THE REFORM OF THE ROMANIAN LOCAL PUBLIC GOVERNMENTS ACCOUNTING IN THE CONTEXT OF THE EUROPEAN INTEGRATION

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Abstract
The use of accrual accounting in the public sector is relatively a recent phenomenon with pro and against groups of practitioners and academics. The movement from cash accounting to accrual accounting is a subject of substantial debates all around the world. At the EU requirements and also at the requirements of the International Monetary System, the World Bank, the European Bank and OECD, Romania adopted the accrual accounting system in the public sector started with 2006 year, for all public entities.

The objectives of our research were:
• to estimate the benefits and costs involved in the transition towards the accrual accounting system in the public sector, in local governments.
• to analyze how is perceived the new accounting system by practitioners from all levels of local governments: county, city and village.

The research was developed in Transylvania region in the follows counties Cluj, Bistrita Nasaud, Arad, Salaj, Maramures, Satu Mare, Bihor, Mures, Covasna, Harghita at the level of local public governments with the help of Cluj Regional Training Center for Local Governments Employees, and The Chartered Public Accountants Body from Romania (CECCAR). In each county were organized two round tables with practitioners in accounting from local governments, one in November-December 2005 before the implementation of the new accounting system and one in February-March 2006. The subject of the first round table was to analyze if the practitioners are prepared for the new system and the subject of the second round table was to analyze the problems appeared at the movement from cash accounting to accrual accounting and to find together solutions. At each round table we distributed questionnaires to collect information.

The main results and findings are the follow: there is a huge difference between accountants from cities and towns and communes taking in consideration: the experience working with IT systems, the attitude about the new accounting system, but all of them realized the increased complexity of the financial statements implemented by the new accounting system. They understand the role of developing accounting policies. An important problem is the negative attitude of managers. In accountants’ opinion, regarding the new accounting system, the majority answers present the lack of understanding by management, without interest, without support for accountants.

In conclusion all accountants consider important to develop them skills in applying the new accounting system. A valid conclusion about the benefits of the accrual accounting system we can obtain only after some years of application.

1. International Context

1.1. Cash versus accrual accounting
The public sector accounting are centered around two thinking trends, a traditional one based on cash accounting, and a modern one based on accrual accounting. The most known accounting schools acknowledge these two trends as a paradigm and as some contestable ideologies at the same time; since in the history of accounting there have been periods when one or the other dominated clearly.

Under the traditional model, of public administration cash accounting, initially considered as being more appropriate for the public sector, the emphasis was on compliance with rules and regulations. One of the results of this system is the budget out-turn report looked upon as a basic part of the usual financial statements in the public

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According to *New Public Management* the emphasis is on efficiency, so it is recommended that the public sector should introduce the set of financial statements applied in the private sector, which is made according to accrual accounting. Through accrual accounting we can maximize the effects of the process of competition enabling and public management efficiency so that this should be achieved with minimal costs for the society. The passing to the new system is not a purpose in itself but rather a change of mentality regarding the budgetary process, by passing from a rigid situation of cashed incomes and paid expenses to a situation where the emphasis is on achievements and forecasts hoping that this last system will lead to the increase of public management efficiency.

1.2. The movement from cash to accrual accounting in public sector

On the international level, a lot of specialized studies approach the evolution of the introduction of accrual accounting in the public sector from opposite positions. Here are a few examples. Chile was the first state that introduced accrual accounting for the public sector in early 70s, followed by New Zealand in 1990.

In USA and Australia the passing to accrual accounting occurred in 1997 but only in central governmental administration, in local administration the change being implemented just now. Canada and Great Britain took over the system in 2001-2002. A few other governments have subsequently agreed to follow this path, but an increasing number are adopting a policy of ‘wait and see’.

Starting with 2000, out of the 30 of the most developed OECD members only 22 adopted accrual accounting for all the fields of the public sector. Since 2000 Malaysia and Tanzania were the only non-OECD-members, which have planned to adopt accrual accounting for central administrations, but later they gave up. Canada and Great Britain decided to take over the system in 2001-2002. In 2003, South Africa started a transition program towards accrual accounting. Since July 2002 only three EU members have succeeded completely in the transition towards accrual accounting, following that The European Commission itself will make the transition after 2005.

1.3. International bodies position regarding the movement from cash to accrual accounting in public sector

The use of accrual accounting in the public sector is a relatively recent phenomenon and the balance between costs and benefits is still the subject of substantial debates both for academics and practitioners.

The idea of New Public Management is shared by the international bodies, the International Monetary System, The World Bank, The European Bank and OECD that require adopting accrual accounting in the public sector. EU encourages the candidate states to adopt the accrual accounting system for the public sector.

There are increasing doubts over whether the change to accrual accounting by governments is worth the costs and the additional risks involved.

The countries which decide to pass from cash accounting to accrual accounting are warned by IFAC to analyze very carefully the validity and the benefits expected from this reform taking into account the conditions, the priorities and the local characteristics. Also, the European Federation of Accountants issued a paper outlining the risks involved and explaining the essential pre-conditions for the successful implementation of accrual accounting. If accrual accounting succeeded in reaching its goals, is an open question. A complete analysis is possible only if the new system is applied in a certain number of years.

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3 IFAC Public Sector Committee (2000) - IPSAS 1 – Presentation of Financial Statements IFAC;
5 Luder, K. and Jones, R. (2003) - The EURO-CIGAR Project 9th CIGAR Conference, Bodo, Norway;
7 Mellett H. (1997) - *The Role of Resource Accounting in the UK Government Quest for Better Accounting, Accounting and Business Research*, 27(2);
1.4. International Public Sector Accounting Standards

The International Federation of Accountants (IFAC) International Public Sector Accounting Standards (IPSAS) Board has been encouraging governments and other public sector entities to adopt the accrual basis of accounting for their general-purpose financial statements. In recent years, the IPSAS Board has made considerable progress in developing a set of standards for public sector financial reporting on the accrual basis of accounting. However, these standards are not yet complete or comprehensive.

There are, for example, currently no agreed standards for taxation or social policy obligations, such as state pensions. In addition, there is no universally agreed approach to the valuation of particular sets of assets such as heritage, infrastructure or military assets. As a result, individual governments moving to the accrual basis would have to develop their own standards in those areas.

For these reasons, the IPSAS do not yet have the same standing as International Financial Reporting Standards (IFRS) in the private sector. As yet no country has fully implemented the IPSAS. In addition, the range of countries planning to move to accrual accounting is rather limited.

2. Background of local public sector accounting in Romania

2.1. Local public governments structure

Till the second war, Romania’s pre-communist system, inspired from French system, was based on financially autonomous and democratically elected districts and municipalities. In the communist period, after the second war, the power was centralized and local governments became only prolongations of the central government.

After a long period of centralization, starting from 1991, Romania adopted a constitution mandating that responsibility for local affairs management be transferred to local governments. In the same year was adopted the first law on local public administration8 who defined the institutional framework for local governments. After ten years, a new Law of local public administration9 was issued. The law regulates the general regime of local autonomy, as well as the organization and functioning of the local public administration authorities.

According to the Constitution and the law, the public administration in the territorial administrative units shall be organized and function on the grounds of the principles of the local autonomy, decentralization of public services, eligibility of the local public administration authorities, legality and consultation of the citizens in the solving of the local matters of a particular interest.

These provisions, together with those of the Law on Local Public Administration 215/2001 allow the organization of the local public administration in the following administrative units: counties, cities, towns and communes.

There are two levels of local government in Romania: first level consists of the 41 county councils and the second level of the 3003 local councils: 276 towns and municipalities and 2727 communes.

The public administration authorities through which the local autonomy is achieved in communes and towns are the local councils of the communes and towns, as deliberative authorities, and the mayors, as executive authorities. The local councils and the mayors are elected under the terms stipulated in the Law on local elections.

There is no official hierarchical relationship between the two levels, between the prefects on the one hand and local councils, county councils and mayors on the other. The prefect role is to review only the legality of administrative decisions of local and regional authorities (local councils, mayors and county councils).

2.2. Accounting Legal framework

In 1991, was issued the Accounting law10, which stipulates that all entities, including public institutions, have the obligation to organize and manage their own accounting system and the financial accounting, and the management accounting adapted to the particular aspect of the activity.

Accountancy, as a specialized activity in measuring, assessment, knowledge, administration and control of the assets, debts and own capital, as well as of the results obtained from the activity of the entities, has to ensure the chronological and systematic registration, the processing, publishing and preserving of the information regarding the financial position, the financial performance, and the treasury flows, both for their internal requirements and in the relations with present and potential investors, financial and commercial creditors, clients, public institutions and other users.

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The accounting system of the public institutions shall ensure information to the loan managers with regard to the incomes and expenditure budget execution, the patrimony under administration, as well as for the drawing up of the general annual accounts of state budget execution, of the annual account of the state social insurance budget execution, of the special funds, as well as of the annual accounts of the local budget execution. The general rule is that all entities are obliged to carry out the double-entry accounting and to draw up annual financial statements. Like exception, local public governments from communes may keep the simple-entry accounting, but their reporting system shall be established by order of the minister of public finance. A promise not kept by minister of public finance in next 15 years.

According to the law, any economic and financial operation carried out shall be registered at the moment of its carrying out in a document that shall be at the basis of the entry in the accounts, acquiring, thus, the quality of supporting document.

For the public institutions, the official presentation document of the situation of the patrimony found in the administration of the State and of the territorial-administrative units and of the income and expenditure budget execution are the quarterly and annual financial statement, which consist of balance sheet, budgetary execution account and schedules.

The accounting of the public institutions financed from budgetary credits, special funds and extra budgetary income shall ensure the registration of the pay desk and of the actual expenditure, on the subdivisions of the budgetary classification, according to the approved budget.

For the financing of the expenditures within the limits of the provisions from the approved budgets, the public institutions are obliged to organize and manage the record of budgetary commitments in accordance with the methodological norms drawn up by the Ministry of Public Finance for this purpose. The result of the budgetary execution is established annually by closing the actual expenditure accounts and the accounts of the sources from which they have been made.

The public authorities having legal personality in their subordination, whose managers have the capacity of loan managers, shall organize and manage the accounting of the cashed income and of the expenditure effected, of the extra-budgetary income and of the special funds, according to the approved budget.

The accounting of the local budgets execution is organized and managed at the level of the territorial administrative units, according to the methodological norms issued by the Ministry of Public Finance and shall ensure the registration of the operations regarding: the noted rights, the cashed income, the expenditure made in the execution of the local budgets, as well as the obligations of legal terms of payment until the date of 31 December; the record of the subsidies received from the state budget and from the other budgets, as well as of the other amounts distributed from the state budget, according to law; the administration of the local internal and external public debt; the establishing of the result of the local budgets execution by closing the income and expenditure accounts.

The main object of the public institutions balance sheet shall be the state patrimony and that of the territorial administrative units, including the public domain and the private one, with soil, natural riches, deposits and other goods of economic potential, evaluated in money expression, following the methodology established by each ministry, central or local public administration authority, as the case may be.

The record in physical or value units, as the case may be, of the landed reserve, forestry reserve, reserves of useful mineral substances and of the other natural resources of the soil and subsoil shall be carried out by the units administering, exploiting and using the respective goods.

### 2.3. Local public sector accounting harmonization process

Until 2000 the accounting system for the public sector applied in Romania was characterized as being an accounting system based on cash. For Romania, in the context of European integration, the achievement of the public sector accounting reform has become an urgent necessity. The key-element that confirms the need of reform in public sector accounting is the informational gaps of the actual system based on cash accounting.

An example is the extreme case of local governments from villages which were strictly in the limits of pure cash accounting, by the overlapping of the expenses notion with the payment notion, of the income notion with cashing-in, low-training level of the staff, over standardization of activity, low technical endowment or even the lack of it.
The harmonization process of Romanian local public sector accounting suppose some main adjustments regarding:

1. **Accrual systems, for inventories, receivables (taxes, social contributions and interests) and payables**: these are necessary for the recognition of expenditures (and receipts) made in financial periods other than those in which the costs were actually incurred.

2. **Recognition of full depreciation of fixed assets**: to ensure full incorporation into the costs of activities of the consumption, use and deterioration of fixed assets. This is often a significant cost component of capital-intensive public sector activities.

3. **Assessment of normal profits as "costs of capital"**: will recognize the return on investment implicit in the use of the funding of fixed and working capital by owners or by other funding sources in addition to loans.

4. **Revaluation of fixed assets to allow for inflation**: will result in recognition of current fixed asset values and the related current costs of depreciation. It also affects the proper recognition of the return on investment, when expressed as a percentage of the real (opportunity) costs of capital.

In order to take over the EU aquis chapter 11 Economic and Monetary Union and chapter 29 Financial and Budgetary Expenses, Romania has started rather shyly than transition process towards accrual accounting, which will require additional capacity and resources. The accounting rules, which will be adopted, will be based on the European Directives no.4 and no.7 and the European accounts system (ESA 95). There are also considered the accounting and information presentation requirements according to International accounting standards for the public sector (IPSAS). Through the position document regarding the negotiation of chapter 11 Romania engaged to report to EC according to ESA 95 requirements European standard Accounts regarding public accounting and debt. By introducing the new budgetary classification (July 2005) applicable starting with 2006 an important step was achieved in harmonizing the accounting system for the public sector with the European and international regulations.

In order to make the Romanian accounting specialists know the best international accounting practices for the public sector The Chartered Accountants Body from Romania translated into Romanian in April 2005 the International Accounting Standards for the Public Sector, issued by the International Federation of Accountants, edition January 2005.

With the intention of harmonizing the public sector accounting system with the European and international regulations, in the last 5 year a few reform elements have been introduced which aim at:

- The induction, liquidation, ordering and payment of public institutions expenses (OMFP 1792/2002), the four stages of the budget execution of expenses are carried out by all public institutions no matter their subordination and the way of financing expenses with compulsory pre-observance of procedures. Public institutions are also compelled to organize, lead the record and report the budgetary and legal arrangements starting with 2003.

- The re-evaluation and depreciation of fixed assets that are in the patrimony of public institutions (OG no.81/2003 and OMFP no.1487/2003) are introduced for the first time in the history of public administration in Romania. By introducing re-evaluation it was wished to bring at the current cost or the entrance value actualized in correlation with the utility of goods and their market value and by introducing the depreciation it was wished to reflect the real value of goods and the presentation through financial statements of a real image of the patrimony.

- The organization and leading of budgetary incomes accounting (OMFP no.520/2003), according to the Accounting law, that stipulates the compulsoriness of registering in accounting the rights and obligations of the public institutions when they are acknowledged, in this sense there had been until that moment a major
contradiction between the national regulation in accounting and the regulations applicable to public institutions.

- The introduction of a new budgetary classification (OMFP no.1025/2005) applicable starting with 2006 according to ESA 95 requirements concerning accounting and public debt has contributed to making an important step in the harmonization of the public sector accounting with the European and International regulations.

With all the reform elements, the present accounting system in the Romanian public sector has a lot of faults especially concerning the quality of information provided both to managers and third party institutions.

Till December 2005 the general opinion was that the passage to accrual accounting in the public sector in order to take over the EU acquis will be applied in Romania the latest in 2007.

If until now the public sector accounting has had a secondary role in comparison with the budget, a limited role in patrimony reflection, the cashed incomes and the expenses, by passing to accrual accounting, the accounting system, through the information that it will provide, will regain its deserved place.

Ministry of Public Finance issued some versions of a project of new public accounting harmonized with international accounting standards but without publishing or disseminating in period 2002-2005, but finally, in December 2005 was issues and officially published the new accounting system for public sector with applicability from January 2006\textsuperscript{11}.

\textbf{2.4. The main characteristics of the new public accounting system}

EU encourages the candidate states to adopt the accrual accounting system for the public sector\textsuperscript{12}, which is why Romania adopts the accrual accounting system in the public sector starting with the year 2006.

Some international consultancy teams in finalizing the new accounting system for public Romanian sector helped the Finance Ministry. By PHARE: Twinning Project contracted by the European Union, the consultants are involved in providing advice and consultancy with a view to providing financial management controls necessary to implement accruals accounting within the Romanian government. Another project regards the introduction of consolidated accruals accounting into the government of Romanian.

The IPSAS 1 Financial statements was fully adopted, in this sense are presented the general purpose financial statements prepared and presented under the accrual basis of accounting. The role of financial statements is to be presented in order to ensure comparability both with the entity’s own financial statements of previous periods and with the financial statements of other entities. General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their specific information needs. Users of general-purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General-purpose financial statements include those that are presented separately or within another public document such as an annual report.

The objectives of general-purpose financial statements are to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Specifically, the objectives of general purpose financial reporting in the public sector should be to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it by:

(a) Providing information about the sources, allocation and uses of financial resources;
(b) Providing information about how the entity financed its activities and met its cash requirements;
(c) Providing information that is useful in evaluating the entity’s ability to finance its activities and to meet its liabilities and commitments;
(d) Providing information about the financial condition of the entity and changes in it; and
(e) Providing aggregate information useful in evaluating the entity’s performance in terms of service costs, efficiency and accomplishments.

\textsuperscript{11} OMFP 1719/2005- Romanian Accounting regulations for public sector harmonized with European and International Regulations
\textsuperscript{12} McKendrick J. (2003) - Modernisation of the Public Accounting Systems in Central and Eastern Europe Countries – the case of Romania 9th CIGAR Conference, Bodo, Norway;
To meet these objectives, the financial statements provide information about an entity’s:

(a) Assets;
(b) Liabilities;
(c) Net assets/equity;
(d) Revenue;
(e) Expenses; and
(f) Cash flows.

A complete set of financial statements includes the following components:

(a) Statement of financial position; balance sheet or statement of assets and liabilities
(b) Statement of financial performance
(c) Statement of changes in net assets/equity;
(d) Cash flow statement; and
(e) Accounting policies and notes to the financial statements.

The statement of financial performance is a new statement, for Romanian public entities. As a minimum, the face of the statement of financial performance should include line items, which present the following amounts:

(a) Revenue from operating activities;
(b) Surplus or deficit from operating activities;
(c) Finance costs;
(d) Share of net surpluses or deficits of associates and joint ventures accounted for using the equity method;
(e) Surplus or deficit from ordinary activities;
(f) Extraordinary items;
(g) Minority interest share of net surplus or deficit; and
(h) Net surplus or deficit for the period.

As far as Romania is concerned, there are opinions that emphasize the benefits of the new system but also more reserved opinions. Thus in some people’s opinion as long as the transition towards accrual accounting is valid for developing countries it’s possible that this not necessarily good for less developed countries or with a transition economy. And in Sigma’s opinion (organization that provides assistance to central European countries which are preparing for UE adhesion): both the efficiency of the reform in the countries where it was implemented and the viability for the economies in transition remains a debatable subject both for academics and practitioners.

This reform of public accounting has impact on all public institutions but especially the communes, which used another type of accounting and have a limited number of personnel with multiple responsibilities and limited access at training.

A change in mind is also needed, which implies a redesign of the personal value system. This means to overcome the past reluctance of preparers of financial information to disclose more than was absolutely necessary, in particular in relation to contingent liabilities (including liabilities to State organizations), related parties identification, and disclosure of certain segmental information.

In 2001-2002 was made an empirical study in the frame of the pre-adhesion program which aimed at the attempts that Romania had to do at that time regarding the taking over of the EU acquis in the field of public sector accounting with a preliminary evaluation of costs and benefits.

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13 Horobeau S., Alecu G. 2003
14 McKendrick 2003, idem
15 McKendrick 2003, idem
16 (Tait, Huduzeu, Morariu 2002)
3. The research realized

3.1. Objectives

The objectives of our research were:

- to estimate the benefits and costs involved in the transition towards the accrual accounting system in the public sector, in local governments.
- to analyze how is perceived the new accounting system by practitioners from all levels of local governments: county, city and village.

3.2. The research area

The research was developed in Transylvania region in the follow county Cluj, Bistrita Nasaud, Arad, Salaj, Maramures, Satu Mare, Bihor, Mures, Covasna, and Harghita at the level of local public governments with the help of Cluj Regional Training Center for Local Governments Employees, and CECCAR.

Our study covers 10 counties with 68 towns and municipalities and 637 communes.

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<td>2</td>
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Source: extract from Statistical Annuary, Administrative organization of Romanian territory, on December 31, 2003

From the total of 705 local public government, at our debates were represented 635, 90% of public local governments from the selected 10 counties, 58 from towns and municipalities and 577 from communes. There were 960 persons, accounting employees from towns and municipalities and from communes. The structure of persons was: by sex: 65% women and 35% men, by age: 18 – 30 years – 25%, 31 – 45 years – 36%, 46 – 60 years 35%, over 60 years – 4%. Depending of the last school graduated there are two levels:
- in towns and municipalities an importance average with university studies (75%) and post university (21%), and only 25% college and post college studies
- in communes an average of 15% with university studies and 85% college and post college studies.

Which concerns the experience in public accounting which has been questioned the most of them (45%) have 15-25 years experience, being followed by the category of those with over 25 years experience (31%) and between 5 and 15 years 10%. Those who have an experience of less than five years are 14%.

3.3. The methodology

In each county we organize two round tables with practitioners in accounting from local governments, one in November-December 2005 before the implementation of the new accounting system and one in February-March 2006. The subject of the first round table was to analyze if the practitioners are prepared for the new system and the subject of the second round table was to analyze the problems appeared at the movement from cash accounting to accrual accounting and to find together solutions. At each round table we distributed questionnaires to collect information.

Our study started from general to particular and it will consider thoroughly the problem of modernizing the accounting in the public sector in the specific case of local governments on two components: communes and towns and municipalities, each having specific particularities regarding the organization and management of accounting,
financing modalities, legislation, the dimension and the complexity of the activity, the educational level of the staff, the endowment with modern machines.

An extreme case of local governments are communes which were strictly in the limits of pure cash accounting, by the overlapping of the expenses notion with the payment notion, of the income notion with cashing-in and implicitly of the notion of result with that of spare, low-training level of the staff, over standardization of activity, low technical endowment or even the lack of it.

4. Results and findings

- About the experience in accrual accounting system 73% of accountants are without experience, all of them are from communes, and 27% have knowledge about accrual accounting system from school or from practice, they worked in private sector before.

- About knowing the double entry accounting system, the question was only for commune accountants and the responses presents that 81% of accountants don’t know the basic elements of double entry accounting system and only 19 % have knowledge in this field.

- About the old cash accounting system:
  - the majority of accountants from communes regrets the old system, which is considered, being simple and relatively cheaper to operate (in 80% of cases the accounting was manually conducted).
  - the accountants from towns and municipalities are divided in two almost equal categories, one of them regret the old system and the other one (persons with experience in accrual accounting system) prefer the accrual system.

- About the new set of financial statements all participants realized the increased complexity of the financial statements implemented by the new accounting system. They understand the role of developing accounting policies and the connections between the components of financial statements and incomes and charges execution account.

- About the difference between cash and patrimonial results, the majority of accountants understand the difference between cash result and patrimonial result but they don’t know how to analyze the patrimonial result.

- About the IT system, the majority of participants consider that them actual IT system is inadequate to response at all requirements of the new accounting system. The accountants from cities and towns having the experience of IT systems in old accounting system are advanced in the process of adapting the IT system or changing the system. The accountants from communes are in expectation, without action in this way, they “expect a recommendation” from some one (Finance Ministry, CECCAR, County Council) to buy an IT system and also software.

- About the valuing existing assets, in majority (65%) of communes there are problems with separation of public and private domain, with understanding the role of depreciation.

- About the management attitude regarding the new accounting system the majority answers presents the lack of understanding by management, without interest, without support for accountants.

- About the benefits of switching to accruals, the take into consideration the follows reasons:
  - to provide better quality information to stakeholders (11%).
  - to improve the quality of financial management.(27%)
  - to enhance compatibility with the national and European accounts (19%).
  - because we are required to switch, whatever the merits (37%).
  - no idea (6%)

- About the costs of switching to accrual accounting, the main costs regards:
  - training the personal implied in bookkeeping;
  - training the personal implied in the use of IT system;
  - training the personal implied in use of information issued by the new accounting system;
  - legal framework changes;
  - IT system analyses;
  - adapting the IT system at the requirements of the new accounting system;
  - managerial system modifications (attributions, competences and responsibilities);
  - informational flows modifications;

- About the links between accounting system (accrual based) and budget system (cash based) they realize the difference between income in accrual system like debts rights and income in cash system like pay in, and between
charges in accrual system like liabilities duties and charges in cash system like pay off, payments and between the
cash results, difference between amount of pay in and amount of pay off, and patrimonial results, difference between
income and charges without a direct link to monetary flow in or off.

5. Conclusions

In conclusion, the people who work in accounting department in local public governments in towns and
municipalities and communes are divided in two main categories:

- with university studies, experience in double entry accounting, experience in IT, with an optimist
  point of view about the accrual accounting system
- with college and post college studies, without experience in double entry accounting and IT, with an
  pessimist point of view about the accrual accounting system, with a weak training and in some
cases with an accentuated lack of interest towards the new accounting system learning.

There is a need of developing the necessary skills and providing training for both the preparers and users of financial
information. At the communes level there are few, if any, skilled accountants employed and where financial
management is seen as of lesser importance than legal compliance.

The first step toward the accrual accounting system was made in Romania, by creating a legal framework. Budget
and accounting categories at the national level have a common set of classifications conform to international
standards, that facilitate policy analysis and promote accountability. Starting with 2006 Romania is able to produce
national accounts conforming to ESA95. Accounting conventions and procedures need to be made compatible with
concepts related to the disbursements of EU funds – commitments, payments, eligible expenditures, etc. Fiscal
reporting should be timely, comprehensive and reliable, and identify deviations from the budget. Procedures for
evaluating the efficiency and the effectiveness of expenditure policies and programs – including those funded from
EU sources – should be established.

Making further progress in these areas will require substantial investment in staff development and training,
supported in many cases by EU twinning projects and other technical assistance programs. In addition, Parliament at
central level and Local Councils at local level need to strengthen their capacity to analyze budgetary information, so
that they can play a full role in balancing the power of the Executive.

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