing and filing Form 100 "Statement on payment obligations to the state budget", until 25 of next month following that for which it shall pay the salary.

### **Conclusions**

Through the Treasury, the Ministry of Public Finances disposes of specific analysis instruments in all the steps of elaborating, approving and implementing the state's budget, the budget of social state insurances and the local budget in order to maintain the financial, monetary, currency balance overall, and proper management of internal and external public debt of the state. Through this system there have been created the necessary conditions that the competent state authority to oversee the establishment of public financial resources and their use in the purpose for which they were assigned.

The public treasury can be considered a state service that ensures the great monetary and financial balances of the state, through the cash, banking and public accountancy operations, and also through its work of guardianship, funding and boost the economic and financial field.

It should be brought to attention the activity of numerous anonymous public clerks that activate in the units of State Treasury, which, because of their personal responsibilities, bring up a very effective defense wall if not against abuses of all kinds, at least against diversion and theft of public funds. In the exercise of authorities, they watch over the integrity of public funds, their function remaining one of the most important wheels of state.

As it is mentioned in his work "La direction du Tresor", the French author, Francois Eck, the general treasurer-cashier, helped by history-stratified administration, devoted to public service, preoccupied with competence and discipline, copes with missions that request a very high degree of effectiveness and takes responsibility of the function of repressed financial circuits of the state, of local communities and public institutions.

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