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**THE HISTORY, PLACE, ROLE, FUNCTIONS, DEVELOPMENT AND
PERSPECTIVES OF THE TREASURY IN PUBLIC FINANCES**

THESIS OF THE DOCTORAL (PHD) DISSERTATION

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PÉCS, 2022

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I. Summary of the research task

I.1. Justification for the choice of topic

„The management of the state, the state budget is not one of the goals but the means of the state. It is not considered to be specialized, but to be considered as an organ function”¹ In Magyary’s opinion, financial administration and law enforcement can be considered as general administration, as they do not strive to achieve results on their own but provide the other branches of administration with the appropriate conditions and tools to achieve their goals and results.² A special branch of public administration is financial administration. It is a specific field where, alongside the science of public administration, the science of finance and economics appear as well. We cannot ignore the rules of the financial and economic field, since the state itself is inseparable from the financial sector, as an integral part and actor of it. The globalised world also places demands on the state’s budget, including that it should be open, transparent, modern and technologically up to date. This is not simply an expectation, but also a well-understood interest, since the state is also an actor in the international financial market (debtor, creditor, etc.), where these aspects are among others the subject of consideration for each transaction - it can gain significant advantages and disadvantages based on its operational characteristics and its judgment of the terms of each transaction. This very interesting and special area has been very little researched and studied, even though a huge amount of public money can be saved by rationalising and optimising its operation.

The Treasury (State Treasury, Treasury, Public Treasury, Treasurer, Treasury House, Treasury Office, Chamber, Exchequer) is the office entrusted with the administration of the property and finances of the state (monarch, ruler), that is the main manager of public money and public finance. The Treasury is synonymous with the “wallet” of the state and its supervision, contemporaneous with its formation. As social stratification reached a point where the governing power became institutionally separated from the multitude of the controlled, the state appeared. In order to maintain governing power, financial means are needed, which in today's terms means public expenditure, which can be covered by revenues, i.e., the public finances.³

From the very beginning, the specific nature and size of public property inevitably brought its supervision to life. Already in antiquity, there was an increased need for supervision of public property. In the ancient Athenian democracy and the Roman Empire, the treasury was more than just a store of wealth, a kind of ‘budgetary control’ already existed at that time. On the one hand, the possession of the treasury key itself, as well as other institutions that embodied the empire (the temples, the archives and the state seal), was a distinction. In terms of its function, the treasury still fulfils the same role as it did

¹Magyary Zoltán: Magyar Közigazgatás. Királyi Magyar Egyetemi Nyomda. Budapest. 1942. pp 472-474 [Hungarian Public Administration]

²Magyary. 1942. p 528

³Közigazgatási szakvizsga Pénzügyi és költségvetési igazgatás jegyzet. Nemzeti Közszolgálati Egyetem. Budapest, 2013. p 5-6 [Examination in Public Administration - Notes on Financial and Budgetary Management]

in the Roman Empire. Today, however, public spending is no longer guarded with a huge key, but with IT systems. The collection and use of public revenues is also regulated in greater detail, with an extensive institutional system in place, but the main task remains the same. The tasks of the state have changed considerably over time, and today it has much more to do with guarding internal and external order, and with the increasing degree of redistribution over time, it has developed a specific social-welfare and service function in Europe. The welfare state is also an interventionist state, the intervention is multifaceted and extensive, inducing not only tasks but also significant expenditure and associated costs.

The Treasury is the main financial executive of the state, and the main body responsible for running the public finances. The tasks of the state have changed considerably over time, the rules and institutions have expanded, and the Treasury's tasks have adapted to the changing environment. The role of the Treasury means that it is in contact with almost all the actors of the State and the economy, as well as its tasks cover a wide range of administrative activities.

The Treasury is understood in private law as the private legal entity of the state. In this sense, the state relinquishes its public powers and becomes juxtaposed in legal relations. This is manifested in the separation of state ownership from state sovereignty as well as private sovereign property from state property. On the other hand, in the public law sense, it refers to the system of bodies responsible for the operation of public property and all the assets they manage. Third, in the narrowest sense, it is the Hungarian State Treasury.⁴ The thesis uses the Treasury in the public law sense.

The Treasury is a specific, atypical public administrative body, as it lacks the public authority character of most of its activities. It is essentially administrative in nature, effectively involved in the running, financing and monitoring of the regularity of public administration.

The personal motivation for my research came from my workplace. I joined the Treasury in 2005, where I was fascinated by the diversity of tasks and the hybrid nature of the job (administrative and banking activities). The tasks were interesting and varied, from payroll to securities trading. I was involved in monitoring the use of European Union funds from the very beginning. I had the opportunity to work with many people who told me about the “old banking” and Treasury days. All these experiences and lessons have given me a deeper insight into the Treasury, as well as a unique and unparalleled insight into a special and unique part of the public administration.

I.2. Summary of the research

In the course of my research, I first reviewed the history of the Hungarian Treasury on the basis of the available literature, since without it, we can only get a snapshot of its current position and function. Then, I looked at the origins and circumstances of the current Treasury and the path to its current tasks. In my view, it is essential to examine international practices. Globalisation is not only a curse, but it also has many benefits, such as the availability of much information. Thus, the next step of my thesis is to

⁴Nyitrai Péter (szerk.): Közigazgatási jog 3. p 27 https://jogikar.uni-miskolc.hu/files/9016/kozig_3_2020_v%C3%A9gleges_.pdf (downloaded at 13.05.2021) [Public administration law]

present some types of treasuries and the typical tasks of treasury activity. Supplemented by a requirement, proposal and performance measurement option for the small number of international treasuries. Then I looked at the current functions of the Treasury, and examined a hotly debated administrative issue, integrity, in the relevance of the Treasury. In my research, I sought to complement the literature with practical experience.

II. Description of studies and analyses carried out, the methods of processing

II.1. Aim of the thesis

The aim of the research is to present and process the history of the Treasury, the process of the development of the current Hungarian Treasury, its tasks, international treasury practices and an empirical study on the Hungarian Treasury. At the same time, the paper seeks to outline and examine the development and improvement opportunities, challenges and changing expectations facing the Treasury. I will try to formulate proposals that could lead to a qualitative improvement of the Treasury system and strengthen public confidence in the Treasury and public administration.

In addition, I try to bring the history, characteristics, operational framework and significance of this area a little more familiar and closer. At the same time, I hope that my work can serve as a basis for discussion, debate, professional or non-professional conversations and exchanges of ideas. As they say, there is no such thing as bad publicity, the point is to talk about it. My research suggests that the treasury as a topic has not yet been comprehensively addressed in the domestic literature, nor is it given sufficient prominence in the EU and international literature. This is one of the ‘gaps’ I am trying to fill in my thesis.

II.2. Methods used in the thesis

The sources of the research were mainly historical and existing Hungarian legislation on financial administration, public administration and the Treasury, internal regulatory materials, materials for the preparation of legislation, Hungarian and foreign studies, books, theses and articles on the subject, as well as empirical research on the perception of the Treasury in Hungary. The research seeks to develop the topic of the thesis through historical, theoretical and empirical analysis, and by drawing conclusion from the responses to the empirical research. The applicability of the comparative analysis is limited, as the historical and international perspective shows that treasury systems are embedded in different administrative systems, positioned in different administrative spaces.

In my research, I use the methods of historical and legal-historical analysis, quantitative basic research and summarising practical experience. In my work, I mainly used library research, statistical analysis, analysis, synthesis, induction and adaptation. I examined the treasury solutions used in different countries. I conducted a content analysis of relevant national and international literature as well as legal background documents.

II.3. Theses of the PhD dissertation

Based on the research objectives, I am looking for answers to the following theses:

- Is it possible to define the classical tasks of the Treasury, and if so, what are they?
- In principle, the Treasury performs its public treasury functions effectively, and its expansion can be justified, supported and verified.
- The Treasury is, and always has been, a necessary institution of the state organisation, it is functional and practical in both public and private law.
- How well does the Treasury adapt to social and economic changes, is it necessary and able to meet the rapidly changing social and economic needs?

III. Summary of scientific results, their use or potential uses

III.1. Verification of the hypotheses and achievement of thesis objectives

The first question of the thesis is whether it is possible to define the classical tasks of the Treasury, and if so, what they are. In general, the national treasury is the most important financial entity in a given country. We can distinguish between national and international classical tasks. The former covers a broader range of tasks than the latter, since the role of each national treasury is shaped in different ways and to different degrees by historical traditions as well as external and internal influences. The Treasury's activities cover three broad areas, such as finance (TSA, impact on financial markets, national banks), accounting (recording public assets and their movements) and budget (budget implementation, financial planning). *The classic international treasury function is considered to be the management of the budget (payment operations, settlement of government transactions, management of community bank accounts), the management of the Treasury Single Account, budget implementation (revenue collection, expenditure execution and settlement, payroll functions) and information services (including the operation of financial information and accounting systems), debt management, liquidity management, budget execution control (ex-ante control, appropriation control: checking that public funds are being paid for the right purpose, that funds are available, checking transactions, commitments) as well as the preparation of budgetary and fiscal policy, projections.*⁵ In the case of domestic tasks, the list could be extended to include centralised payroll tasks, the management, registration, control and supervision of grants, subsidies, guarantees and loans granted by the state, the registration of budgetary bodies, the distribution of state securities. In many countries, for example, a typical treasury function is to oversee public procurement, public investment and state-owned enterprises. Both domestic, international and other national treasury functions share a common feature:

⁵Ivan Matalik, Michal Slavik: Debt Management in the Czech Republic (formation in the 1990s and the current state). Prague Economic Papers, 1, 2005. pp 37-39.

Marco Cangiano Treasury Core Functions presentation, Rome, 6-8 February 2017.

http://www.rgs.mef.gov.it/Documenti/VERSIONE-I/Comunicazione/Workshop-e-convegna/Seminario_2017-02-6_8/08_-_Treasury_Functions_and_Cash_Management_-_Cangiano.pdf (downloaded at 06.02.2018)

they “watch over” public money. For all treasuries, we can observe an increasing number of human tasks (built-in control functions, automation tools) being performed by IT systems. As most of the activities, such as payment transactions, are carried out in real time and electronically, the need and the desire for automation are both causes and consequences. As a result, much of the traditional auditing activity became redundant. Changes in activities have given rise to new tasks, the Integrated Financial Management Information System (IFMIS) and the operation of the central accounting system have created the need for accounting controls and the formulation of clear accounting policies, as well as a shift from passive to active liquidity management tools. This development has led to the following characteristics of modern treasuries: decentralised supervision, a more rigorous reporting and accounting system, the rise in importance of accounting standards and accurate fiscal-financial-statistical reporting.⁶

The second hypothesis of the thesis is that the Treasury is basically effective in its public money management functions, and that its expansion can be justified, supported and verified. The issue of efficiency and its measurement has long been of concern to public administration researchers, and there is no universal formula for determining. The efficiency of the Treasury could be the subject of a separate thesis. Efficiency is always a measure of both the result and the inputs required to achieve it, so it is always a comparison: what result is achieved at what cost. In public administration, the result is the performance of a public task. From a very simple point of view, if a budgetary body performs a public task or public service from its budget, it is considered efficient. Today we expect more from a public administrative body than the mere performance of its tasks. The result itself may be of varying quality (a decision or even a measure, or the way it is communicated), but it is important to be satisfied with the quality of the result. Another element of the relationship is the definition of expenditure, as it is difficult to define and measure the direct costs associated with a public task. The next problem is the limited possibility of comparison, as parallel tasks are almost impossible due to the scope of competence and jurisdiction. At the same time, there are tasks that are not purely administrative and are performed by public administrative bodies, such as the Treasury’s trading of securities. For this task, it would be possible to compare the different distributors, as several legal entities perform the task. Although in this case, the comparison would not be easy either, as the Hungarian Post, the financial institutions and the Treasury perform the task in different ways and qualities. Mostly on a task-by-task basis, model calculations can be used to determine exactly where a task can be performed more efficiently. Our membership of the European Union, other international organisations and our economic relations require us to take into account and follow EU and international trends in public finances as well as to adopt and apply adaptable and applicable good practices as soon as possible. Globalisation has given rise to the need for standardisation, which necessarily covers both work processes, data and information. This development is far from over, as the economic environment continues to place demands on financial

⁶Cangiano: i. m.

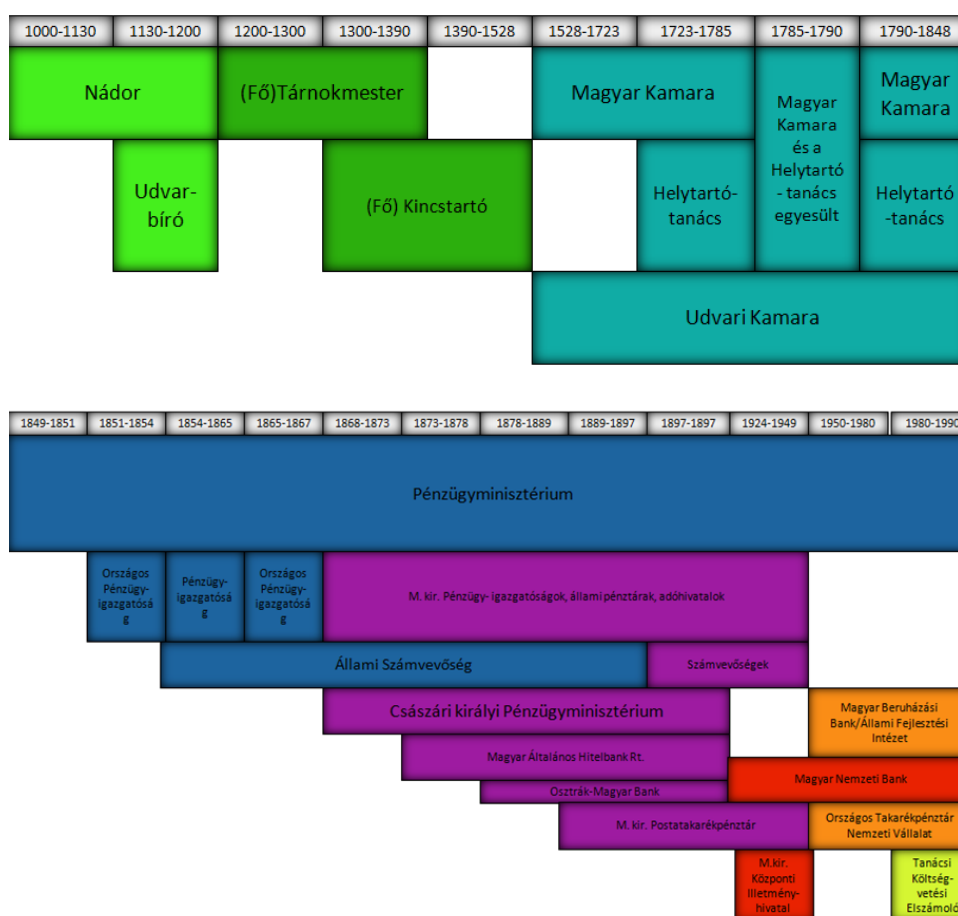
institutions, including treasuries. The implementation of substantive reforms in the public finance system is important to strengthen it and to obtain financial data of sufficient quality and value. Reforms will improve the quality of macro-budgetary management in the region and lead to better economic performance, and further improvements and increased flexibility in the public finance system are needed, as the recent economic crises have shown.⁷ The institutional challenges of the Treasury reforms are usually described with 7 C's, based on the initials of the following English words: consistency with international standards (consistency), compliance of the agencies and organisations delivering the expenditure (compliance), coverage of the budget and reporting system (coverage), consolidation of money (consolidation), securing the foundations before implementing comprehensive reforms (complexity), any reform must be preceded by a cost-benefit analysis (cost) and securing capacity before reforms are undertaken is essential (capacity).⁸ The possibilities for horizontal and vertical expansion and reduction of the tasks performed and to be performed by the Treasury must be continuously assessed and considered. The extension of the Treasury's single account and account management to local governments and state-owned enterprises is an obvious and timely step for the vertical expansion of tasks. The distribution of other debt and equity securities, and the performance of record-keeping and control tasks related to public procurement may be suitable for horizontal task extension. It may be interesting and worth considering extending the treasury account to cover, if not the entire population, but also employees or public sector workers. It could also be used as a prestige-enhancing tool for the public sector, e.g., through individual retail schemes. Horizontal and vertical reduction can be achieved almost exclusively through delegation, which requires an appropriate receiving public administrative body. The administrative courts currently planned to be set up may provide an opportunity to relocate tasks, such as the transfer of a part of the appeal proceedings and the transfer of the registration tasks of the civil registry. It can be concluded that both the domestic and the foreign treasuries under review are basically efficient in their public money management functions, and their expansion can be justified, supported and verified within the framework of 7C.

The third thesis of the dissertation is that the treasury is, and always has been, a necessary institution of the state organisation, it is functional and practical in both public and private law.

⁷Carlos Pimenta, Mario Pessoa (ed.): *Public Financial Management in Latin America*. Inter-American Development Bank. New York, 2015. ix. o.

⁸Cangiano: i. m.

Treasury functions and bodies from 1000 to 1990



Source: Own editing

From the historical overview and the international outlook (without exception, it appears either as a separate office, part of the Ministry of Finance, or as a specialised ministry), we can conclude that the Treasury has an important and prominent role in the organisation of the state. Despite the differences in international treasury systems, there are some similarities between countries' treasuries, because budget management is typically centralised, institutional autonomy is mostly professional, and public administrative bodies are strongly linked to ministries, economic autonomy is not nearly as extensive as in our country, and many places do not have their own budgets or bank accounts. Another similarity is that public funds are almost always managed in a Treasury Single Account. Liquidity management of the central government's Single Account is a priority everywhere, with monitoring of commitments, revenues, expenditures and their projections.⁹ A public excise officer is also handy for the purpose of task and competence assignments and delimitations. From a public law perspective, mainly for reasons of control and conflict of interest, and from a private law perspective, mainly for the imposition and accountability of state assets. We can conclude that, on the basis of both national and international

⁹Magyar Államkincstár Önértékelési beszámoló 30.01.2003 [Hungarian State Treasury Self-evaluation report] Matalik, Slavik: i. m. pp 37-39

practice and experience, the treasury is a necessary institution of the state organisation, which has always existed in some form, being functional and practical in both public and private law.

Modernising public financial management has a fundamental impact on the efficiency, effectiveness and transparency of public spending and revenues. And by increasing efficiency, it also improves the value for money of public expenditure. Accurate and reliable financial information, procedures and standards enhance fiscal discipline, support macro-budgetary policy dimensions, as well as related decisions and implementation.¹⁰ There are a variety of effective and workable models and structures for managing public funds, and the most important expectation is that they should be transparent, and their control should be reliable. The EU also has expectations in line with this, basically setting targets and requirements, allowing a great deal of freedom in the way they are met, accepting specific national solutions for spending public money, as long as the requirements of transparency and robust control are also met. In general, the Treasury can be described as a system (not only) in the EU that effectively controls and manages government finances. Public financial management plays a crucial role in the careful allocation and use of public resources and in the management of the macro-economy.

The governance requirements for a modern treasury system, according to Mario Pessoa and Mike Williams, are a comprehensive (TSA), an efficient government payments system, a linked treasury-managed integrated financial management information system (IFMIS), an efficient system with the ability to make accurate projections of short-term cash inflows and outflows, and active cash management.¹¹

The fourth thesis of the dissertation is: how well does the Treasury adapt to social and economic changes, is it necessary, and able to meet the rapidly changing social and economic needs? In terms of volume, the Treasury handles almost a quarter of domestic money turnover, which amount to hundreds of billions of forints every day. In order to perform this task, the ability to provide liquidity management, liquidity and anticipation loans is almost indispensable. Closely related to this task are its record-keeping, administrative and accounting tasks, which involves collecting and providing financial and accounting information and projections. It provides economic operators, in particular the general government, with the data and information they need to take their decisions. The Treasury is the pay office for a wide range of public expenditure, a provider of budgetary information, a central government financial control body, which monitors and controls public expenditure and revenue, prepares annual budget plans, and it is the government's main economic, financial adviser and program maker. One of the important building blocks of the treasury system is uniformity: a single treasury, a single system of

¹⁰Pimenta, Pessoa. i.m. pp 1-21

¹¹Mario Pessoa, Mike Williams: Government Cash Management: Relationship between the Treasury and the Central Bank. International Monetary Fund. 2012. <https://www.imf.org/external/pubs/ft/tnm/2012/tnm1202.pdf> (downloaded at 09.09.2018)

information and accounting, a single process of control built into the money turnover.¹² The Treasury ensures the financial and professional implementation of the budget.

The Treasury also acts as a link between the central and local levels, not allowing local authorities to become isolated, mainly by operating IT systems. It provides local authorities with access to information and procedural protocols, among other things. It helps standardise tasks and disseminate good practice, thus preventing isolated solutions to problems.

„As payments from public funds can only be made on the basis of a statutory authorisation, the Treasury ensures that public funds are used for what they are authorised to do. The Treasury's mission: to disburse public funds and to control those disbursements”.¹³ With multiple levels and different types of control, it also increases the reliability of the data provided. It is responsible for the payroll accounting of nearly 900,000 public sector employees and the related tax and contribution accounting and declaration, as well as for the payment, management and recovery of domestic and EU funds. „ The Treasury is therefore both a participant and a guardian in the spending of public money. Its role is to monitor the flow of public funds and to ensure that no unauthorised payments are made.”¹⁴ For in-process control, only 20 percent of the items need to be inspected, which covers 80 percent of the risks and leads to results and savings just because of the sense of threat itself.¹⁵

The aim of the empirical research was to map the perception of the Treasury in general and of its individual activities, as well as to measure satisfaction with the (public) services provided by the Treasury. The majority of respondents have a neutral impression of the Treasury, although a fairly high percentage have not been in contact with the Treasury. Respondents who did not contact the Treasury formed their opinions based on the media and the opinions of their friends. The majority of the Treasury's customers are satisfied with the service received and the activities carried out, with a low rate of dissatisfied customers. The vast majority of customers were also satisfied with the professionalism of the Treasury staff. Dissatisfied customers identified information activities and family support benefits as problem areas. It is very interesting to note that the vast majority of customers did not use the Treasury's electronic services, and of those who used it, the vast majority were satisfied with the service they received. It should be stressed that most of those who completed the questionnaire would like more and better information about the services provided by the Treasury. What is really shocking is that a fifth of respondents think that Treasury staff are involved in corruption. By comparison, 6% of the

¹²Novotnik Imre: Az államkincstár nemzetközi tapasztalatairól. Comitatus. 1995/11. p 40 [Treasury's international experience]

¹³<http://www.allamkincstar.gov.hu/kincstar/rolunk> (downloaded at 01.04.2014)

¹⁴<http://www.allamkincstar.gov.hu/kincstar/rolunk> (downloaded at 01.04.2014)

¹⁵Gárdos Csaba: A kincstári rendszer létrejötte, fejlődése, bővítési stratégiák, lépések a szubszidiaritás irányába. Prosperitas. II. évf. 1 szám. 2015. pp 81-97 [The creation and evolution of the treasury system, expansion strategies, steps towards subsidiarity]

population in Germany, 8% in Switzerland and 8% in Sweden believe that public sector workers are involved in corruption.¹⁶

III.2. An abstract, grouped summary of the findings and recommendations of the thesis

III.2.1. Proposals that could be used for legislation

„In modern societies, the most important thing is money. In democratic societies, there is one more serious thing: public money.”¹⁷ Public money is characterised by a higher social demand for information and accountability, a concept that is difficult to separate from state and public functions. Its importance in public finance matters is paramount, as it provides the cover for the functioning of the entire public administration, but it should be noted that a sufficient degree of control over public money and decision-making power can go hand in hand with the exercise of power and the building of influence.¹⁸ A kind of Janus-facedness is characteristic of public finance, since it can be “at the same time a servant of the common good, a financier of sustainable development and wealth creation as well as a breeding ground for social ‘wildings’, for revolving public debts and through misguided funding decisions, it is a brake on social innovation and adaptability¹⁹. By public finances (in the narrow sense) we mean the revenues (taxes, contributions, duties, fees, etc.) and expenditures (subsidies, interest, contributions, etc.) of the subsystems of general government. In a broader sense, however, we can also include the revenues and expenditures of the majority of public benefit organisations (public foundations, public benefit societies, social organisations) and state (local government) owned organisations (MNB, MÁV Zrt., BKV Zrt., etc.). The concept of public property can be also interpreted by analogy.”²⁰ The rethinking and reinterpretation of the accountability relationship between the UK government and the public sector was summarised in the Sharman Report in the early 2000s, including what was considered to be public money. Thus, public money is considered to be (1) all money received by a public sector organisation (body), regardless of its source, (2) all money that comes from the public sector (organisation) to the non-public sector organisation, (3) the public sector accountability regime should also apply to private money, in the case where it is generated (spent) under a statutory authorisation or where the organisation

¹⁶Coralie Pring: Transparency International: People and Corruption: Citizens’ voices from around the world. 2017. [Transparency International: People and Corruption: Citizens’ voices from around the world.](http://files.transparency.org/content/download/2161/13659/file/GCB%20Citizens%20voices_FINAL.pdf) http://files.transparency.org/content/download/2161/13659/file/GCB%20Citizens%20voices_FINAL.pdf (downloaded at 29.04.2019)

¹⁷László Csaba: Tépett vitorlák. Aula Kiadó. Budapest, 1994. p 13 [Torn sails]

¹⁸Pétervári Kinga: Közpénzek – magánpénzek, avagy a számvevőszéki ellenőrzés alkotmányjogi problémái. Gondolat. Budapest, 2004. [Public funds - private funds, or the constitutional problems of the audit by the Court of Auditors]

¹⁹Nagy Sándor: A közpénz változó szerepe és funkciói. Jelenkori társadalmi és gazdasági folyamatok. 1. szám/2015. p 14 [The changing role and functions of public money. Contemporary social and economic processes.]

²⁰Nyikos László: Az Európai Unió legfontosabb pénzügyi jogszabálya (a pénzügyi rendelet) és hatása az államháztartás reformjára. A Miniszterelnöki Hivatal és a Nemzeti Fejlesztési Hivatal kiadványa. Európai Műhelytanulmányok. 101. szám/2005. p 16 [The main piece of EU financial legislation (the Financial Regulation) and its impact on public finance reform.]

in question is involved in local public expenditure.²¹ According to the Constitutional Court's interpretation so far, it has broadly agreed with the above, but only with the broad interpretation of the concept of public money (see AB Decision 8/2016 (IV.6.), AB Decision 3026/2015 (II.9.)). According to the Ninth Amendment to the Constitution, the concept of public money is defined as the revenue, expenditure and claims of the state. The explanatory memorandum further delimits the definition to include all constitutional, state and local government bodies as well as state and local government institutions. This introduces a narrow definition of public money into legal practice, which is contrary to the previous interpretations of the Constitutional Court. Obviously, it is possible to legislate contrary to divergent interpretations of the law, but is the solution constitutional? In the end, public money loses the character of public money... I think the only thing missing behind that sentence is a sad face. Personally, I am a strong advocate not only of broadening the scope of the TSA, but also of the widest possible understanding of public money, since this money belongs to the public, and the minimum is to provide as much information as possible about it. In addition, our international standing and position in the corruption ranking would also be significantly improved by a precise interpretation at a broader constitutional level. Going further, there should be full transparency on the overall use of grants (both national and EU) and grants, with access to data restricted only in justified cases (scope of personal data, real national security risk). A utopian idea is linked to the latter that all state aid and grants should be placed under a separate budget heading. Currently, legislation designates under which ministry or chapter these expenditures are located, they are practically all over the budget, their source and disposition is practically untraceable and a breeding ground for abuse. The specific power-sharing requirement for public money management should be enforced, according to which those who have the power of decision in their hands should not manage money.

On the basis of practical experience, the regulatory regime and the tightening of its elements need to be continuously evaluated. A striking example is the fate of public money lost during the “Questor scandal” in 2015. The problem highlights a number of regulatory shortcomings. There have been examples of this kind of “loss” in the past, such as the bankruptcy of Lupis Brokerház, Ybl Bank, and while many years passed between these scandals, it still illustrates the insolvability of the transfer of public funds to capital market players, and the reliable avoidance and prevention of this is still not ensured.

Our fundamental expectation of public administration is that it should operate in a lawful, predictable and reliable manner, and its inclusion as a constitutional guarantee would significantly increase confidence in public administration and economic investment.

One of the major shortcomings of this guarantee of predictability and reliability is the disproportionate legal consequence. The public administration is characterised by the “dilution” of

²¹ Sharman (Lord Sharman of Redlynch): Holding to Account: The Review of Audit and Accountability for Central Government. Stationery Office for HM Treasury. London, 2001.

responsibility, and the system generally lacks effective accountability. Just think of the repayment of the improperly used local government grants. No one is raising the issue of the liability of mayors who are actually responsible. Rather, the courts will twist and turn the “law” until the repayment of the grant is not made or is significantly reduced. A legitimate observation is that many local government would be in a difficult position if the actual repayment obligation was established. But why is this an exculpatory circumstance for a legal practitioner and not for an ordinary private individual? Why is a law enforcement body not expected to interpret and apply the law correctly? If this fails, why is personal liability not imposed? Public money and its management deserves special attention, and if responsibility can be established, it is necessary to establish liability. Liability entails its legal consequences. Of course, there is also a proven method for this, namely liability insurance! I would not think that the mayor, for example, should take the money out of his own pocket to pay for the improperly used grants. In this capacity, government agencies should be public prosecutors and initiate proceedings to establish liability! Very similar and outstanding is the fact that local governments regularly report data to the Treasury with a high ratio of delays (report, data reporting obligations on financial management - see p. 196). The fine imposed in such a case should also be passed on to the person actually responsible. The organisation should not be allowed to absorb liability where personal liability can be established. This would greatly improve the ability of public administrations to carry out their other administrative tasks accurately, not just their official tasks.

At present, the judicial treatment of breaches of contract for domestic and EU funds depends on the act giving rise to the grant relationship, whether a contract is created by an administrative decision of an administrative body, a public contract (in this case an administrative legal relationship) or a grant contract or deed of support (in this case a civil legal relationship). In my opinion, it would be important to highlight one legal relationship for the sake of consistent treatment, which is the legal relationship of administrative law. It deserves to be treated in an administrative procedure, as it deserves special attention due to the nature of the public money used. To this end, it is necessary to confer public authority powers on the aid manager in this task.

It would simplify a number of administrative and other file management procedures if grants and subsidies were indeed a separate chapter in the central budget, one of the beneficial consequences of which would be that for contracts concluded, there could be a single contractor providing the aid (either the Hungarian State or a delegated body such as the Hungarian State Treasury), which would put an end to the recurring problem of legal personality and capacity to sue, and would also clarify the determination of liability for damages in the administrative sphere.

Another interesting and controversial perennial problem in grant management is the treatment of irregularities. Currently, practices differ between EU and national aid. In the case of EU funding, irregularities can be found where there is a damage to financial interests and other circumstances. Damage to financial interest is a necessary condition. The question is why? The answer is practicality. However, this is inappropriate, as in many cases there is no damage to financial interest linked to an

irregularity, but it is expected that there will be later (e.g., an obvious false declaration before disbursement). In the case of domestic grants, there is practically no management of irregularities, only of claims. In any case, domestic and EU grant procedures deserve to be treated in the same way, there is no justification for treating them differently!

There is a growing need to expand the use of electronically handled matters, integrated, “all in one place”, “shopping centre-like” type of administration, and to minimise document requirements. The consequence of this is that the continuous improvement of information security is an unavoidable task (in the case of state and local government bodies defined by law²²), the importance of which is enhanced by the introduction and spread of SZEÜSZ (i.e., regulated electronic administration services), KEÜSZ (central electronic administration services), and ASP, where, in addition to the employees of the offices, the public is also connected to the remote machines.

Today's world is increasingly demanding electronic data accessibility and transparency of institutional operations. Society's hunger for information is practically insatiable, adding that the basic expectation is that data should be searchable, listable and exportable. The accessibility and searchability of budgetary data is significantly lagging behind in this respect, we might say it is in its infancy. Although it is not the direct task of the Treasury to provide this data, but it is rather a government development task, still it can provide considerable help and support. Development is urgent and could significantly improve our international standing.

III.2.2. Proposals that could be useful for law enforcement

Today we expect customer-centric, customer-friendly “service” and administration. Meeting this challenge is not easy and requires a number of preconditions and resources. Public administration is also undergoing a similar change in other countries around the world, since office administration, which has moved away from its former predominance, is now in transition towards an administration that is competitive with market service providers. This is inevitable and we need to respond and prepare for it as soon as possible, with strong practical support from science and international experience. Public administration can effectively achieve its goal in cooperation with the customer, for which the mapping of needs, customer satisfaction, increasing their willingness to cooperate, training and informing them are essential. Helpdesk, information leaflets, awareness-raising, and many modern solutions such as the use of youtubers can be a solution. It is worth paying attention to foreign solutions as well, for example, the Philippine Treasury presents its history, mission and tasks through compelling videos. The satisfaction of customers, the management and systematisation of complaints, their use and the conclusions drawn from them are all irreplaceable tools for the development of the organisation. It is essential in these investigations to understand both the customer and the procedures, cases as broadly as possible. If the aim is to increase the prestige and image of the public administration, it is not necessary

²² Act L of 2013 on the Electronic Information Security of Central and Local Government Agencies. 41/2015 (VII. 15.) BM Decree

to strictly adhere to the narrow concept of the client under the General Administrative Code but should be understood to mean all those who come into contact with the case(s) through the process of administration. From the administrator to the small child accompanying the client. It is not only the client who needs to be understood in the broadest sense, but also the service, as often the client does not initiate a case, just gets informed. The administrative relationship between the public administration and the client must take into account that the client usually contacts the public administration under some kind of pressure, thus the client “does not like” and “does not want” to go to the public administrative office. These are necessary steps, both as a social expectation and as a means of increasing efficiency and effectiveness.

High customer satisfaction, customer experience, positive perceptions of public administration, complaint management, CRM systems can significantly improve the efficiency and effectiveness of public administration. The customer is satisfied with the office if it is accessible, predictable, fit for purpose, empathetic, personal, professional, legal, fair, simple, comfortable, fast, efficient, timely, helpful, money-saving, cultivated in the traditional sense, digitally cultured.²³ Customer experience is a high level of customer satisfaction that creates a long-lasting and deep positive impression and commitment in the customer. Customer experience requires outstanding, professional service delivery. Adequate quantity and quality of up-to-date information, “publicity”, personal or heard experience is needed to create positive perceptions. By using complaint management and complaint controlling tools, we can obtain accurate information on what each customer was dissatisfied with, which can provide priceless data for processing and evaluation. It should be taken into account that public administration is a specific field, not all business solutions and techniques can be applied, but for example, some of its elements can be used when communicating a decision on the payment obligation (prepared, motivated, polite public sector employee, real customer focus, appropriate software). It is urgent that customers can communicate their experiences of public administration simply, quickly and without restrictions. The perceptions of public administration have an impact on customer behaviour and thus on the quality of administration. It is easy to see that a cooperative customer can be dealt with more quickly and less tediously than an interfering, suspicious customer. It is in line with the ideals of a service provider, a welfare state and a good state to provide public tasks and services in a modern, customer-oriented environment.

III.2.3. Proposals of use to the different sciences (disciplines)

The XVII-XVIII centuries saw the emergence of a specific science aimed at developing principles and methods that would enable the monarch to increase the treasury and, of course, his power. It was a very practical discipline, started by financial specialists (Seckendorff, Dithmar and von Sonnenfels being the main representatives). Cameralistics were generally concerned with the relations of a particular state, their role being closely linked to the concrete practical administration of absolute

²³Gáspár (ed.): i. m. pp 272–275 (sets out a detailed set of indicators for local administration)

states. They sought to rationalise the operation of the state, discovering in the process the laws, general principles and proposals for a more economical operation of the state. Sonnesfels was the first to express this general view at the end of the XVIII century. It is disputed whether it can be regarded as the initial stage in the development of the science of public administration.²⁴ But it is certainly seen as a forerunner of the science of public administration, economics and finance. It later ceased to exist as a separate discipline, although there is still room for modern cameralistics, which is such a separate discipline that would deal with the ever more efficient management of public finances, sustainable wealth accumulation, increasing public revenues, determination of public service costs, and such other topics.

It is an unfortunate fact that very little empirical research on public administration is published, which is a major gap in the discipline and in public administration development. Both self-reflection and reflection of the public should be an elementary part of the reform measures and of the adjustments that follow their implementation. In order for public administration and their sectors to be able to see and position themselves properly, an important tool is the analysis of customer satisfaction, as only in this context can they react adequately to external and internal influences.

The perception of individual public administrative bodies cannot be separated from the perception of the public administration as a whole. The very first step towards customer orientation is the proper training, selection and motivation of the administrative staff. This is not an easy task, but it is one that cannot be delayed, as it is demonstrated by the low job prestige of public administration and the steady decline in the moral standing of civil servants.²⁵ Until this changes, we cannot expect a sufficient number of workers with the right quality, skills and abilities to choose a career in public administration. Not to underestimate the importance of principles, morals and ethics, but as Sándor Petőfi says: “Money is the sea in which many ships sink: principle, character, honour.”

„In the case of an organisation that requires specialised knowledge of a kind that can hardly be remunerated on the market, we would consider that there is no problem in meeting high level of training needs, even those of an academic standard that is of value in the organisation's international relations. However, management attitudes are noticeably very reserved towards staff who are mentally superior to the organisation, even though dedicated international experts could have a beneficial impact on the professional standards of a sector for decades. A change of approach is needed in this area.”²⁶ It is necessary to meet the knowledge needs of a civil servant who is committed to a subject or profession, whether through mentor programs, study abroad, research opportunities or research leave. Public administrative bodies train these experts themselves, so that they can use their knowledge to make the world more and better, but rather a particular administrative area.

²⁴http://www.uni-miskolc.hu/~wwwallin/kozig/hirek/altalanos_resz/kozig_tudomany.pdf (downloaded at 14.01.2014)

²⁵Gellén Márton: Közigazgatás: reform után, átalakítás közben. Patrocinium Kiadó. Budapest, 2015. p 88 [Public administration: after reform, in transition]

²⁶Gellén. 2015. p 63

Organisational development needs to take into account the current state of public administration. Generational differences also carry differences in values with them (attitudes to work, different approaches to things, ability to apply technology). It should be taken into account that today's Generation Y is the main driving force of public administration, but at the same time, in terms of succession and leadership training, it is necessary to build on Generation Z, as well as to value and utilise the experience and knowledge of the baby boomers and Generation X. Both in the development of training opportunities and in the design of motivational tools, attention must be paid to this, and a differentiated approach must be adopted.

New expectations are always emerging in relation to the internal functioning of public administrative bodies, such as the integrity of organisations. At the heart of an effective and compliant organisation is a skilled workforce who is the depositary of the running of the organisation and the mediator of its manifestations. Working conditions, working environments, long-term career model, appropriate salary and motivation system, training system, provision of research opportunities, organisational culture and remembrance are all key factors, for which the identification and assessment of the causes of turnover can provide important information.

An interesting paradox that Hummel articulates is the bureaucratic paradox, which is: if you want to survive as a bureaucrat, you must never forget that the primary relationship is between you and your manager, not between you and your client. This functional-manager relationship is a controlling relationship.²⁷ Regardless of whether the organisation is public or private, there is a fundamental conflict in the organisation between bureaucracy as the essence of the control system and the achievement of the organisational objective. In the 1980s and 1990s, the public sector made a major effort to resolve the paradox by prioritising ends and results over processes and means.²⁸ Integrity is one such tool, as it seeks to resolve the paradox by building on the behaviour of individuals.

We cannot ignore the applicability of technological innovations in public administration. One of these technologies is blockchain, which has many advantages (high data security, cannot be modified afterwards), but some of its basic features, such as anonymity and lack of supervision, are difficult to reconcile with the spirit of public administration. At the same time, its adaptation in a particular area (e.g., patient records, securities account management) cannot be ruled out, and it is certainly an area of public administration development worthy of research. The application of smart concepts is much less of a question and much more of an urgent task. These applications can primarily serve energy saving, environmentally friendly and sustainable development. Expert systems, artificial intelligence, business intelligence, learning systems, logical reasoning systems are still very new, especially their adaptation in public administration. At present, these are mainly areas of research rather than practical

²⁷Ralph P. Hummel: *The Bureaucratic Experience: A Critique of Life in the Modern Organisation*. St Martin's Press. New York, 1994.

²⁸Colin Hicks, Robert Gregory: *Promoting Public Service Integrity: A Case for Responsible Accountability*. National Council of the Institute of Public Administration. Australia, 1999. p 4
<https://onlinelibrary.wiley.com/doi/pdf/10.1111/1467-8500.00121> (downloaded at 21.05.2021)

opportunities. However, they will be indispensable tools for future decision-making, prediction and modelling. The availability of large, accurate and comprehensive data sets, as well as the continuous and stable availability of integrated systems of the right quality, are all essential requirements for these systems. Business-Intelligence (BI) systems can be adapted to public administration most quickly and with the greatest results. BI systems provide aggregation, analysis and reporting functions from the data available to the organisation, improving the decision-making process with information²⁹. Its most important criterion is that it transforms data into information. There is no single definition or standard for how this is done, ranging from intelligent inference to simple analysis. However, visualisation is important, and it can also produce hyper-modern dashboards. Currently, a public finance data repository and a public finance information system are being set up within the Treasury, using nearly HUF 7 billion of EU funds. The initial aim is to link the Treasury's specialised systems to enable consolidated data management and analysis, and it is planned to include a BI decision support function as well. The plans also include the creation of a Public Finance Portal, where up-to-date data will be available to the public, which can even be analysed using BI tools.³⁰

It is not only the “showcase” reforms that have a negative impact on efficiency, but also the lack of self-awareness and ambition in budgetary systems. In most cases, organisations are afraid or reluctant to carry out or publish surveys and research on their internal and external organisation. An unrealistic organisational self-image, a failure to identify internal, hidden gaps and a lack of opportunities for improvement can be a barrier to organisational development. Once a realistic self-image has been defined, the use of targeted communication and marketing tools would be important in improving the perception of public sector organisations. A further important step is to provide citizens with the widest possible range of communication channels to deal with their issues, questions and uncertainties. After all, the main expectation from the state is trust and security. This requires an up-to-date and credible website, modern communication tools and possibilities (Messenger, Viber, Youtube, etc.). Most of the websites of Hungarian public bodies are far from being up to date, let alone having a communication channel adapted to the needs of the modern times (for example, at the time of writing, the Hungarian

²⁹ Lisa F. Seymour: Key success factors for implementing Business Intelligence in South African public sector organisations. https://dl1wqtxts1xzle7.cloudfront.net/49230507/2015-Hartley-Seymour-IDIA-with-cover-page.pdf?Expires=1620892344&Signature=Mr~U5JGiORVqC2M~ICCT7mipejwIV4c3HCx~lTpiml~NShprQumPJoGenYj53zrTDAjNaQfMgs04FDjvUkPnJnMw~2lLhd9ZBDX6jSL49NRXqHjVvIyawfALR6367vFaAC1FBK~FdmPB3Olur8wiHsUEQazjbbZH5uWRxxK5abvLiV~zaZi3Eq~qElb~adkbrz~iNMtFricM6nQIWPlpg~NADtpj2QztL5dMHWhQPF7LmzDB0nzKtA-CSA~trH1GoDGhNoD96DOJQKA55S~Z4k5KszTUYB7Yyczm1XJedRBkzueMLKwLCDZDOeUOkmq2Kt4kq0nOz1ERKW~zyHH2g_&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA (downloaded at 13.05.2021)

³⁰“Design, development and implementation of the KINCS-TÁR data repository system, data exploitation systems and Public Finance Portal, as well as supply of the hardware components required for the implementation” Technical Specification. <http://webcache.googleusercontent.com/search?q=cache:GpEYID45xxoJ:eljarasok.kuczora.hu/getfile/309/312/+&cd=3&hl=hu&ct=clnk&gl=hu> (downloaded at 26.05.2021)

State Treasury does not own an official Facebook page). Improving not only external but also internal communication (e.g., e-mail system) is essential for effective delivery of tasks.

Almost everywhere, public funds are managed through a Treasury Single Account (TSA), which is typically a treasury function, coupled with oversight and varying degrees of control over turnover. The importance of this account and its extension cannot be over-emphasised. One of the most important ways and strategic tools for managing public finances is the TSA. Today, modern treasury management is almost inconceivable without TSA. There is ample empirical evidence that significant resources can be saved through the use of TSA, either by avoiding unnecessary short-term loans or by pooling liquidity for money management. Furthermore, the TSA allows the Treasury to choose between prioritising payment obligations (traditionally passive behaviour) or money management (active behaviour). Thus, enabling investment in financial markets and maintaining minimum liquidity for timely payments.³¹ The benefits of the TSA system depend on how it is applied and extended, and there is always room for improvement. The inclusion of Hungarian local governments and domestic state-owned companies in the TSA scheme (Annex 2 to Act CXCVI of 2011), for example the Hungarian State Railways Private Company Limited by Shares, has huge potential.

IV. List of publications on the subject of the thesis

A Magyar Államkincstár feladat- és hatáskör változásai a rendszerváltástól napjainkig. *Új Magyar Közigazgatás* 10(4), 2017. 42-56. o. [Changes in the functions and powers of the Hungarian State Treasury from the change of regime to the present day.]

Az önkormányzatok és a Magyar Államkincstár kapcsolata I. A Kincstár államháztartási feladatai. *JURA* 2017/2. 226-237. o. [The relationship between local governments and the Hungarian State Treasury I. Public finance functions of the Treasury]

Az önkormányzatok és a Magyar Államkincstár kapcsolata II. A Kincstár állampénztári tevékenysége és központosított illetményszámfejtési feladata. *JURA* 2018/1. 173-184. o. [The relationship between local governments and the Hungarian State Treasury II. The Treasury's public financial activities and centralised payroll accounting]

Integritás és a Kincstár működése. *Közigazgatási és Infokommunikációs Jogi PhD Tanulmányok* 1(1), 2020. 46-70. o. [Integrity and the functioning of the Treasury]

Kincstár a nemzetközi gyakorlatban. *Glossa Iuridica* 4(3-4). 319-354. o. [Treasury in international practice]

Changes in the responsibility and authority of the Hungarian State Treasury from the regime change to nowadays. *Studia Iuridica* 2021/1 145-182. o.

³¹Pimenta, Pessoa. 2015. p 7