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"Promoting the modernization and strengthening of institutional and financial autonomy in Southern Neighbouring Area higher education institutions"

Comparative analysis of financial management practices, Genova, 12-15 April 2011

Budget Management at the University of Genova. Financial Accounting at the University of Genoa

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Rules

Since 2000, the administrative and accounting activities of the University are subjected to the Regulation for the Administration, Finance and Accounting and to the Administration Handbook.

Costs Units

The University of Genoa is organized into:

- Cost Units “A” (scientific departments and centres)
- Cost Units “B” (managerial sections of the Central Administration)

They both have financial and accounting autonomy.

Forecast account – Consolidated

- The University of Genoa has a consolidated forecast account managed according to the “competence and cash” principle.
- It is consolidated because it brings to unity the whole management of the University, by showing the forecasts of all the cost units “A” and cost units “B”.

- ***Competence system*** means that in the income items are shown the financial resources that are expected to be checked in the year, in other words the resources for which there will rise the right to cash (CREDIT), and in the expenditure items the outflows expected to be committed, that is to say the resources for which there will rise the obligation to pay (DEBT).
- ***Cash system*** means that in the income items are shown the financial resources expected to be cashed in the year, regardless of the moment where the right to cash is risen, and in the expenditure items the outflows which are expected to be paid, regardless of the moment when the obligation to pay is risen.

Forecast account – Methods and time of approval

The forecast account is drawn up by:

- For cost units “A” by the Administrative Managers, and it is approved by October by the Department and Centre Boards
- For cost units “B” by the Head of the Financial Resources Department, and it is approved by the Administration Board by the 20 December

The forecast account – budget principles

- It is an authorizing document
- It is structured in two parts: incomes and expenditures
- There is a hierarchical structure based upon: titles, categories and items levels
- It is a document which must be drawn up in overall financial balance
- It's an annual document

Variations in the forecast account

- It is a document which can be changed by means of account variations, in order to adequate it to situations which were unpredictable by the time it was drawn up.
- These changes are approved by the same boards which have approved the document.
- In urgent cases, however, they can be made by Rectoral Decree for the cost units “B”, or by Directorial Decree for the cost units A, which must be ratified in the first next board session.

Attachments to the Forecast Account

- The main ones are the “D” and “E”. The first calculates the administration surplus assumed on the 31th December, while the second determines the reserve fund assumed on the 31th December.
- Other attached tables are the long-term account, the table of the virtual incomes and expenses (att. F), the report related to the single actions planned.

Account Management

- The management of the account includes the following phases, after the forecast: Check, Assessment, Collection and Payment
- The phases of the expenditures, after the forecast, are: Commitment, Settlement, Money Order and Payment

Phases of the incomes

- CHECK Juridical phase in which a credit is included in the account, after the rise of the juridical title (reason, sum and creditor)
- COLLECTION AND PAYMENT consists in the effective collecting of the sum, through the issuing of a collection voucher

Phases of the expenditure

- COMMITMENT juridical phase in which there is for the institution the rise of the obligation to pay a certain amount to a creditor for a specific reason
- SETTLEMENT consists in the determination of the beneficiary and of the exact amount to be payed, as well as the check of the regularity of the supplies
- MONEY ORDER is the issuing of the bank order
- PAYMENT is the actual release of money by the bank

Passive and active arrears

- All the incomes and expenditures phases may not be concluded in the same financial year when they have risen; in this case, we have passive and active arrears.
- The active arrears are credits which haven't been collected within the end of the financial year of their checking
- Active arrear = Check – collection voucher
- The passive arrears are debt which haven't been paid within the end of the financial year of their commitment.
- Passive arrear = Commitment – money order

Data contained in a collection voucher

- Issuing unit
- Financial year
- Title, category and item involved
- Name and surname or denomination of the debtor
- Reason for collection
- Amount in numbers and letters
- Date of issue
- Bank account number of the structure
- They can be issued in the current period or as arrears

Data contained in a money order

- Issuing unit
- Financial year
- Title, category and item involved
- Name and surname or denomination of the creditor
- Reason for payment
- Amount (in letters and numbers)
- Method of payment
- Date of issue
- Bank account number of the structure
- It can be issued in the current period, or as arrears

Cashier Institute and Cash Concordance

- Every unit with financial and budgetary autonomy has its own bank account in the cashier bank, and manages the University money through transmission of money orders and collection vouchers. Each quarter a document, called “Cash Concordance”, is drawn up, whose aim is the concordance of the accounting records of the cost units type A and B with those of the bank.

Final statement

- The final statement is the document which represents the management of the financial year just ended, and determines the outcome both in financial and assets terms.

Financial outcome of cash

- It is composed by the reserve fund at the end of the financial year
- The reserve fund is calculated as follows:
 - Reserve fund on 1st January
 - + collections of the year
 - payments of the year
 - = reserve fund on 31 th December

Financial outcome of competence

- It is composed by the account surplus.
- The account surplus is determined in the following way:
 - Reserve fund at 31/12
 - + active arrears
 - passive arrears
 - = account surplus

Available and finalized surplus

- The surplus represents all the savings realized in the previous financial year, which therefore can be transferred in the current year.
- The savings on funds finalized for specific purposes (e.g. research funds) are reported on the origin item (finalized surplus)
- The savings realized on item without any specific finalities (e.g. functioning expenses) are used for new purposes and reported on different item (available surplus)

Consolidated Final Statement

- The University draws up the consolidated final statement, which shows the incomes and expenditures of all the university units, excluding the internal movements, that is to say all transfers of funds between the different cost units.

Final Statement – Methods and time of its approval

The final accounti is drawn up:

- For the units A by the administrative managers and it is approved by February by the Department and Centre Boards
- For the units B by the Manager of the Financial Resources Department and it is approved by the Administration Board by April

Attachments to the Final Account

- The main documents attached to the Final Account are the attachments “H”, “I”, “J” e “K”.

The first determines the administrative surplus on the 31/12, the second the reserve fund, the third the current financial standing, and the last the net assets fluctuation.

A report is also attached.

Internal and external audits

- The internal audit is carried out by the **Board of Auditors**, that analyzes the overall administrative and accounting files, in particular the cash concordance, the forecast and final account, releasing the relative minutes and a report for what concerns the final account.
- The external audit is carried out by the **Court of Auditors** through the follow-on audit of the documents. To this regard the final account of the cost units A and B, as well as the University consolidated final account, must be sent within one month after their approval.