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FUNDAMENTALS OF FINANCIAL OPERATIONS IN THE MILITARY ORGANISATION

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Abstract: *Public financial resources are constituted at the level of the state budget and are used and allocated to institutions for the general interests of the community in accordance with national legislation. Their optimal use requires the application of appropriate financial management, which in concrete terms is the science and art of conducting operations for the full use of financial resources to efficiently achieve the proposed objectives. Thus, financial management starts with the organization of financial planning, through forecasting, and is completed by the execution of the allocated budget. The coordination of public financial resources leads to the achievement of financial discipline, as well as to the obligation to respect the legality and conformity of public expenditure regulations applicable to the military organisation.*

Keywords: financial resources, financial management, financial operations, methods, procedures

1. Introduction

Public institutions are defined as patrimonial entities that carry out activities and operations for the benefit of the community, particularly in the social area. They do not produce income. However, they produce income that is insufficient to cover their own expenses, thus requiring financing from the state budget. Although the work of public institutions belongs to the non-productive sphere, they play a particularly important role in achieving social and political objectives.

The military organisation is an institution with a hierarchical architecture, having specific objectives aimed at ensuring and strengthening the national defence capability with the mission of guaranteeing the sovereignty and integrity of the state. Within this organization, economic-financial management groups the data and information used in the following sub-systems: financial planning, execution of the income and expenditure budget, cash operations and settlements, military and civilian staff payroll, preventive financial control and accounting of all economic-financial operations.

The responsibility for financial management in the military organisation lies with the commanders and staff in charge of the finance and accounting department, who are responsible for managing and using the allocated resources. Ensuring and developing military capabilities primarily focuses on the efficient use of human, material, and financial resources through prioritisation by the structures and persons in charge.

There are currently several expert approaches to the importance of efficiently and economically securing and using resources, but the following are the most relevant: *".....The focus is therefore on*

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resources to be used, combined, and coordinated. The resources most presented and analysed by the management literature refer material, human, financial, and informational resources..." [1].

2. Procedural aspects of financial operations

Within the military entities, the financial mechanism is performed through a complex system, in accordance with the provisions of *Law 500 of 2002 on Public Finance*, aimed at achieving the general and procedural framework for the formation, management, commitment, and use of public funds.

The regulatory framework takes the form of orders, ordinances, regulations, laws and decisions issued by financial bodies.

The financial resources required by the units and large units are provided through financing from the state budget, self-financing and through the amounts of mandates received from various entities. Therefore, it is necessary to use methods and techniques specific to the military sphere to deduce the effective allocation of financial resources and to have control over the economic efficiency of the allocated budget.

Thus, the establishment of the financial mechanism consists of a sum of structures, methods, principles, forms, economic and financial levers through which the financial resources of the state are used, allocated, and established.

These resources are necessary to achieve financial objectives and functions under the legal conditions of the economy.

The National Financial Mechanism consists of the following:

- the structure and functioning of the financial and credit distribution;
- principles, procedures, and means of financial control;
- models and procedures for measuring, monitoring, and boosting economic and social efficiency.

The head of the military organization, known as the authorizing officer, is responsible for ensuring that financial and accounting operations are carried out and for the implementation of its own budget.

Authorizing officers are the managers of public institutions and are tasked with using and allocating budget appropriations; they are individuals delegated to perform management functions who can dispose of budget appropriations from the revenue and expenditure budget, with the obligation to substantiate, account for, and apply a legal, efficient and cost-effective framework.

They fall into two categories:

- Chief Authorizing Officers, the heads of public institutions in legitimate form, who are granted the financing of budgets approved in accordance with the law;
- secondary and tertiary authorizing officers, the heads of public institutions with legal personality, who are allocated funds from the budgets of the principal authorizing officer.

The organization of activities in the economic and financial field is regulated by the *Accounting Law No 82/1991, the General Chart of Accounts for Public Institutions* and its implementation rules, and by *Law No 500/2002 on Public Finance*, which reformed the public finance system, including the budgetary process, by introducing new principles, rules, and terms [2].

At the level of the military organization, the financial policy contains some distinct specifications, which make them unmistakable and irreplaceable.

They consist of the following:

- financial resources, considered a determining parameter to define and achieve an objective;
- ensuring financial resources and the balance between expenditure and income, i.e. between the payments made and the income received.

Thus, the main activities related to financial planning are the following:

- budget forecasting, which consists of forecasting the stability or instability of the budget and the future situation of all expenditure;

- cash-flow forecasting, which consists of forecasting the cash flows in the military structure and the bank account balances;
- fiscal planning, i.e. forecasting the incidence of tax, value added tax and contributions to the national social security and health insurance system;
- long-term budgeting, consisting of the preparation of financial budgets which indicate what funds will be needed in the future;
- obtaining financial resources, which consists of making decisions based on financial forecasts and the cash required in the future, as well as following the steps for procuring financial resources.

3. Specificity of financial operations in the military organization

The methodology for drawing up the budgets of public institutions consists of forecasting social and macroeconomic indicators for the budget year.

Each military entity prepares an annual budget of income and expenditure, this being an important process for the management of activities within the financial department, a basic process for the analysis and control of the activity, as well as a fundamental process for ensuring the financial balance and for establishing stages of preparation and deadlines for submission to higher hierarchical levels established by the Directorate-General for Finance and Accounting.

The budgeting phase is represented by the preparation of the financial plan which must ensure the resources required to achieve and maintain the capabilities in a budget year. Consequently, financial planning is materialized at the level of the draft budget.

In order to ensure that the necessary resources are available to ensure the normal conduct of activities, specific documents are drawn up at institutional level for the preparation of expenditure and revenue budgets.

Financial planning is a system of complex operations, studies, analyses, actions, and plans which determines the need for financial resources, material funds, services, and works over a given period of time, ensures the rational organization of technical and material procurement and the increase in the efficiency of expenditure by reducing the volume of requests for appropriations from the state budget, and performs the supervision and control of budget execution. This implies performance-based management, as well as the existence of certain objectives and results.

The importance of financial planning is also highlighted by other authors who argue that *"Planning is the fundamental component of (logistical, financial) management, which is based on forecasted data and represents a process of exploring all opportunities for allocating time and resources …"* [3].

Financial planning methods and procedures are carried out by comparing scenarios for securing financial resources and choosing the best option based on the information available, while anticipating the possible occurrence of risk situations and their consequences.

The financial-accounting department plays a particularly important role in ensuring the financial resources necessary for the smooth running of all activities, by carrying out economic-financial operations and recording them up to date, organizing and managing the accounts, using budget appropriations, granting salary rights and other rights of a salary nature for the entire staff of the military organization.

The authorizing officer, i.e. the commander of the unit or of the higher echelon, is directly responsible for the way in which the activities of the financial-accounting department are carried out; they are legally responsible for the proper organization and conduct of the financial-accounting activity and for taking all measures for the correct and timely application of the legal provisions related to this activity.

The accounting department is also the specialized structure in this field, through

which the financial-accounting objectives and tasks are carried out.

The Chief Financial Officer (CFO) determines the use of financial resources in accordance with the legal provisions and has the following main tasks: checking statements of account, drawing up payment orders, drawing up internal travel statements, checking the correspondence between the justification notes, the reports of necessity and the related documentation.

The CFO keeps strict records of assets and has the following main duties: to chronologically and systematically record all accounting documents relating to incoming and outgoing assets and sources of funding; to record incoming and outgoing documents related to the work of the Financial Office and the Technical and Material Procurement Office; to perform analytical and synthetical summaries; to carry out a timely inventory and to account for the differences resulting from the inventory; to draw up the balance sheets; to perform and monitor the execution of expenditure and income by source of funding; to draw up the statement of cash balances.

In order to operate within a legal optimal framework, the financial planning activity will go through certain phases, characteristic for the use of budget appropriations, as follows:

- forecasting, anticipation of ways, methods, and organizational, motivational, and evaluation solutions superior to the predetermined evolution of the logistic system, on the one hand, and to the financial system, on the other;
- the operationalisation phase is determined by the decision making, organization, command, and coordination of the staff involved in achieving the objectives contained in the forecasts and logistic activities plans;
- the phase of measuring and interpreting the results is characterized by the predominance of the control-evaluation function based on the objectives and criteria established in the first phase.

A very important stage is forecasting, aimed at predicting, planning and establishing plans and programs.

Forecasting is the scientifically based assessment of the future development of the qualitative and quantitative components of the financial system over a given period of time (expenditure estimates, etc.).

In military entities, financial planning is the basic component of financial management and is found at all levels of management.

Plans are the materialization of planning, resulting from analyses carried out on the basis of objectives and tasks to be accomplished within specific periods, i.e. monthly, quarterly, annually.

The financial-accounting department estimates and defines the nature of the expenditure, the objectives to be achieved through the various categories of expenditure and the methods and instruments to be used to achieve them with the minimum of resources. All military structures are required by law to identify in good time and correctly evaluate all sources of financing and self-financing, and to include them in financial planning activities.

Within public institutions, the financial-accounting department carries out the cash execution of approved budgets, by performimg certain complex processes of operations that refer to income and expenditure.

The distribution of budget appropriations by quarters is carried out within all the components that make up the general consolidated budget. This process is governed by the specialized body of the financial system, namely the Ministry of Public Finance.

The cash execution itself is implemented by the authorizing officers, consisting of the breakdown by quarters of budget revenue and expenditure, taking into account the deadlines for the payment of taxes, duties and contributions, in relation to the deadlines for specific expenditure.

This complex activity involves several operations aimed at collecting revenue and paying expenditure. In this sense, cash execution is a set of budget operations which are executed through the State treasury and the banking system.

Through the banking system, cash execution consists of opening accounts with banks, with receipts and payments being made on behalf of the military entity. The bank is also empowered by the State to execute the budget on a cash basis, coordinating the flow of receipts and payments and organizing their execution.

Cash execution through the treasury consists of the establishment of a public financial institution by the state, which is specialized in carrying out operations. The Treasury is structured as a banking system, with a central structure (Central Treasury) subordinated to the Ministry of Public Finance and a territorial structure (Territorial Treasury), usually at county and city level. The basic activities of the treasury are cashiering, controlling and recording expenditure and revenue collection, as well as providing public information regarding the preparation of accounts and periodic reports on budget execution [4].

Specifically, the execution of expenditure from the state budget is represented by the activity of consumption of financial resources through the approved budget. The annual budget lawmaking consists of establishing and approving budget appropriations for the expenditure of a budget exercise, according to the functional and economic classification by source of financing and programs.

4. Conclusions

The public financial system has its own capacity to drive the functioning of organizations, which is directly influenced by the way in which they are financed, the methods of raising financial resources, and the distribution of public expenditure.

Budgetary expenditure is provided for according to the financial law in order to cover the requirements for the fulfillment of tasks and objectives during a budget exercise, both in terms of provisioning (for the purpose of procuring military equipment and technique), investment (execution of small constructions, refurbishment of premises), provision of entitlements (food, payment, accommodation, equipping the military, etc.).

The military organization financing system includes financial planning, drawing up and approving budgets, budget execution, controlling budget execution and, last but not least, reporting on financial indicators.

We consider that planning represents the most important function of financial management, being the fundamental component based on forecasted data and representing a process of exploring all opportunities for allocating time and financial resources.

Authorizing officers organize the expenditure planning activity both to cover the needs of the unit and to perform specific missions. Expenditure planning shall be based on data received from the hierarchically superior units and from the principal and secondary authorizing officers, within the limits of the approved and allocated budget provisions.

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