

# MANAGEMENT OF STATE BUDGET EXPENDITURES THROUGH THE SYSTEM OF TREASURY

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## 1. Introduction

Today, the State Treasury is the only body charged with the maintenance budget execution – of income and expenditure [1].

However, there are a number of unresolved issues. They are associated with the implementation of the mechanism of interaction of all participants in the budget process; clear division of financial and information flows between the Treasury and other participants in the budget process; improving methods of treasury services budget; creation of a dynamic monitoring system; account of the intended use of funds; spending increase on public administration and so on.

## 2. The basic material of research

In determining the direction of economic policy it is necessary to improve the prospects of establishing control over the treasury account earmarked funds.

However, the question of developing effective management mechanisms preliminary and current control department of the State Treasury is not developed enough [2].

Therefore, further development of the Treasury, in our opinion, may be associated with the monitoring, search and creation of new instruments or their further improvement towards: concentrating financial resources in a unified structure for the successful implementation of fiscal policy.

Because of the state budget the government organizes the redistribution of financial resources between productive and non-productive areas of activity between administrative and territorial units branches etc., strengthens the oversight functions of the state for the timely and complete inflow of the budget financial resources and their effective use. The result of this process is the development of management functions.

However, forecasting and replenishment revenue expenditure of the state budget for the use of temporarily free funds is almost inextricably linked with the introduction of treasury passport.

Entering into force of this document will provide the necessary information in a concentrated form on cash flow.

Today the paradoxical situation has developed – there is a need for further development of the Treasury, but there is no legal basis [3–5]. Legislative and regulations of the State Treasury are outdated and do not meet the current needs of the management of budget funds [6–8].

Throughout its existence, the Treasury was forced to quickly solve problematic issues (which are detected in the monitoring of financial resources).

The new direction of the Treasury led to implementation of new features – operator settlements and payments for all customers served by the system.

This approach significantly distinguished bodies of the State Treasury Service from other ministries and departments, firstly, by systemic approach to automation.

In our opinion, one of the urgent issues is to align with the actual functionality of the State Treasury Service of legislative regulations.

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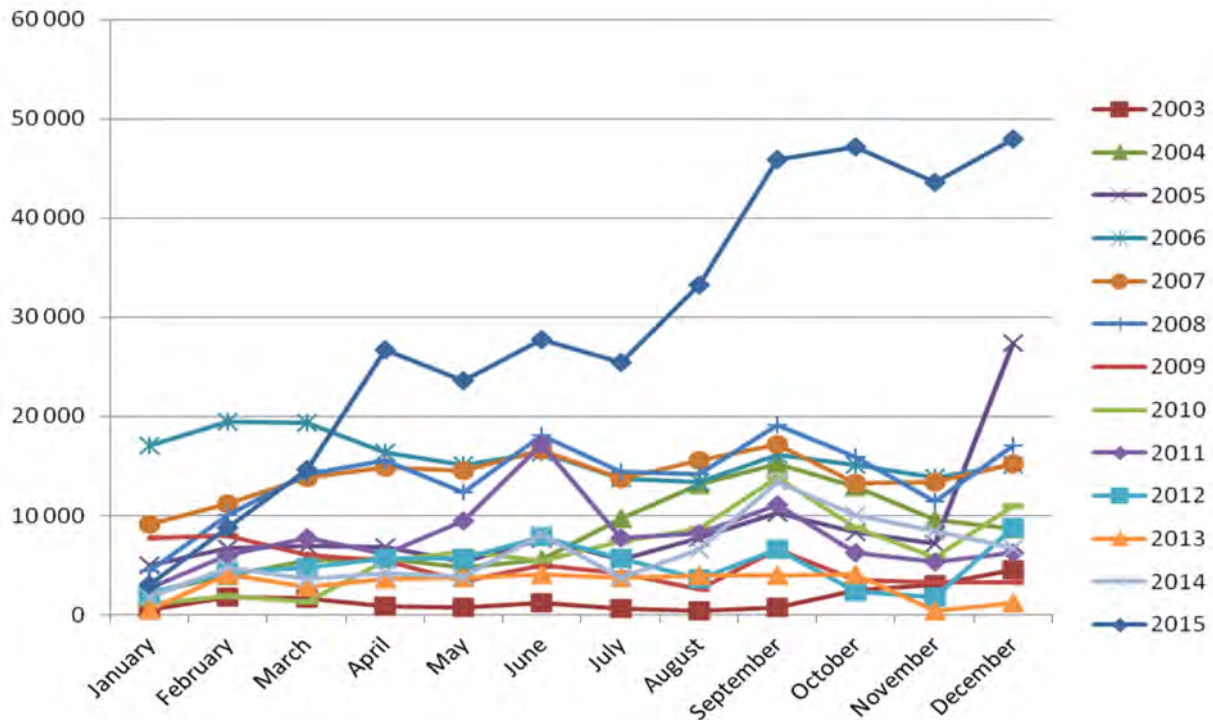
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This will provide an opportunity to consolidate the specifics of the State Treasury, to emphasize its differences from other government authorities and also provide a basis for further development.

That was the chain connecting information and computer system of Ukraine Treasury.

Temporarily free funds of public funds and of other clients, local budgets should become these additional sources, which can be served in the Treasury system. Access to them must become operationally and technically possible.

Fig. 1 points to the growth of the treasury account balance.



**Fig. 1. Dynamics of average incoming balance TSA in Ukraine in 2003–2015, (at the beginning of the month) [3]**

In our opinion, the management of budget funds should be addressed by effective combining of the interests of fiscal and monetary policy. The centralized model calculations require the development of new relationships between levels of the State Treasury, which should be resulted in the changes of the legal and normative acts of general issues of creation and existence of the State Treasury. Actions on the creation of a centralized model are justified by the fact that the existing schemes of the state budget payments are rather cumbersome and need simplification. There is an urgent need to speed up their use by the general revenue resources by backing regional level.

Achievement of this goal will be done by establishing a central authority, which will limit the use of Treasury funds. This will provide an opportunity to accelerate the flow of resources spending and will help to reduce the tension. According to this, budget beneficiaries' accounts must be enforced by real resources when there is a need to actually hold cash expenditures. Thus, when the State Treasury receives from institutions vouchers for debiting its account with the payment obligations and with the introduction of the payments scheme, the information flows direction changes. Currently, a central office acts as responsible for timely and targeted information and proof of funds to subordinate bodies of the State Treasury.

According to the perspective scheme the main task of the central office will be the budget operational flow management through: establishing authorization for its use; establishing rules on payments in case of budget revenues failure. Based on the information, State Treasury budget execution analysis and revenue forecasts the decision on setting limits on the regional level and divert part of the funds to “support” other areas could be taken. The introduction of the proposed scheme and the passage of the budget funds will enable:

- access to the central apparatus of Treasury resources (they now accounted for 27 correspondent accounts of the State Treasury regional departments);
- reallocation of resources, taking into account the actual need for them (in the relevant territory within the Single Treasury Account);
- avoid colliding cash flows between government revenues (which are accumulated in the respective territory) and the cost of procuring funds;
- focus on the expenditures of the state budget of all available resources (which are recorded on correspondent accounts departments of the State Treasury);
- operation of expenditure spending units (based on the account of their obligations in the State Treasury).

All listed advantages are creating conditions for the effective management and the targeted use of budgetary funds. It should be taken into account the Swedish positive experience, where all departments activities and their work results are analyzed once every three years. A further budget allocations approval depends on the results of the analysis of a particular program and the cost of achieving it. However, at present there are no recommendations for the specific mechanisms, the system of assessments, standards that could be used by institutions and organizations, regulatory authorities to analyze the efficiency of budget funds.

### **3. The main results of the research**

Operational management assumes presence of monitoring of funds. It should also foresee an appropriate system of interrelated stages, namely:

- determination of the funds volume required for the implementation of this objective;
- the distribution of the resources needed for the implementation of goals;
- ensuring the implementation of specific procedures.

For quality monitoring State Treasury Service of Ukraine needs to have information on:

- revenue forecast of daily adjustments according to the actual status of the revenue part of the budget;
- projections of funds on:
  - the expenditure on the basis of financial obligations;
  - the repayment of external and internal debts including interest;
  - the return or compensation of income.

Such information should be consistent and matched for different periods and provide an opportunity to make decisions in a given period of time.

In our opinion, better results in this field can be achieved by providing the near future to take the following measures:

1. Further centralization of resources in accounts of the Single Treasury Account.
2. Getting a better forecast of the necessary financial resources for a specific period of time based on the managers and recipients of budget funds accounting obligations and cash plans of other participants in the system.
3. Strengthening and expanding methods of monitoring expenditure of budget funds.
4. Completion of the introduction of a single full-featured software and information and accounting system creation as a whole.

### **4. Conclusions**

Given the importance of the issues studied real economy deems it necessary to reveal the essence of the proposed measures.

In terms of destabilization of the financial state of the economy, state revenues reduction is forcing the government to seek and raise funds for timely cost from other sources. In our opinion, the review process can be started from the budget indicators assessment, i.e. analysis planning neediness and implementation of the relevant expenditure exploring possible ways to achieve the goal of smaller volumes appropriations and comparison of specific measures and price indices.

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## Summary

In the article the management of budget funds in the Treasury system is researched. Tendencies of balances fluctuations on a single treasury account are indicated. The attention to the peculiarities and shortcomings in the functioning of the cash budget execution is paid. The management of budget funds should be addressed by effective combining of the interests of fiscal and monetary policy.

Operations in the financial markets on the placement of temporarily free budget funds on deposit at the National Bank of Ukraine and commercial banks will provide an additional source of income. This will enable reduction of the burden on state spending.

**Keywords:** treasury; the treasury system; the cash execution of the budget; a single treasury account; the budget; treasury; costs.

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