

# **PUBLIC ACCOUNTING REFORM IN ROMANIA**

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# PUBLIC ACCOUNTING REFORM IN ROMANIA 2002

The reform of public accounting in Romania started in 2002;

- It was a Government Decision that established: “**cash accounting will be supplemented by accrual accounting**”;
- The reform has been implemented step by step.

# **PUBLIC ACCOUNTING REFORM IN ROMANIA 2003**

- **Ministry of Public Finance was beneficiary of technical assistance by UK Glasgow Caledonian University:**
- Approval of the first version of a new Chart of Accounts based on accrual principles. It was applied on experimental basis in parallel with existing regulations by the some line ministries;
  - Introduction of the four stages of expenditures: commitment, validation, authorization and payment;
  - Accounting record of general consolidated budget claims (entitlements);
  - Reevaluation of tangible fixed assets and assets in progress, has been applied for the first time at the end of 2003 (based on price index at 31 December or by authorized valuers).

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# **PUBLIC ACCOUNTING REFORM IN ROMANIA 2004**

- Introduction of depreciation (amortization) for tangible and intangible fixed assets.  
(except: goods of the state public domain and of the territorial administrative-units public domain, lands, goods included in the national cultural patrimony (heritage assets), military equipment.

# **PUBLIC ACCOUNTING REFORM IN ROMANIA**

## **2004 - 2005**

Ministry of Public Finance was the beneficiary of the technical assistance twinning project:

***“ Improving the organization and performance of the public accounting system” together with Ministry of Economy and Finance from Italy and with Ministry of Economy, Finance and Industry from France.***

### **Components of the Project:**

1. Survey of existing accounting regulation, Chart of Accounts and Reporting System;
2. Transition to Accrual Accounting;
3. Accounting Methodology for the analysis of program-related costs;
4. Internal Settlement System of Treasury.

# **PUBLIC ACCOUNTING REFORM IN ROMANIA**

## **2004 - 2005**

### **Obtained results:**

- 1. A new Budgetary Classification** in accordance with COFOG and ESA'95 rules.
- 2. A new Chart of Accounts, improved with new elements of accrual accounting.**

The main changes were based on **transposing of some provisions** of the International Accounting Standards for Public Sector (IPSAS 1, 2, 4, 5, 9, 12, 17,19, 23, 24).

**It was officially approved at the end of 2005 and was applied starting with 2006.**
- 3. Cost accounting rules.**

# **PUBLIC ACCOUNTING REFORM IN ROMANIA 2007**

- At the end of 2007 was finalized the twinning project ***“Strengthening capacity building for the presentation of the Financial Consolidated Statements”*** in partnership with **Ministry of Economy and Finance** from Italy.

## **Components:**

- Methodological Norms for consolidating financial statements and budget execution reports;
- Improved skills of staff entrusted with consolidation of accounts;
- IT system requirements for consolidation of accounts.

# **PUBLIC ACCOUNTING REFORM IN ROMANIA 2011**

- **Assesment of IPSAS adoption in Romania by the World Bank**
- **Recommendations on:**
  - improved compliance with adopted IPSAS Standards;
  - consolidation;
  - budget information in financial statements;
  - recommendations based on experiences in other countries.



# THE CHARACTERISTICS OF PUBLIC ACCOUNTING

## current status

In Romania there are almost 13.650 public institutions

- All of them have an own accounting office;
- All of them use double-entry method;
- All of them apply accrual accounting rules;
- The Chart of Accounts, the budgetary classification and the model of financial statements are unique.

## ***The advantages of accrual accounting***

- accrual accounting is more complete than cash accounting;
- it imposes to public institutions the recording of assets, liabilities, capital, revenues and expenses, thus supplying a clearer image on the assets and liabilities of the public institution.
- it emphasizes transparency and accuracy;
- the recording of fixed assets and the recognition of their depreciation helps authorizing officers to adequately manage fixed assets;
- the information on expenses is important so as to take sound decisions regarding financing future services and allocating resources;

## ***The advantages of accrual accounting***

- the information on revenues enables budgetary creditors to know the size of outstanding debts, with a view to taking the most appropriate measures for increasing the degree of revenue collection;
- it allows for measuring the costs of services supplied on an aggregate basis and permits, for a better analysis, the measurement of the costs of programs and activities;
- supplies information on the performance or lack of performance of public institutions, in economic terms, and not only regarding the existence of cash available.

## **Difficulties encountered during the implementation of accrual accounting**

- Delay in drawing up the financial statements by the public institutions and correspondingly delay in submitting them to the Ministry of Finance;
- Accrual data are not entirely reliable (for the purpose of reporting to the European Union cash data are used and are adjusted with debts and liabilities).

# ACHIEVEMENTS DURING THE PERIOD 2013-2016

- Romania has implemented a new integrated IT system, for the Ministry of Finance have access to detailed information for each public institution (budget, budget execution, budget and legal commitments, trial balance, financial statements and other reports) and information system to produce aggregated and consolidated governmental financial statements.
- From August 2016, all public institutions started to use functionalities of a new integrated reporting IT system (budget, budget execution, budget and legal commitments).
- Also, a limited number of public institutions (300) began to submit trial balance in the system for generating financial statements.

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**Balanta de verificare** Situatie Financiara Rectificativa

Data intocmire 30.09.2016

An 2 0 1 6 Luna 0 9

Ministerul Finantelor Publice

**SECTIUNEA A - Informatii generale**

Denumire Entitate Publica EP

CIF Entitate Publica 1 9

Sector bugetar 01 Bugetul de stat

**01 Bugetul de stat - A. Integral de la buget**

Sterge

Simbol Cont  Denumire Cont 

Structura cont contabil XXXXXXXX01XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Total Rulaj Debitor cumulat Total Rulaj Creditor cumulat **Adauga cont**

Simbolul conturilor	Denumirea conturilor	Total Rulaje cumulate		
		Debitoare	Creditoare	
Sintetic gr. I, II, III		1	2	3
10100001XXXXXXXXXXXXXXXXXXXXXXXXXXXX	Fondul bunurilor care alcatuiesc domeniul public al statului	37.690.517,43	37.690.517,43	Sterge

## The structure of accounts (synthetic and analithical)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40
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1-3

4, 5

6, 7, 8, 9

10

11 - 16

17 - 22

23 - 27

28 - 40

13 analytical characters – fiscal identification number of partner

5 analytical characters – subsector/sector ESA of partner

6 analytical characters – economic clasification : title, article, subarticle

6 analytical characters – functional classification : chapter, subchapter, paragraph (revenue and expences)

1 analytical characters - source of financing

2 analytical characters – public sector : central, local, social security

2 syntetical characters – (III)

2 syntetical characters – (II)

3 syntetical characters – (I)

# INPUTS

## **Monthly Inputs:**

- Opening trial balance (only at the entering in the system, with initial balances at 1<sup>st</sup> of January);
- Trial balance (only total debit amounts and credit amounts);
- Other reports.

## **Quarterly inputs:**

- Trial balance (only total debit amounts and credit amounts);
- Other reports.



# INPUTS

- **Annually inputs:**
- Statement of changes in net assets and equities;
- Shares of state owned in social capital of private companies;
- Shares of the municipalities owned in social capital of private companies;
- Statement of tangible fixed assets;
- Statement of intangible fixed assets;
- Inventories;
- Statement of financial assets.

## **OUTPUTS (produced based on trial balance)**

- **Trial balance:**
- Balance sheet;
- Profit and loss account (Income Statement);
- Cash flow statement;
- Notes :
  - Receivables;
  - Payables;
  - Provisions;
  - Revenue from taxes, social contributions;
  - Revenue from exchange transactions.

## **Other outputs (not produced based on trial balance):**

- Statement of changes in net assets and equities;
- Shares of state owned in social capital of private companies;
- Shares of the municipalities owned in social capital of private companies;
- Statement of tangible fixed assets;
- Statement of intangible fixed assets;
- Inventories;
- Budgetary execution account – revenue;
- Budgetary execution account –expences;

## PLANS FOR FUTURE

- Improving of IT system, mechanism for reconciliations; In 2017, parallel run of new system and the actual IT system for all public institutions;
- Romania will support the development of EPSAS or a directive setting out the principles of the accounting of public institutions, definitions, format of financial statements, valuation rules;
- Improving of accrual accounting and convergence with other IPSAS (first group of IPSAS established by the EC for transposing into EPSAS: IPSAS 1, 2, 3, 4, 5, 9, 10, 11, 12, 14, 16, 19 );

**THANK YOU!**

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