

ACCOUNTING POLICIES AS AN ELEMENT OF CONTROL IN BUDGETARY INSTITUTIONS

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Abstract: In the process of forming the accounting of budgetary institutions and the efficient and transparent use of budgetary funds in accordance with the priorities of state policy, many controversial and unresolved issues arise. One of these issues is the formation of accounting policies in budgetary institutions, which is a basic element of the primary organization of the accounting process. The article, based on the analysis of scientific works and regulations, examines the concepts of accounting policies in budgetary institutions. Using system analysis and taking into account that budgetary institutions, as a rule, carry out functions and goals on behalf of the state within the limits of budget allocations, the existence of an accounting system with unique rules in these structures is obvious. Thus, the author illustrated the role of accounting policies in the accounting of budgetary institutions. As a result of the work, it was concluded that accounting policies are an important element of control in maintaining accounting statements in the budgetary sphere.

Keywords: accounting policies of a budgetary institution, financial control, financial statements, monitoring.

JEL Classification: H83; M41

1 Introduction

The term "accounting policy of an organization" came into use in the late 1980s as a free translation into Romanian of the phrase "accounting policies" used in standards issued by the International Accounting Standards Board.

In the context of the implementation of measures to improve the effectiveness of budgetary expenditures, the development and use of results-oriented methods of financing expenditures, the efficient and transparent use of budgetary means in accordance with state policy priorities, the main task of central and local public authorities becomes the organization of a rational accounting system in budgetary institutions. Respectively, *the budgetary accounting is one of the instruments for the implementation of the state's economic policy*, capable of serving the direct interests of the state in the field of management and control of public finances.

Given that budgetary institutions, as a rule, perform functions and purposes on behalf of the state within the limits of budget allocations, it is obvious that there is an accounting system with unique rules in these structures.

A budgetary institution belongs to the group of state (municipal) institutions, along with autonomous and state-owned ones. The accounting policies of each institution have their own specifics depending on:

- the purpose of the institution's creation;
- the sources of funding for its activities;
- the type of founder;
- the degree of state regulation of financial activities and the scope of the institution's independence;
- other aspects.

The content of a budgetary institution's accounting policies depends on:

- the type and structure of the budgetary institution;
- the object, purpose, and types of its activities, as well as the powers granted;
- the sectoral and other specifics of the budgetary institution's activities.

2 General and Specific Context Analysis

The general formula of the accounting process in budgetary institutions, which allows the unification of accounting methods, is considered to be the Accounting Policy.

According to the Minister of Finance no. 216/2015 regarding the approval of the Chart of Accounting Accounts in the budgetary system and the Methodological Norms regarding accounting and financial reporting in the budgetary system (hereinafter – OMF no. 216/2015), the objective and basic destination of the Accounting Policy *consists in defining the set of principles, rules, methods and procedures applied for the organization of accounting records in the activity of a budgetary authority/institution, with the aim of achieving clear transparency in the use of the means of its own budget.*

For most entities in the corporate sector in the Republic of Moldova, the awareness of the importance of drawing up the Accounting Policy is already firmly determined, by the fact that it serves as the main internal standard, based on which a set of organizational and administrative documents is formed, as well as on the basis of which the opportunities for efficient management of expenses and financial result are applied.

For most budgetary authorities/institutions, the importance of drawing up the Accounting Policy is formally targeted, even if the normative framework provides for the obligation to prepare it as well as the way it is prepared (Chapter V "Standard Accounting Policy" of OMF no. 216/2015).

The accounting policy in a budgetary institution should become the most important link in the context of the preparation of financial information corresponding to the requirements of the head or government bodies, which would facilitate the adoption of appropriate decisions related to the management of public finances and public assets.

In this regard, the presence of the model of the Standard Accounting Policy, approved by Chapter V "Standard Accounting Policy" of the

The Model Accounting Policy contains general and single accounting regulations for the budgetary sector and is used as a methodological guide for the distinct preparation of an Accounting Policy by a budgetary authority/institution.

However, in practice, the accounting policy issued by the authorities specialised in certain areas must contain a number of additional information (establishment of accounting rules/procedures in strict accordance with the regulatory framework in force) in order for them to serve as full-fledged instruments for their financial activities, allowing them to avoid the observations of the supervisory bodies.

The accounting policy is drawn up by the chief accountant, approved by the manager and, according to item 1.4.8. of OMF no. 216/2015, is coordinated with the Ministry of Finance. As a rule, the Accounting Policy is approved at the end of the management year, for the next management period.

Next, the way of structuring the information in the Accounting Policy will be examined, as well as the additional provisions with which it can be supplemented will be analyzed.

The *General Provisions* department contains general information about the name, date of establishment and field of activity specific to the budgetary authority/institution. Also, this section exposes the normative acts regulating the field of accounting in the budgetary system. If the related normative acts are more numerous, they can be presented as an annex to the Accounting Policy.

Depending on the sectoral activities, the budgetary authority may supplement that List with other normative acts specific to the regulated field and which provide for some accounting aspects, for example:

culture – Law on the protection of the movable national cultural heritage no. 280/2011,

education – Education Code no. 152/2014,

in the field of digitization – Government Decision no. 783 of 30.06.2003 on the valuation of intellectual property objects,

environmental field – Regulation on the assignment of land from the forest fund for hunting and/or recreation purposes, approved by Government Decision no. 187/2008, Water Law no. 272/2011.

The following compartments of the Accounting Policy are based on general aspects of the Accounting Policy: *organizational, technical and methodological* (Figure 1).

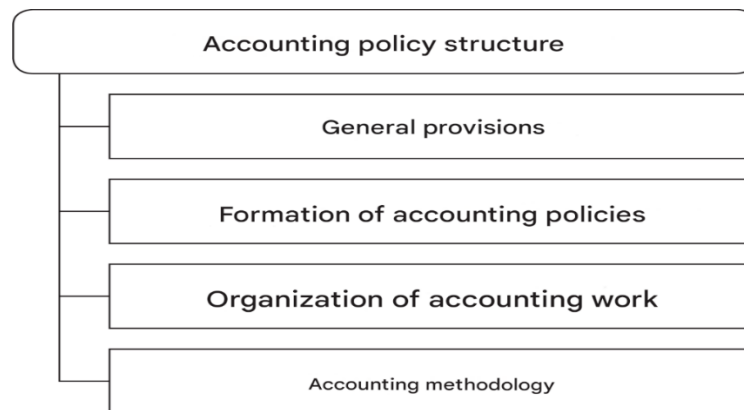


Figure 1. Structure of the Accounting Policy

Source: author own study

Organizational aspect

- refers to the establishment of the rules for the organization of accounting in the budgetary authority/institution, namely:

Organization of accounting records – consists of keeping accounting by financial structures of the related authority/institution or centrally. Also, according to item 1.4.1.5. letter c) of OMF no. 216/2015, the head of the budgetary authority/institution is entitled to transmit the keeping of accounting or accounting and financial reporting duties to a specialized organization or audit firm on a contractual basis.

Specifying the responsibility for the accounting records in accordance with the regulatory framework in force. In accordance with art. 13, para. (1) of the Accounting Law no. 113/2007 (hereinafter – Law no. 113/2007) and item 1.4.1.3 of OMF no. 216/2015 the responsibility for keeping the accounts lies with the head of the budgetary authority/institution. Therefore, the manager is obliged to take the following actions (item 1.4.1.4. of OMF no. 216/2015):

a) to organize and ensure the keeping of accounting records continuously from the moment of registration until the liquidation of the budgetary authority/institution;

b) to ensure the elaboration, approval and compliance with the Accounting Policy of the budgetary authority/institution;

c) to ensure the elaboration and approval of the internal procedures of the activity of the accounting service;

d) to ensure the elaboration and approval of the rules for the circulation of documents and information processing technologies;

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e) to ensure the timely, complete and correct preparation and presentation of primary documents, accounting records according to the rules established by the Ministry of Finance, as well as their integrity and preservation;

f) to organize the internal control system, including the inventory;

g) to ensure the documentation of the economic facts of the budgetary authority/institution and their reflection in the accounting;

h) to ensure compliance with Law no. 113/2007, Methodological norms and other legislative and normative acts in force;

i) to ensure the preparation and presentation of financial reports in accordance with the requirements of the Ministry of Finance, as well as other reports and reports established by other public authorities.

In turn, the attributions of the accounting services (item 1.4.1.6 of OMF no. 216/2015) are as follows:

a) ensures the correct organization of the accounting records in accordance with the Methodological Norms;

b) carries out the preventive control on the correct and timely preparation of the documents and the legality of the operations performed;

c) carries out the control over the efficient use of the means, according to the destination, within the approved budgetary limits, as well as the control over the integrity of the monetary resources and material values;

d) calculates and pays on time salaries, allowances and other payments to employees and scholarships to beneficiaries from educational institutions;

e) makes timely settlements with legal entities and individuals;

f) participates in the inventory of monetary resources, settlements and material values, determines correctly and in time the results of the inventory and reflects them in the accounting;

g) prepare and present the financial reports within the established deadlines;

h) keep the accounting documents, the record books, the approved budgets, and other documents, as well as hand them over to the archive in the established order.

Establishing the functions and duties related to the accounting records on certain sectors. The Chief Accountant assigns certain accounting sectors (fixed assets, salary, collected income, settlements, money, etc.) by functions present in the accounting structure and stipulates in the Accounting Policy the conditions for their record-keeping.

Elaboration of the documentary circuit graph. In order to streamline the accounting process, it is necessary to approve the schedule of the documentary circuit, based on certain procedures and specific time intervals, in compliance with the legal provisions. The description of the stages of processing the primary documents in certain terms, with the determination of the person in charge (of the accounting workers) for each of them, aims to manage the patrimony as effectively as possible. It is not necessary to approve the schedule of the documentary circuit in the Accounting Policy, in case of its approval by another internal order of the institution.

How to keep and archive primary documents/accounting records, financial reports and other accounting documents.

Preparation of documents not approved by the regulatory framework or necessary for the internal operations of the budgetary institution. According to art. 19 para. (3) of Law no. 113/2007, when registering the economic facts, the institution uses standard forms of primary documents, approved by the Ministry of Finance. In the absence of standard forms or if they do not meet the needs of the entity, the budgetary institution shall develop and use document forms, approved by its management, in compliance with the following mandatory elements (art. 19 para. (6) of Law no. 113/2007):

a) the name and number of the document;

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- b) the date of preparation of the document;
- c) the name, address, IDNO (tax code) of the entity in whose name the document is drawn up;
- d) the name, address, IDNO (fiscal code) of the recipient of the document, and for individuals - the personal code;
- e) the content of the economic facts;
- f) the quantitative and value standards in which the economic facts are expressed;
- g) the position, name, surname and signature, including digital, of the persons responsible for carrying out and recording the economic facts.

Compliance with the elements provided for in letters c) and d) is not mandatory when preparing the primary documents for the internal needs of the institution. As a rule, the issuance and approval of documents issued by the institution is approved as an annex to the Accounting Policy.

Preparation of the Work Chart of Accounts. For budgetary authorities/institutions that use analytical sub-costs, established for a more detailed record of accounting items, it is obvious that the need to approve the *Work Chart of Accounts* (with synthetic and analytical sub-accounts used by the institution's accounting department) is obvious. If the institution does not approve the Work Chart of Accounts as an annex, at least the approval of the analytical sub-accounts issued by it is mandatory in the information in the Accounting Policy.

Appointment of the commissions set up for asset management. In order to comply with the normative provisions and the objective accounting of the public patrimony, the Accounting Policy lists the Commissions created and their composition by functions: the Inventory Commission, the Commission on the determination of the fair value of the goods received, the Commission for the scrapping of the goods, etc. In the composition of the Commissions, only the function of the participating persons is specified, not their name/surname.

Provision of the manner and deadlines for carrying out the inventory. Some budgetary institutions carry out the inventory formally, ignoring some important measures provided for in the Order of the Minister of Finance no. 60/2012 on the approval of the Regulation on inventory. Therefore, for a more efficient record of the accounting elements, it would be appropriate to provide in the Accounting Policy the methods and deadlines for inventory: of the composition of the assets transferred in economic management or in share capital, by verification with the beneficiary entities; of the immovable property (buildings, land) managed by verifying their registration with the territorial cadastral bodies and other normative acts, such as Government Decision no. 351/2005 on the approval of the lists of immovable property publicly owned by the state and on the transfer of some immovable property, Government Decision no. 161/2019 on the approval of the list of publicly owned land of the state from the administration of the Public Property Agency, etc. The inclusion of these provisions in the Accounting Policy makes the budgetary authority/institution responsible for undertaking the measures to remedy the divergences detected in the inventory of the assets managed and the assets transferred under management to the entities.

Establishing the manner and deadlines for carrying out the internal control of the correctness of the accounting records – consists of verifying, in accordance with the legal requirements, the preparation/receipt of primary documents, the recording of economic facts and the preparation of accounting records, filling in the necessary forms and other processes carried out during the record-keeping.

Modification of the Accounting Policy. The modification of the Accounting Policy of the budgetary authority/institution takes place in case of reorganization, modification/introduction of the accounting regulations that would affect the provisions approved in the Accounting Policy.

Provision of the conditions and deadlines for the preparation and presentation of financial reports. According to the normative framework, budgetary authorities/institutions submit quarterly

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(except for the first quarter) and annually financial reports to the Ministry of Finance. In order to efficiently prepare and present financial reports on time, budgetary authorities and institutions, including subordinate ones, establish in the Accounting Policy the conditions for verifying the financial information in the reports, as well as internal terms for their preparation and presentation.

Technical aspect

- represents the set of information about the information systems used by the budgetary authority/institution for keeping accounting records, for preparing and presenting financial reports, for presenting tax information, as well as for other processes directly related to the organization of accounting.

Methodological aspect

- represents the way of recognition, evaluation, revaluation of accounting elements, the way of recording economic facts, as well as the preparation of financial reports. Not looking for the fact that, for the budgetary sector through OMF no. 216/2015, single accounting rules are approved, it cannot provide for all economic operations, events due to the complexity of the economic facts that take place in each managed sector. Respectively, the Accounting Policy may provide for accounting aspects specific to the managed sector or some details related to the accounting elements, such as:

obtaining/carrying out the revenues/expenditures specific to the budgetary authority/institution, as well as specifying the approved revenue nomenclature, if any, according to art. 43 para. (2) of the Law on Public Finance and Budgetary-Fiscal Responsibility no. 181/2014;

description of the modality/purpose of awarding current and capital grants, subsidies and the modality of verifying their capitalization;

attribution of goods to fixed and material assets, not provided for in OMF no. 216/2015. It is mentioned that according to item 3.3.3 of OMF no. 216/2015, it is categorically forbidden for budgetary authorities/institutions to set the value ceiling, which contradicts the definition of fixed asset;

clarifications regarding the determination of the value of the land/buildings, detected as pluses following the inventory by applying accounting reasoning to the choice of an alternative proposed in OMF no. 216/2015 or the use of the services of an independent appraiser;

clarifications on the revaluation of fixed assets that have been completely worn out but are still operating;

clarifications on the determination of the fair value of the land to be leased;

the manner of recording the economic operations of the budgetary authority/institution.

Conclusions

Following the examination of some Accounting Policies drawn up by budgetary authorities/institutions, provisions inappropriate to them were detected, such as:

tax revenue records – according to the regulatory framework, taxes are administered by revenue administrators and are accounted for by the cash method;

record of natural resources and state material reserves – are assets managed by branch ministries;

Keeping records of non-financial assets such as internal/external loans and internal/external loans – according to the regulatory framework in force, it is forbidden to contract them by budgetary authorities/institutions, their records being kept by budget managers through the cash method. As an exception, there are project implementation units subordinated to ministries, which keep track of loans received from external donors.

The preparation of financial reports is carried out in accordance with the requirements of Chapter IV "Financial Reporting" of OMF no. 216/2015 and OMF no. 164/2016 on the approval of the Requirements for the preparation of the Narrative Report on the execution of the budgets of

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budgetary authorities/institutions. Although in some Accounting Policies drawn up by budgetary authorities/institutions the provisions of Chapter IV of the OMF are included. No. 216/2015, it is more appropriate to introduce the methodology for systematizing the information related to the consolidation of the goods transmitted/received within the budgetary system, as well as to verify them by approving internal forms. Also, for the authorities that are subordinated to embassies and project implementation units with bank accounts outside the budgetary system, it is important to provide for the need to prepare Form FD – 040 "Report on the execution of the budget outside the treasury system", which is introduced in the SIGFP. It is noted that, if some organizational aspects of accounting are approved by separate internal order – it is not necessary to incorporate them into the Accounting Policy. Only the number/date of the order that regulates a certain aspect is sufficiently indicated.

The provision of organizational and methodological aspects in a more developed and effective manner in the Accounting Policy of a budgetary authority/institution shows the justification for the execution of accounting records/economic facts that are not regulated by the normative framework.

At the same time, a properly prepared Accounting Policy will ensure the truthful preparation of financial reports and will influence the efficient and transparent management of public assets.

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