

FINANCIAL AND ACCOUNTING MANAGEMENT IN PUBLIC CULTURAL INSTITUTIONS

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Abstract:

According to the Accounting Law, public institutions are obliged to organize and run their own accounting, financial accounting and, where appropriate, management accounting.

Accounting for public institutions provides credit information on income and expenditure budgets, outcomes of budget execution, assets in administration, the patrimonial (economic) result, cost of the programs approved in the budget, and information necessary to determine the annual general account for the State's budget execution, the annual execution account of the state social insurance and special funds budget.

Key words: *accounting, culture, financial-accounting, budget, management contract*

JEL classification: *M41*

According to the existing regulations in public finance and accounting, public accounting includes:

- a) accounting of revenues and expenditures, reflecting the collection of revenue and expenditure payments for the budgetary year;
- b) state treasury accounting;
- c) general accounting based on the principle of establishing the rights and obligations that reflect the evolution of the financial and economic situation, as well as the patrimonial surplus or deficit;
- d) accounting for cost analysis of approved programs.

The credit officer or another person who has the obligation to manage that unit has the responsibility for organizing and leading accounting in public institutions.

Public institutions organize and manage accounting, usually in separate departments, led by the chief financial officer, chief accounting officer or another person empowered to perform this function. These persons should have higher economic studies and they are responsible, together with the subordinated staff, for accounting organization and management, under the law.

The head of finance and accounting department is the person occupying the position of financial-accounting management that is also responsible for the revenue collection activities and payment of expenses, or one of the persons who fulfill these tasks in a public institution that does not have in its structure a financial accounting department, or a person who performs these tasks on a contract basis, under the law. Public institutions in which accounting is not organized into separate compartments or that have no staff employed under individual employment contract under the law, may contract, for the provision of accounting services, individuals or legal persons authorized by law, members of the Corps of Experts Licensed Accountants of Romania. The conclusion of contracts is subject to compliance with the regulations on procurement of goods and services. The payment of these services will be made from public funds for this purpose.

The persons¹ responsible for organizing and managing accounting must ensure, by law, the necessary conditions for:

- a proper organization and management and updating of accounting;
- organizing and conducting inventory of assets and liabilities, as well as results exploitation;
- compliance with the preparation rules of financial statements, their submission in time to law enforcements;
- preserving documents, records and financial statements;
- management accounting organization adapted to the specific public institution.

At the ministry level, accounting is organized by a distinct department, namely the Budget, Finance, Accounting Department, headed by a director and two assistant directors, it ensures fulfillment of the duties incumbent upon the ministry in the economic - financial, technical, public assets, investments, public procurement and information technology and administrative field.

1. In the **economic and financial** field

- ensures the drafting of the annual budget of revenues and expenses for the ministry and subordinate institutions, based on substantiating and documentation prepared by departments/specialist departments in the ministry and subordinate institutions;

- designs, distributes and submits for approval to the principal credit officer, the allocation of budgetary appropriation and other financial resources of the Ministry of Culture and tertiary officers, at the deadlines specified in the state budget Law, while ensuring the tracking and classification of expenditures respecting the level and structure approved for each funding recipient and subordinated institution;

- verifies and approves the income and expenditure budgets of the institutions subordinated in the limits of the funds distributed by the chief credit officer;

- updates the budget of the Ministry of Culture with all the influences involved, namely credit transfers, budget adjustments, additions to the budget reserve fund to the Government;

- draw up the centralized situation regarding staff costs monitoring for the institutions subordinated to the Ministry of Culture, that are funded entirely by the state budget and it delivers it at the deadlines set by the Ministry of Finance;

- provides reports and consolidated financial statements for the institutions subordinated and for the Ministry (quarterly and annually);

- verifies the ministry budget execution on budgetary classification chapters (monthly).

2. In the field of **preventive financial control**, the department exercises, according to the law, preventive financial control over all transactions and documents from which property rights or obligations between the Ministry and other individuals or legal persons and the use of materials and money funds in the revenue and expenses budget of the Ministry, under the appropriate accompanying documents, signed in advance by the head of the division/specialty department that initiates the operation, by applying the department visa ("Certificate regarding the reality, regularity and legality"), documents showing that the operations are necessary, appropriate and lawful.

- Subject to preventive financial control are the operations which are mainly: legal and budgetary commitments; opening and distribution of credits; modifying the distribution of the quarterly budget classification and subdivision of approved credits, including credit transfers; expenditure authorization; public revenue formation,

¹ Mardiros D.N., Scorțescu F.I. – Contabilitate publică, Editura Ion Ionescu de la Brad, Iași, 2007

regarding the titles of collection on licensing and establishment; concession or rental of goods from the private domain of the state.

Public cultural institutions are required to organize and run their own accounting, financial accounting and, if necessary, management accounting.

Rhodes, based on research findings of Hood (1991), believes that managerialism in Great Britain should result in the creation of managerial capacity in public institutions to integrate the "3 E", namely, economy, efficiency and effectiveness. The new public management is based on the following core values:

- Guidance on management in public institutions and not on general policy pursued by politicians;
- Focusing on performance measurement in public institutions and considering economic efficiency as the final form of its reflection;
- Division of bureaucracy and public financial management;
- Market-orientation of public institutions;
- Reducing maintenance costs and administrative functioning in general and public institutions, particularly;
- Remodeling the management style of public institutions focusing on the results, complying deadlines included in strategies, policies, programs, material motivation and freedom to manage.

They consider² that the basic principles and values for public management at government level are:

- Promoting competition between providers;
- Developing participatory dimension of public management by exercising control from outside the bureaucratic system by community members, namely citizens;
- Measuring performance of public institutions based on the results obtained and not on the volume and value of entries;
- Management orientation of public institutions towards achieving the objectives derived from the mission and not for the application of laws, regulations and methodological rules;
- Considering the service users as customers who are provided with a wide offer of services by various providers;
- Increasing the dimension of public management forecast to anticipate the content of services and prevent the occurrence of problem situations;
- Energy concentration in attracting and winning resources only for their consumption;
- Decentralization of authority and encouraging participatory management;
- Promoting market mechanisms instead of the bureaucratic ones;
- Coordination and integration of elements of the public services system, delivered by the public or private sector, to address specific community problems.

Of course, radical changes in public management in general and organizational culture of public institutions in particular, involve a series of costs that governments in developed countries have understood that they have to bear in time for the simple reason that there is no way back to the traditional model.

To ensure efficiency of public institutions of culture and continuity of management, hiring general directors or directors, as appropriate, referred to as heads of public institutions of culture, from public institutions of culture, is made by management contract based on a contest on management projects.

² Pitulice C., Glăvan M. – Contabilitatea instituțiilor publice din România, Editura Contaplus, Ploiești, 2007

The management contract is treated as an individual employment contract for an indefinite period and is concluded with the chief credit officer of public authority subordinated or operating under the authority of a public cultural institution.

The manager³ has mainly the following responsibilities:

- to ensure management and administration, under the law, of institutions' heritage integrity;
- to fulfill its obligations, of the project management provided in the appendix to the management contract;
- to meet the cultural programs and minimum cultural projects, as well as cultural and economic indicators. These are negotiated annually, within 15 days of approving the budget of the institution and are included in an addendum to the management contract.
- to select, hire, promote, reward, penalize and dismiss staff employed in compliance with legal provisions;
- to establish service responsibilities of staff from the departments, according to the rules of organization and functioning of the institution, approved by job descriptions;
- to adopt measures to achieve the institution's annual revenue and expenditure budget provisions, for developing and diversifying extra income sources;
- to ensure the destination of the budget allocations approved by the chief credit officer;
- to manage, with due diligence of a good owner, the assets of the public institution;
- to represent the institution in its relations with third parties ;
- to conclude legal acts on behalf of the institution, under its jurisdiction;
- to present to the employer, whenever necessary, the economic and financial situation of the institution, how to achieve the objectives and indicators of the management project, including measures to optimize its activity, where appropriate.

The project management, including targets and cultural indicators that the manager commits to achieve, is provided in the appendix to the management contract. During the execution of the contract the parties may amend, by mutual agreement, the objectives and cultural indicators, for justified reasons, in order to adapt them to the changing conjuncture of the institution.

The manager is obliged to use all his capacity to work in the interests of the institution. The manager is prohibited to engage in any activities and events that are likely to damage the interests and prestige of the institution.

The project management, as well as its objectives, minimal list of programs, measurable performance indicators, economic indicators and cultural indicators, that the institution must achieve annually and the assessment criteria are provided in appendices to the management contract.

According to existing regulations in public finance and accounting area, public accounting includes:

In Romania, the Public Finance Act introduced an original version of the budget organization, which is applied to the "national public budget" held by the country's Constitution.

The Romanian Constitution stipulates that the national public budget consists of: state budget, local budgets and state social insurance budget.

³ Pitulice C., Glăvan M. – Contabilitatea instituțiilor publice din România, Editura Contaplus, Ploiești, 2007

The originality of this choice for organizational budget lies in the fact that the national public budget includes along with the state budget, local budgets and state social insurance budget, which, as local budgets, is autonomous from the state budget.

Also, according to law, public financial resources management is achieved through a uniform system of budgets that include: the state budget, state social insurance budget, local budgets, special funds budget, state treasury budget, budgets of other independent institutions.

This uniform system, linked by funds, forms the general government budget that highlights the public financial flows of forming tax and non-tax revenues and their distribution on the destination, in accordance with social needs and specific objectives of financial policy to which it relates.

Identifying the functions and role of the budget system has as a starting point the functions and role of public finances, since the public budget components, viewed as a system, an overview of all public revenues and expenditures of certain countries. Therefore, we consider that in contemporary economies, the budgetary system meets the following five functions⁴:

- reflection function of mobilizing the financial resources available to the public authorities;
- function of highlighting the destinations of allocation of public funds under the proposed objectives;
- management function of public funds;
- function of revenue and expenditure forecasting;
- control function.

In the **first stage** the mechanism involves the development of financial funds system, establishment of forming conditions and distribution, including correspondence between them. This first step is practically a constitutional one, relying on the obligation of citizens to pay taxes and charges to fund public services as mentioned. The portfolio fund is formed from tax and non-tax revenues of the state budget, which, according to the depersonalization principle are collected within the public budget from which institutions of culture are funded.

The **second stage** of the mechanism involves defining the assembly of organizational structures that contribute to the formation and allocation of funds. The Romanian administration model, specific at international level, organizational structures are divided into two categories: decision-making authority and administration and management of public resources.

The organizational structures of authority (Government and Parliament) were designed to determine the level of funds to be allocated for various public service activities.

Looking at the **last stage** of the financial mechanism, we find that we are in a position to analyze the public service categories for which funds are allocated from the state budget, which include institutions of culture.

The financial mechanism and the public services that the state budget must provide are defined by the annual budget law, having various forms such as culture, health, sports, assistance and social protection, public lighting etc.

We can say that the most important components of the mechanism are the funding system, the combination of organizational structures and categories of provided

⁴ ***OMFP 1917/2005 pentru aprobarea Normelor metodologice privind organizarea și conducerea contabilității instituțiilor publice, Planul de conturi pentru instituțiile publice și instrucțiunile de aplicare a acestuia, Monitorul Oficial Nr. 1186 bis/29.12.2005

public services, which harmonized by specific regulations, provide full or partial satisfaction of the needs of citizens, consumers who most often has the taxpayer quality.

Studying this mechanism is based on two distinct areas of knowledge⁵:

- a) competencies area;
- b) connection flows area.

The competencies area - as field of knowledge of the financial mechanism refers to the ensemble of competencies that credit officers have in order to operate the budget, at all stages of the budget process - preparation, approval, execution and control.

Law refers in this regard two categories of authorities: deliberative - Parliament budget management role; executive - Minister of Culture that performs the duty of chief credit officer.

Culture Minister as chief credit officer provides payments supervises revenue collection in limits of the approved budget and under the law.

Managers of public institutions, of local subordination, in the culture area are tertiary credit officers.

The revenue and expenditure structure is established by law and changes annually through the annual budget.

The connection flows area - is the foundation of knowledge of the mechanism and it concerns three categories of flows:

1. between the taxpayer and the state budget;
2. between local budget and authorizing credit officers;
3. between the state budget and local budgets.

1. Between the taxpayer and the state budget - two types of streams are generated : direct and indirect.

Direct flows - are usually cash flows consisting of free compulsory levy on individual taxpayers' resources or assets, which takes the form of taxes, fees and charges payable to the State budget to finance direct costs or actions of public interest. Direct flows are the main source of state budget formation and financing of public expenditures.

Indirect flows - are flows which take the form of monetary public services (social and economic) provided for the benefit of taxpayers as a result of financial contributions from the state budget.

The public accounting system takes in this step direct flows and recognizes them, upon receipt, as current incomes and those with special purpose.

2. Between the state budget and authorizing credit officers - direct flows are generated which take the form of direct expenditure by budgetary appropriations. They are usually cash flows. Also within these categories of flows are formed:

- flows between the principal credit officers and the secondary credit officers
- flows between secondary credit officers and tertiary credit officers

At public institutions in the field of culture there are no secondary credit officers.

Only those categories of expenditures, from the state budget contained in the budget of the Ministry of Culture approved as an annex to the annual budget law are funded. The public accounting system meets these direct flows in the form of public expenditures, at the time of the commitment and liquidation expenses. A characteristic of public expenditures is that they have an upper limit determined by the existence of budget appropriations that can not be exceeded.

The connection flow area - direct and indirect flows- is an important source of information for the public accounting system that, through accounts, reflects fairly the

⁵ Tudorache S., Chițu A. G., Glăvan M., Șendroiu C., Pitulice C. – Contabilitatea instituțiilor publice după sistem contabil, Editura Irecson, București, 2005

image of assets, as well as the financial position and performance of cultural institutions. They receive funds from the state budget, local budgets, from both according to the approved budget.

The financial mechanism described leads to the formation of two types of flows:

1. financial flows from taxpayers to the budget;
2. financial flows from the budget.

Both flows categories are, at least now, governed by the depersonalization principle, whereby funds received from the budget lose their source of origin and later through employment, validation, authorization and payment of public resources, are intended to general consumption.

The financial resources forecast and their use is an essential step in the development of cultural institution's budget, at the projected level of income, a range of costs underlying the functioning of these institutions are achieved. A budget carefully and effectively projected brings many benefits to public institutions, but also some disadvantages can be envisioned:

- budgets can increase the number of documents and time-consuming management, especially in the development phase;
- budgets have slow execution because the results are visible only after one year;
- budgets require standardization, which creates a certain rigidity;
- budgets may face resistance from leaders of cultural institutions which find it difficult to adopt or understand the rigidity and budget constraints.

Conclusions

There are required radical changes in attitude, perception and behavior that must begin with the popularization of ideas about the new public management and the necessity to transform and adapt to its new and fundamental principles and provisions.

There is no doubt that efficiency and effectiveness in the public sector must be improved, public management in public institutions should be focused on objectives and results, and public managers should be evaluated in terms of their ability to solve general and specific social problems.

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