

Financing and economics management

Realisation and the budget year – use of the funds



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Educational goal

The aim of this topic is to acquaint you with the system of budgeting MoD country as a whole, focusing on individual elements of this process, their connectivity and functionality. Subsequently, we consider the system of budgeting for the cost center.

Content

1. The budget of the Ministry of Defence
2. Budgeting process in the MoD
3. The budget process MoD
4. Description of the different stages of budgeting MoD CR
5. Goal-oriented budgeting (GOB)
6. The goal-oriented structure of the budget (GOBS)
7. Draft budget cost center (CC)
8. Implementation of the budget cost center
9. Rationalizing the process of budgeting

References

Basic:

- RMO č. 72/2012, *Finanční řízení a finanční zabezpečení*. Ministerstva obrany, 2012. Praha: Ministerstvo obrany, 2012, s. 37. Čj. 306-17/2012-SE MO.
- *Odborné nařízení pro zpracování návrhu státního rozpočtu a střednědobého rozpočtového výhledu v resortu Ministerstva obrany*. (For given year.)
- *Harmonogram činnosti při zpracovávání a schvalování dokumentací programů/podprogramů činnosti a rozvoje*. (For given year.)
- *ZÁSADY implementace cílově orientovaného rozpočtování (COR) u Ministerstva obrany*. Praha: Ministerstvo obrany, 2010. 49 s. Příloha č. 1 k čj. 80-34/2010-8201.

Recommended:

- KAPLANOVÁ, Gabriela. *Věcné a finanční plánování na úrovni nákladového střediska*. Bakalářská práce. Brno: Univerzita obrany, 2010. 66 s. Vedoucí práce Ing. Aleš Olejníček, Ph.D.
- NEČAS, Kamil. *Rozpočtování u nákladového střediska AČR s využitím informačních technologií*. Bakalářská práce. Brno: Univerzita obrany, 2011. 44 s. Vedoucí práce pplk. Ing. Petr Musil.

1. The budget of the Ministry of Defence



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

The budget of the Ministry of Defence

Definition:

- **MoD budget is a centralized fund of funds.** This budget is part of the state budget, the creation; distribution and use have in their powers of government authorities. MoD CR performs its basic tasks and goals precisely with the help of funding from the budget of Chapter 307 (MoD).
- MoD budget can be understood as a planning tool. **MoD budget represents a certain type of plan prepared in the form of a breakdown of expected income and expenditure for one year**, which should be used to check the conformity between the amounts received and issued funds. MoD budget is the starting point for short-term financial planning, and up to the level CC.

2. Budgeting process in the MoD



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Budgeting process in the MoD

Definition of budgeting process,

- Definition comes from Order of Ministry of Defence no.72 / 2012, where budgeting is described as follows:
- **"The procedure is a summary of the measures and procedures of each budget competent, which leads to the allocation of funds chapters, change this allocation and its assessment in relation to achieving their goals."**
- Basic legislation, which is used for budgeting process in the Ministry of Defence, is divided into external and internal.

Budgeting process in the MoD

- The budgeting process and build their own state budget in chapter 307 (MoD), balanced legislation.
- It has a stereotyped form the progressive stages, which prevents budget.
- Single phase and pattern of the phase described hereinafter.

3. The budget process MoD



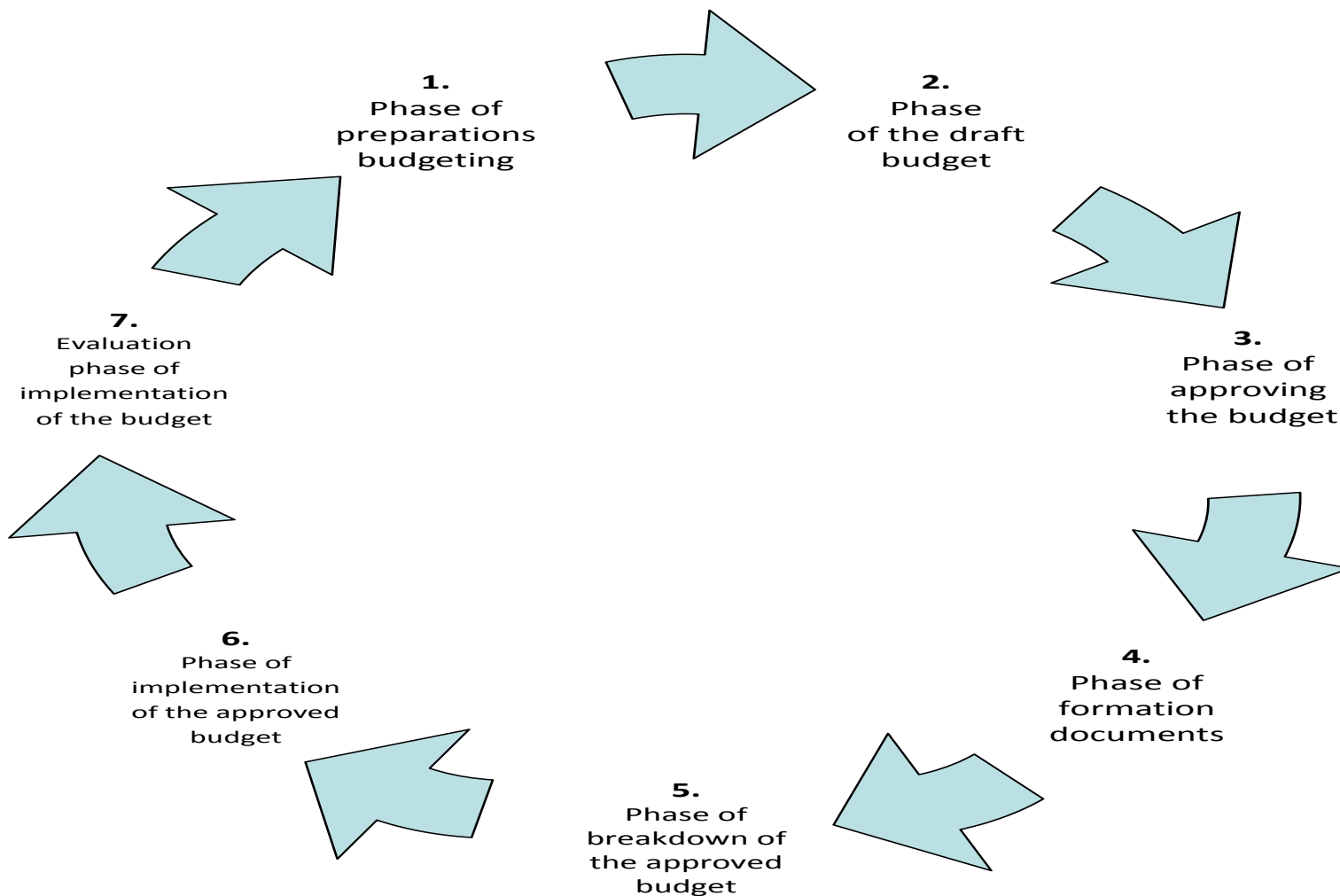
INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

The budget process MoD

Phase budgeting within the MoD:

1. Phase of preparations budgeting
2. Phase of the draft budget
3. Phase of approving the budget
4. Phase of formation documents
5. Phase of breakdown of the approved budget
6. Phase of implementation of the approved budget
7. Evaluation phase of implementation of the budget

The budget process MoD



4. Description of the different stages of budgeting MoD CR



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Description of the different stages of budgeting MoD CR

1. Phase of preparations budgeting

- Initiated in April of the financial year
- Providing entry documents and analyses that are used to provide a data input medium-term plan to short-term planning
- Dial the planned targets, which is updated for the relevant financial year
- Budget numbers of people and financial limits for nominal and major events
- There upgrade (update) software

Description of the different stages of budgeting MoD CR

1. Phase of preparations budgeting

- An update financial standards for the calculation of costs and processing dials
- Holding the participants budgeting, and both from the user
- Does the update and subsequent release attachments to professional regulation for the financial year

Description of the different stages of budgeting MoD CR

2. Phase of the draft budget

- During the months of May-June of the financial year,
- When drafting the state budget calculations carried out by participants budgeting expenditures and revenues of the state budget, Chapter 307 (MoD)
- It follows clarification of the amount of funds to meet planned objectives and tasks, determining contributions and grants, assessment documentation of asset replacement programs, documentation, programs, activities and investment plans at the end of the approval of this documentation

Description of the different stages of budgeting MoD CR

3. Phase of approving the budget

- Takes place during the months of June to September
- Calculations are finished drafting aggregated reports for each program activity according to the structure of programs, assemblies at section 307 (MoD) for preparing the draft budget for the Ministry of Finance by expenditure blocks and expenditure headings according to the goals and set their evaluation metrics and establish a plan of income and gratuitous Plan transfers for the relevant financial year.
- Captured reports and data are the starting point for the next iteration process

Description of the different stages of budgeting MoD CR

4. Phase of formation documents

- In November, the budget year begins the process of creating documents, which ends in January.
- Once the sub-processors budgets familiar with the draft budget, there is a fundamental issue their own documents budgeting process
- Verification and control of data and processes is made after completion of the final balance, the final version of the state budget in chapter 307 (MoD) in the structure of budgetary and accounting data sentences

Description of the different stages of budgeting MoD CR

5. Phase of breakdown of the approved budget

- In late January and early February
- There is a breakdown of the execution of the state budget in chapter 307 (MoD) to set CC
- Furthermore, individual CC and Agency Financial (AF) disclosed above mandatory funds. In late February, a complete is breakdown of the budget into the organizational structure of the Ministry of Defence of the Czech Republic

Description of the different stages of budgeting MoD CR

6. Phase of implementation of the approved budget

- In the period the process of budget management is driven from January to December in progress
- During the entire period of ongoing change management continually evaluates the of implementation and the performance occurs many tasks that are the responsibility as the Chief of Economic Services (ChES) and individual workers' economic groups.

Description of the different stages of budgeting MoD CR

- **7. Evaluation phase of implementation of the budget**
 - At the beginning of the year
- Is to evaluate the performance of the state budget in chapter 307 (MoD) for the previous calendar year
- The evaluation is done according to the instructions MoF for clearing financial relations with the state budget and also the instructions for drawing up the final account for the previous calendar year

5. Goal-oriented budgeting (GOB)



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Goal-oriented budgeting (GOB)

The concept GOB is used in two basic ways:

- The first is a **broader concept**, we can imagine underneath resource management.
- The second concept is **narrower** when it comes to budget this method and I will deal with.
- The essence of GOB is thus **optimized resource allocation**.

Goal-oriented budgeting (GOB)

GOB is a new approach to budgeting, which is intended to make it possible to answer the question:

***"What is to be achieved,
how and with what amount of money?"***

- Recognize the mission of the institution and the benefits of its activities to the public and the state.
- To analyse operations, identify their purpose and contribute to the objectives pursued, and thus create their homogenous units .
- Assign these activities expenditure .

6. The goal-oriented structure of the budget (GOBS)



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

The goal-oriented structure of the budget (GOBS)

A GOBS is composed of the following levels:

- Expenditure block
- Expenditure heading
- Set spending elements / activities
- Expenditure subset of elements / activities
- Expenditure component / activity

7. Draft budget cost center (CC)



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Draft budget cost center (CC)

- The **draft budget of CC** compiled participants budgeting i.e. for the area of financial security of persons and their requirements is a ChES and material security and the security services, the chief of logistics.
- When drawing up the draft budget above-mentioned participants budgeting based primarily on documents such as medium-term plan and purpose of the annual plan CC.
- Own the draft budget is implemented calculations of budgetary resources. This is a compilation of **calculation sheets**.

8. Implementation of the budget cost center



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ

Implementation of the budget cost center

- During January-March (at the beginning of the financial year) receives **CC regulation to implement the budget.**
- This regulation imposes an obligation to develop a **plan CC utilization of decentralized funds for predetermined limit funding** and in other current decentralized expenditure.
- **CC prepares a plan for both the quarter and the full financial year**, with an emphasis on linear disbursement of funds during the year, spending in compliance with the priorities and principles of economy, efficiency and effectiveness (3E)..

9. Rationalizing the process of budgeting

Rationalizing the process of budgeting

Problems of the budgetary process:

- Information Systems
- The budgeting process in the Ministry of Defence of the Czech Republic
- Budgeting cost center.

Rationalizing the process of budgeting

Problems of the budgetary process:

- Information Systems

- The primary issue is making entering IS. Each system within the Ministry of Defence of the Czech Republic is formed, it has a fully interconnected hierarchy, as each module is connected and integrated within the IS.
- **Individual IS within the Ministry of Defence** of the Czech Republic, were **created separately and independently** of each other, so there is missing some integration and interconnectedness. They have a homeland IS structure, working with information secrecy different and have their own management.

Rationalizing the process of budgeting

Problems of the budgetary process:

- The budgeting process in the Ministry of Defence of the Czech Republic
 - At the instigation of MF was introduced to the Ministry of Defence of the Czech Republic in the process of budgeting new **method GOB**.
 - A certain problem is also that executives do not know the source intensity (Cost) of its decision and impose even those tasks which cannot be due to limited resources to realize the tasks are then filled up to a maximum financial limit, regardless of the degree of achievement of goals.

Rationalizing the process of budgeting

Problems of the budgetary process:

- Budgeting cost center.
 - There **are not** virtually measurable indicators of 3E.
 - There is some **disharmony** between practical and financial planning of budget funds.

Questions?

Thank you for your attention



INVESTICE DO ROZVOJE VZDĚLÁVÁNÍ