”Warnings” regarding possible errorneous transactions in Treasury

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Context

►In Romania all 14,000 public institutions receive revenues and make payments using the 202 treasury offices network all around Romania (exceptions are less than 1%)

► In order to consider that a receipt is correct, it should be recorded in the correct line in the budget

►In order to consider a payment legal, it should be:

-approved by the credit holder

-in the limit of the approved budget

►In a certain extent, the principle of “Green corridor”, discussed in previous TCOP meetings, is used

The budgets

►the budget, on the revenue part, is structured on:

-sources (state budget, local budget, own revenues etc.)

-revenue classification (detailed to all categories from GFSM)

►the budget, on the expenditure part, is structured on:

-sources (state budget, local budget, own revenues etc.)

-functional classification (detailed to all classes from COFOG)

-economic classification (detailed to all categories from ESA)

►in practice this detailing system generate 25,400 different accounts

►for a correct budget execution it is necessary to have a good knowledge of COFOG and ESA provisions.

Reporting based on budget execution data

►Based on the budget line chosen for an operation, all official reporting are set up. The most important reporting is:

-to the Parliament when the budget execution law is submitted for approval

(for those budgets which are approved by the Parliament)

-Court of Accounts

-to EUROSTAT

-to international organizations

-to other stakeholders (media, researchers, citizens etc.)

The risk

►The risk we identified is related to indicating a wrong budget line which is not reflecting exactly the receipt or the purpose of the payment

►The main causes we identified

-not knowing all the details in GFSM, COFOG Manual, ESA Regulation

-only the ESA Regulation is translated in Romanian

-traditions (“inherited” rules)

Methodology

- we created a list of “warnings” which can check:
  - -if a certain type of public institutions is expected to have a certain budget line (on revenue or expenditure)
  - -if a certain payment made from an account could be sent to the indicated recipient account
  - -if it is an inadvertence between the account used and key words in the explanation field
  - -certain operations which are possible to be operated, but are unlikely (“if warnings”)
- today we have warnings corresponding to 15,745 types of operations

Application

►Since 2024 we started to apply it once a month (in selected months) for all the transactions recorded in the previous month

►We started to work on implementing the early-warning verification on budgets (not on operations) in order to identify possible errors long before the receipt or payment is fulfilled

►In order to develop the tool, we used a separate in-house application in which we upload all the transactions which are subject to verification. The application returns a list of warnings grouped on treasury units, institutions and operations. Until we reach a final tool, we double check manually in order to fine tune them if necessary (to be correct from the economic point of view, to have the right spelling etc.). The final warning lists are sent by e-mail to our local offices to be communicated to the institutions

Examples (incorrect account)

►a local subordinated public institution is not supposed to get subsidies from the state budget (it is allowed to receive subsidies only from local budgets). Any account of revenues from state budget is incorrect

►mountain rescue services and beach surveillance should not be reflected as “tourism” or “general public services not elsewhere classified” (mistake using functional classification)

►a school is not supposed to pay pensions (mistake using economic classification)

Examples (incorrect transactions)

►transfers between public institutions should not be made to state owned companies

►amounts for implementing EU projects should be reflected in special accounts dedicated to each operational program

►some revenues are not collected in cash

►social security allowances in cash can not be transferred to service providers because they become allowances in kind

Examples (inconsistence in explanation)

►student transportation facilities are recorded as tertiary education instead of subsidiary services for education

►tolls for road usage and technical verification of cars are paid as vehicle insurance

►current repairs are recorded as capital repairs

Examples (“if warnings”)

►ESA Regulation stipulates “Rents on land do not include the rentals of buildings and of dwellings situated on it; those rentals are treated as the payment for a market service provided by the owner to the tenant of the building or dwelling, and are recorded in the accounts as the intermediate or final consumption of the tenant.” (pct.4.73).

In practice, it is expected to have a few rents. All revenues from rents come with a warning: “The transaction is correct ONLY IF amounts are not for rental of buildings”

Results

- ►15-20,000 operations with warnings out of 2.5-4.1 million transactions
- ►the number of certified incorrect transactions is significantly less because
  - -any reverse operation which corrects an incorrect one will be detected as incorrect
  - -some operations are correct because very specific exceptions could be approved in legislation
- ►correcting transactions could last between one day (on the revenue part) to several months (in case a budget rectification is needed)

Challenges

►to identify possible errors without knowing the public institution's intention

►to identify errors based on draft budgets

►not all institutions are keen to correct (do not want to recognize that they have made mistakes)

►some institutions are insisting that operations are correct, even if it is obvious that it is wrong (arguing that audits made by the Court of Accounts never considered those transactions incorrect)

Plans

►to map a larger number of transactions (mapping is still in progress)

►to identify a way to warn public institutions when they are drafting the budget or preparing the payment order (today the warning has a 30-60 days delay)

-one possibility is to develop a module in the eTrezor platform which is now under development

-to create a dedicated application

Thank you!

For any detail please use

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