

INNOVATIVE PERSPECTIVES ON THE ACCOUNTING OF ROMANIAN PUBLIC INSTITUTIONS OF ACADEMIC EDUCATION

Cristina-Petrina Drăgușin Ph. D Student
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania
Prof. Maria Criveanu Ph. D
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania

Abstract: At national level, the subject of public accounting is more relevant than ever, the legislator showing intense concerns for modernizing the specific rules in order to adapt to the requirements of the actual economy, under the significant impact of globalization as an overall phenomenon. Therefore, our paper presents the accounting of Romanian public institutions in full reformist process, starting to take shape the new vision in the field on the background of the community approach of contouring the European Public Sector Accounting Standards (EPSAS) starting from the International Public Sector Accounting Standards (IPSAS). Moreover, the normative "revolution" with impact on public accounting manifested in our country starting with 2014, leads us to anticipate important innovations on financial reporting in public institutions of academic education on the background of the obvious trend of rallying to the community paradigm.

JEL classification: H83, M41, M48.

Key words: public universities, EPSAS, IPSAS, accounting codification, financial reporting.

Track: Financial And Managerial Accounting In The European And International Context

Category: Interactive paper

1. INTRODUCTION

In recent years, due to the global economic and financial crisis, state universities, like most public sector entities, face significant financial pressure caused both by the restrictive budgetary resources and the reduction of extra-budgetary resources.

To restore the balance expected sustained efforts are needed to lead ultimately to a better management of public resources. In this regard, based on the principle that a higher quality accounting education leads to a better financial reporting that facilitates the dissemination of information extremely useful for decision making by stakeholders, the reform of public accounting systems and their harmonization at the Community level on the accrual principles are necessary.

The current investigative approach aims a topical issue and captures the accounting of public institutions of academic education in our country in fully reformist process because, starting with 2014, the new vision in the field of public accounting begins to take shape, on the background of the obvious tendency to rally to the Community paradigm.

The paper begins with the presentation of the research methodology, after which it focuses on the literature review, on the European Public Sector Accounting Standards (EPSAS) and subsequently on the innovations in financial reporting in public institutions of academic education in Romania. The end of the research is reserved for conclusions through which we aim to capture the accounting emergence of public universities currently and in the future.

This work is part of an extended research which will compile the doctoral thesis entitled “The accounting and financial management of public institutions of higher education”.

2. THE RESEARCH METHODOLOGY

The paper takes shape especially using the scientific documentation starting from rich bibliography references including: publications from the literature in the field, studies and articles, research papers, all under the auspices of the newest legislation in effect. Also, specific means of scientific research are used such as: observation, analysis, synthesis, induction, deductive reasoning and exemplification.

3. LITERATURE REVIEW

This paper falls into the category of papers regarding the recent developments in public sector accounting. Papers on this subject have been written by several authors in our country, namely: Tudor Tiron (2013), Stefanescu (2013) and Alecu (2013).

Tudor Tiron¹ captures the latest reporting challenges launched to the public sector entities and points to the need to increase the public administration responsibility through upgrading the reporting system. Also, the author outlines the impact of global and community influences on the national reporting system.

Stefanescu² has expressed her interest in the role of the accounting education in improving the reporting in the public sector. The author develops the national socio-economic context in which the public sector accounting reform takes shape, highlighting elements such as: uncertainty of long-term development strategy of the specific accounting, the over-regulation of the sector, the need for information transparency, the improvement of the credibility of information disseminated through the reports, the need for professional staff prepared to the highest quality standards.

In turn, Alecu³ focused intensely on the accounting news applicable to the Romanian public sector institutions. She extensively develops the reform of public accounting and debates the need for changing the reporting system, making a broad theoretical research coupled with pragmatic inserts that increase the probative force of her investigative approach.

Although the literature that came to support the development of this article is mostly Romanian, we have consulted also foreign literature by representatives such as: Bessette (2013) and Muller-Marques Berger (2013).

Thus, Bessette⁴ enhances the role of IPSAS as single set of accounting standards for public sector internationally recognized and focuses on the idea that they are based on the

¹ Tudor Tiron, A., Conferința internațională ”Implicarea profesiei contabile în dezvoltarea calității raportărilor financiare din sectorul public”, CECCAR, București, 2013.

² Stefanescu, A., *Rolul educației contabile în îmbunătățirea raportărilor din sectorul public*, Conferința internațională ”Implicarea profesiei contabile în dezvoltarea calității raportărilor financiare din sectorul public”, CECCAR, București, 2013.

³ Alecu, G., *Dezvoltări și inovări privind raportarea financiară în instituțiile publice din România*, Conferința internațională ”Implicarea profesiei contabile în dezvoltarea calității raportărilor financiare din sectorul public”, CECCAR, București, 2013.

⁴ Bessette, F., *Is Europe ready for EPSAS?*, March 2013.

<http://blog-pfm.imf.org/pfmblog/2013/03/is-europe-ready-for-epsas.html>

International Financial Reporting Standards (IFRS) widely applied in the private sector. A recent European Commission report⁵ notes that 15 of the member states have already made connections with IPSAS, so: nine of them have standards based on IPSAS, five just refer to them, while one is already using IPSAS for the accounting of local administration. However, despite recognizing the high value of IPSAS, no state member fully applies them yet.

In turn, Müller-Marqués Berger⁶ supports the hypothesis by which the future of public accounting at pan-European level will result in the harmonization of accounting standards based on commitments, taking as a reference framework IPSAS.

4. TOWARDS EUROPEAN PUBLIC SECTOR ACCOUNTING STANDARDS

In the context of Romania's accession to the European Union and beyond, as a member, significant reforms have been initiated for the purpose of the convergence of public accounting to the International Public Sector Accounting Standards (IPSAS).

We consider particularly important to highlight that it is the case of a process of convergence between the national accounting regulations in public sector and IPSAS, without following an absolute harmonization with them. Basically, the convergence process implies taking in the Romanian accounting legislation the conceptual framework and some of the IPSAS treatments, with no intention of full compliance. Moreover, each state has its own specific features and its own national law, having in the same time the right to set accounting standards and guidance on financial reporting. However, even though IPSAS cannot be fully implemented, we believe that they consist in a solid basis for consultation.

Therefore, in our country, the public accounting reform started with the transposition in the national law of some provisions of the International Public Sector Accounting Standards (IPSAS). Concretely, from the 32 IPSAS regarding the accrual accounting, until today only 10 have been implemented, according to the information in Table no. 1.

Table no. 1 - IPSAS Standards Transposed into the Romanian Legislation so far

Period	The followed objectives
IPSAS 1	Presentation of financial statements
IPSAS 2	The statement of cash flows
IPSAS 4	The effects of changes in exchange rates
IPSAS 5	The borrowing costs
IPSAS 9	Revenues from exchange transactions
IPSAS 12	Stocks
IPSAS 17	Tangible assets
IPSAS 19	Provisions, liabilities and contingent assets
IPSAS 23	Revenues from other transactions than exchanges
IPSAS 24	Presentation of information concerning the budget in the financial statements

Source: Processing after Alecu, G., Dezvoltări și inovări privind raportarea financiară în instituțiile publice, CECCAR, București, 2013.

However, the European Commission aims, as a finality of the "revolution" in public accounting, the development of EPSAS (European Public Sector Accounting Standards), starting from IPSAS. To this end, some IPSAS will be taken as they are, others will be modified for the implementation and concomitant European standards will be developed for specific problems (data reporting according to ESA 95 / ESA 2010).

⁵ Towards harmonised European Public Sector Accounting Standards <http://www.epsas.eu/en/>

⁶ Müller-Marqués Berger, T., *European Standard-Setting Trends in the Public Sector (EPSAS)*, International Conference: The Accounting Profession's Commitment to Improve the Quality of Financial Reporting in the Public Sector, Bucharest, 2013.

The EPSAS emergence took shape on the background of several conferences and group meetings that took place in Brussels and Luxembourg since 2013. Moreover, in the coming period, in order to ensure a rigorous planning of the reform, ambitious objectives are targeted with clearly defined implementation horizons, as can be seen from the table below:

Table no. 2 – The EPSAS Reform Planning

Period	The followed objectives	Implementation horizon
2014 – 2015	Developing a framework including the EPSAS principles and the opening balance	2016 – 2018
2015 – 2017	Developing EPSAS standards	2018 – 2019
2017 – 2018	Developing the standards for the accounts consolidation of the entire governmental system	2019 – 2021

Source: Processing after Alecu, G., Dezvoltări și inovări privind raportarea financiară în instituțiile publice, CECCAR, București, 2013.

Through the EPSAS approach, significant benefits for public institutions (and implicitly for public universities) are being anticipated such as: gains related to the implementation of a new IT system; a better information management allowing higher quality decisions substantiation with great impact on the use of the resources. This latter goal will result with the help of the costs accounting operations and programs, but also through the accrual basis budgeting.

5. INNOVATIONS REGARDING THE FINANCIAL REPORTING IN ROMANIAN PUBLIC UNIVERSITIES

Obtaining the member statute with full rights in the European Union required Romania, among other things, the development of public accounting.

Therefore, starting with the budgetary year 2006, all public institutions of academic education in Romania switched from *cash accounting to accrual accounting* under the new accounting regulations applicable. In fact, the approaching of the national regulations to IPSAS is mainly done using the accrual accounting, which draws similarities between the two referential.

But, unfortunately, in 2006 the modernization process was stopped, without the accounting standards in effect supporting improvements in order to achieve the informational objectives set by the Accounting Law. Under these conditions, the modernization of public universities reporting system appears as a necessity, being supported by strong arguments such as:

- data transmission to EUROSTAT at COFOG III level (for revenues – classification on chapters, subchapters, paragraphs, and for expenses - classification on chapters, subchapters, paragraphs, titles, articles, items) will become compulsory;
- there are detailed information requests from international bodies regarding not only the budgetary and legal commitments, but also the budgetary execution in functionally and economically plan;
- the quality improvement of financial and statistics information is necessary;
- the increase of the speed for obtaining information and their storage capacity are required.

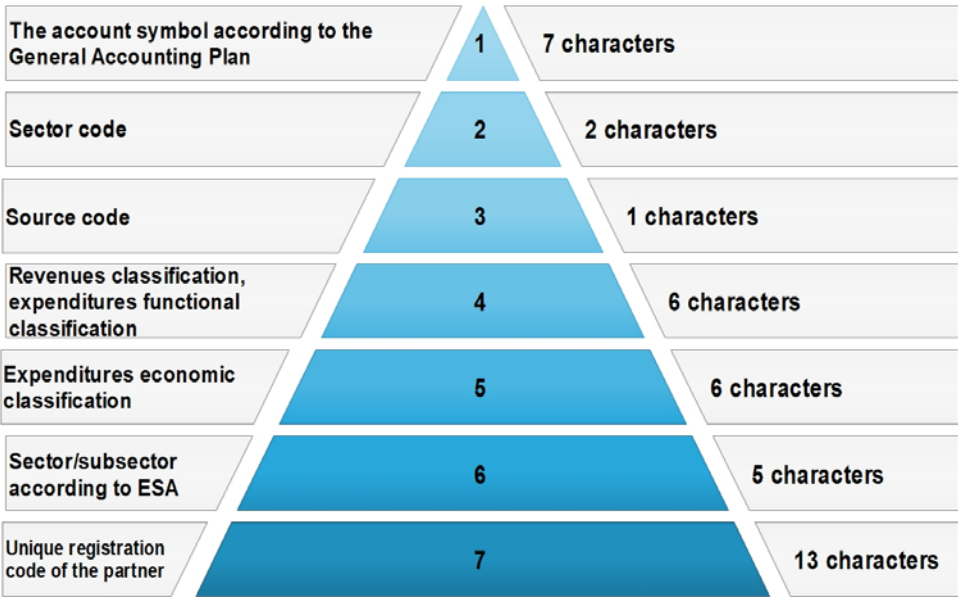
The modernization bases of financial reporting in Romanian public institutions were set through a project funded from non-refundable external funds post-accession entitled *ForExeBug* (The Operational Program for the Administrative Capacity Development co-financed from the European Social Fund). Within it, *the main elements proposed for the reporting system innovation of Romanian public institutions of academic education* include:

developing the revenues and expenditures cash accounts at COFOG third level; the control of universities legal commitments (orders, contracts) in the Treasury; the transmission, by each public university, of a standardized analytical balance to the Ministry of Public Finances; eliminating the centralization of the synthesis periodic reports to the Ministry of Education and Scientific Research as spending Ministry.

In 2014 important steps towards modernization have been made, by adopting numerous laws that have brought significant changes for public institutions and hence their accounting and reporting system.

The new regulations have brought a new General Plan of Accounts for public entities, revolutionizing *the accounts coding method*. Thus, the synthetic accounts grow up to the level of synthetic accounts of the third degree, and the latter, in order to report the balance to the Ministry of Public Finances, develop to analytical accounts. More specifically, any account is encoded in the system using 40 characters of which: 7 characters compulsory for the synthetic accounts and 33 characters compulsory for the analytical accounts. In the accounting records the use of the 40 characters is mandatory, to which may be added, optionally, additional analytics as needed.

The coding method for the compulsory analytical accounts is built on an algorithm in 7 steps shown in the figure below.



Source: Own projection after the Order of the Budget Delegated Minister no. 556/2014

Figure no. 1 – The Algorithm for Building the Compulsory Analytical Accounts Coding

For instance, at a public institution of academic education, according to new accounting regulations, an invoice for advisory services is recorded as it follows:

6220000/01/F/650601/201200/21100/13X	*	4010100/01/F/650601/201200/21100/13X
	*	

where:

6220000, 4010100	*	The symbols of the correspondent accounts "Expenses regarding commissions and fees", "Providers under 1 year"
---------------------	---	---

01	*	The budgetary sector code of which the public institution belongs to "State budget (central administration)"
F	*	The financing source of the public entity „Fully from own revenues”
650601	*	Chapter 65 „Education”, Subchapter 06 „Higher education”, Paragraph 01 „Univeristy education”.
201200	*	Expenses economic classification „Consulting and expertise”
21100	*	Sector/subsector S211 „UE State members”
13X	*	Unique registration code of the partner

Also, under the new General Accounting Plan applicable to public entities, some old accounts were deleted, others were replaced by other accounts and, simultaneously, new accounts were introduced.

Table no. 3 - SWOT Analysis on the New Financial Reporting System of the Romanian Public Institutions

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Romania's alignment to the European accounting standards; • increasing the efficiency and the transparency of public administration by using an uniform reporting system; • the prompt dissemination of some detailed information regarding the use of public funds, on the budgetary classification existing template, causing the improvement of the financial discipline in the sector; • a modern way of reporting the financial statements - electronic, standardized, secure format, facilitating the automatic consolidation; • a high degree of confidence on the information provided, guaranteed by the cross validations that can be achieved through the new system; • the improvement of budget management by reducing the tasks related to the reporting activities and time reallocation for decision and analysis activities. 	<ul style="list-style-type: none"> • allocation of important resources to staff training in order to correctly use the new reporting system; • the immediate investment in expensive specialized software, which forces the public institutions in abandoning other investment projects in the context of chronic underfunding.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • reducing the number of forms for quarterly and annual reports and implicitly reducing time and effort for preparing the financial statements; • the collection of incomes and expenditures budgets of the reporting entities and providing real-time information on their progress; • the automatic validation of the revenues and expenditures budgets which would meet the approved limits and the automatic processing of any corrections; • the automatic generation of consolidated financial statements. 	<ul style="list-style-type: none"> • the urgent need of professional accounting staff trained to appropriate quality standards.

Source: Own projection

In addition to the new way of coding the accounts, the new regulations impose *other encodings with significant impact on the reporting system of public universities*, among which: coding of receivable and debts accounts in current and non-current in order to obtain

the balance sheet and the notes from the system; encoding by types the receivables and debts accounts in order to consolidate the accounts in the system; coding the availabilities accounts for treasury and credit institutions for the automatic obtaining of the Statement of Cash Flows.

Finally, the innovative financial reporting process aims at transmitting, by each public institution, of an analytical standardized balance to enable the generation of some components of the periodical reports from an integrated IT system entitled ForExeBug (balance sheet, patrimonial result account, cash flow statement, notes), while the other components of the financial statements will be submitted on an electronic platform entitled Dedoc.

Also, we considered appropriate to perform a SWOT analysis that allowed us to outline a comprehensive view on the new system of financing reporting in the Romanian public institutions and to identify the strengths, weaknesses, opportunities and risks related to it (Table no. 3).

6. CONCLUSIONS

The research conducted allowed us to observe that in 2014, the accounting of public institutions of academic education has been experiencing a substantial reform, attracting significant progress. The changes mainly focused on: changes in the plan of accounts, new ways of accounting codification and opening availabilities accounts in the Treasury on each subdivision of the budgetary classification template.

Through these changes, ambitious goal are pursued such as: eliminating centralizing the periodic summary reports by the Ministry of Education and Scientific Research as spending Ministry, the standardization of the analytical balances of public universities in order to centralize them at the Ministry of Public Finances and also the control of their legal engagements in the Treasury.

We believe that these innovative approaches are important steps towards improving the quality of accounting information and statistics while facilitating increased speed of obtaining them.

It seems that the finality of the "public accounting" revolution aims to develop the European Public Sector Accounting Standards (EPSAS). Through this approach, significant benefits for public institutions (and therefore in favor of public universities) are anticipated, including: gains related to the implementation of a new IT system and a better management of information to permit the better quality decisions substantiation with advantageous impact on the use of the resources.

Using the SWOT analysis undertaken, we highlighted many strengths and opportunities in the implementation of the new financial reporting system. *We conclude by expressing our view that these pluses, corroborated with the need to remove the historical impediments in financial reporting of public institutions from the Romanian legislation, result in solid arguments for the practical use of the ForExeBug system. In this sense, we advance an optimistic predictive vision, believing that the new system will help to modernize the Romanian public sector accounting and will direct it towards convergence with EPSAS. Regarding weaknesses and risks identified in the SWOT analysis, we consider that they will be eradicated over time as the system is implemented, the pro arguments being much more consistent.*

ACKNOWLEDGEMENTS:

This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/140863, Competitive Researchers in Europe in the Field of Humanities and Socio-Economic Sciences. A Multi-regional Research Network.

REFERENCES

1. Alecu, G. Dezvoltări și inovări privind raportarea financiară în instituțiile publice din România, Conferința internațională ”Implicarea profesiei contabile în dezvoltarea calității raportărilor financiare din sectorul public”, CECCAR, București, 2013.
<http://ceccar.ro/ro/wp-content/uploads/2013/11/Dezvoltari-si-inovari-privind-raportarea-financiara-in-institutiile-publice-G.-Alecu.pdf>
2. Bessette, F. Is Europe ready for EPSAS?, March 2013.
<http://blog-pfm.imf.org/pfmblog/2013/03/is-europe-ready-for-epsas.html>
3. Epsas.EU Towards harmonised European Public Sector Accounting Standards <http://www.epsas.eu/en/>
4. Müller-Marqués Berger, T. European Standard-Setting Trends in the Public Sector (EPSAS), International Conference: The Accounting Profession’s Commitment to Improve the Quality of Financial Reporting in the Public Sector, Bucharest, 2013.
<http://ceccar.ro/ro/wp-content/uploads/2013/11/European-Standard-Setting-Trends-in-the-Public-Sector-EPSAS-Thomas-Mueller.pdf>
5. *** OMDB nr. 556/2014 pentru aprobarea Normelor metodologice privind întocmirea și depunerea situațiilor financiare trimestriale ale instituțiilor publice, precum și a unor rapoartări financiare lunare în anul 2014, publicat în Monitorul Oficial nr. 276 din 15.04.2014.
6. Ștefănescu, A. Rolul educației contabile în îmbunătățirea raportărilor din sectorul public, Conferința internațională ”Implicarea profesiei contabile în dezvoltarea calității raportărilor financiare din sectorul public”, CECCAR, București, 2013.
<http://ceccar.ro/ro/wp-content/uploads/2013/11/Rolul-educatiei-contabile-in-imbunatatirea-raportarilor-din-sectorul-public-Aurelia-Stefanescu.pdf>
7. Tudor-Tiron, A. Conferința internațională ”Implicarea profesiei contabile în dezvoltarea calității raportărilor financiare din sectorul public”, CECCAR, București, 2013.
<http://ceccar.ro/ro/wp-content/uploads/2013/11/Implicarea-profesiei-contabile-%C3%AEn-sectorul-public-Adriana-Tiron.pdf>