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**The rule of introduction of financial management and control system
of the European University**

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Article 1. General Provisions

1. The rule of introduction of financial management and control system of the European University (hereinafter referred to as the Rule) defines the rules and procedures for the implementation of the financial management and control system and is the main regulatory document for the control of the ongoing financial processes at the University, which serves to carry out the activities defined by the mission and action plan of the University.
2. The scope of regulation of this rule is the proper planning of all internal financial management and control measures necessary to achieve the goals set out in the University Action Plan, including formulation of university goals, elaboration and execution of a budget, definition of managerial accountability, compilation of internal and external reports and their further monitoring.
3. The Rector is responsible for the proper functioning of the approved budget and the management and control system, which must ensure the proper distribution of relevant powers and responsibilities within the University. The head of all structural units of the University, in accordance with the requirements of this rule, is accountable to the superior official within the scope of his / her competence.

Article 2. Purpose of introduction of the financial management and control system

1. The purpose of the introduction of the financial management and control system at the university is to improve the quality of the financial management by meeting the following requirements:
 - a) by strengthening the managerial accountability system;
 - b) by establishing clearly defined objectives for the senior officials;
 - c) by delegation of the power to the directors in a manner enabling them to achieve relevant objectives in efficient and productive manner;
 - d) To provide the heads with the necessary financial and operational information in a timely and comprehensive manner, so that they can make right decisions;
 - e) To have an accountability system that will oblige the heads to ensure the achievement of goals considering the given budget, time and the standards defined for them by the superior officials or



requested by the legislation, also that fully complies with any internal financial and other regulations, including the requirements determined by this rule.

2. The head of all structural units of the University is responsible for the implementation of internal control mechanisms within their competence, their documentation and functioning, which in turn ensures that the goals of the University are in line with the existing budget, which are specific, measurable, achievable, realistic and timed.

3. Each employee of the University is responsible for the compliance of his / her activities with the control mechanisms existing at the University.

4. It is the responsibility of the University Rector and the Financial Department to conduct sound financial management policies within the approved budget.

Article 3. Components of financial management and control system

1. The financial management and control system is based on recognized principles of internal control and consists of the following components:

a) Control environment - it includes the structure of the university, supervisory measures implemented by senior management (accountability system), the degree of delegation of authority, performance criteria and general culture of the university;

b) Risk management - is the process of identifying, assessing, controlling and monitoring possible events and situations, which involves the implementation of measures necessary to reduce the risk;

c) Control measures - include financial control and control measures that ensure the achievement of the goals of the University;

d) Information and communication - responsibility of the head of the university to ensure provision of necessary and trustworthy information on internal and external matters for various levels of management. Low level managers shall provide the higher level managers with the information on those matters that may have impact on the process of achieving the goals by them. This means that there must be an effective communication from top to bottom, also from bottom to top management levels; Transparency of the information flow is of utmost importance;

e) Monitoring and evaluation- which ensure efficiency and effectiveness of the measures of managerial control overall.



Article 4. Managerial accountability

1. For proper functioning of the financial management and control system, there is a managerial accountability system at the university, which means that the heads of all structural units of the University are responsible for achieving goals in a timely manner, within the given budget and in compliance with existing legislation and regulations of the university
2. Managerial accountability includes determining the responsible persons by delegating authority and control mechanisms to them, which ensures that the University achieves its goals legally, economically and efficiently through effective operations and productive management of available resources. Responsible person is accountable to the superior official, within the undertaken responsibility and authority.
3. Managerial accountability extends from the university high-ranking officials to the ordinary employee. The existing accountability system fully complies with an effective implementation of the university strategy and goals, taking into account the budget target and time factor.
4. Reporting activities are defined at each level. In order to implement the financial management and control system, reports on revenues and payments are prepared periodically (monthly or quarterly), which reflects the indicators provided in the annual budget for the reporting period in relation to the actual / similar parameters and in case of error explains the reasons for inaccuracy and their expected impact on the achievement of the planned objectives, as well as the ways to eliminate them.

Article 5. Stages of introduction of the financial management and control system

1. The introduction of the financial management and control system in the university is carried out in three stages:
 - a) financial control;
 - b) managerial control;
 - c) financial management.



2. The accuracy of the implementation process of each stage and the assessment of compliance with the requirements of this rule is carried out by the Financial Service of the University.

Article 6. Introduction of financial control

1. Financial control considers the improvement of the existing mechanisms of financial control, including the financial regulations, and the introduction of managerial accountability.

2. Knowledge of the mission and action plan of the University helps to increase the accountability of relevant managers and their involvement in the management and control of University funds, it will also help to increase the financial awareness of the various officials directly involved in the decision-making process across the University. As a result, the quality of budget planning and financial control mechanisms at the university will be improved, which will facilitate the economical, efficient and productive use of resources. It should also be noted that the delegation of managerial powers will increase the degree of involvement of accountable persons in the management of the University activities and the effective management of the necessary financial or human resources.

3. The Rector of the University together with the Vice-Rectors and the Heads of the Structural Units shall determine the appropriate and adequate measures to achieve the goals set by the university.

4. The managerial accountability scheme is presented as follows: The Rector of the University is responsible for the proper formation of the University budget and the monitoring of the implementation of further processes. The Rector of the University delegates authority to the Vice-Rectors and Deans of the University, which in the case of the Vice-Rector implies the proper formation of the budget by the structural units under his supervision and the coordination of the further implementation processes, and in the case of the Dean implies the proper formation of the faculty budget and the coordination of further processes. The Financial Service carries out the calculation and analysis of financial risks, prepares financial reports, implements a financial management and control system, and implements measures related to the effective management of financial resources.

5. The University has established its own financial management and control system, which is based on several important principles:



- a) The University has a decentralized budget in accordance with the policies, strategic and action plans defined by the management of the University;
 - B) The budget is prepared by the Financial Service with the direct involvement of the University Rector, Vice-Rectors and heads of various structural units, in accordance with the goals and objectives set out in the University Strategy and Action Plan;
 - C) Control over the efficiency of the University activities and budget indicators is carried out by the Financial Service of the University. In case of possible non-fulfillment of budget indicators and strategic goals, the reasons should be identified and analyzed immediately. Quarterly and annually, the budget fulfillment monitoring report will be submitted to the Governing Board for consideration.
 - D) The University annually convenes a certified auditing company, which conducts an audit of individual and consolidated financial statements and presents the relevant reports.
6. The financial control system ensures that:
- a) the operations are carried out in accordance with the procedures defined by the legislation and the internal regulatory documents of the University;
 - b) all transactions and events are accounted in accordance with the established accounting rules, with the correct amount in the relevant accounts and in the relevant period, so that accurate financial statements can be prepared;
 - c) the registered assets are periodically compared with the existing assets and adequate measures are taken in the case of identification of any deviation.

Article 7. Managerial control over finances

1. The purpose of managerial control of finances is to delegate the responsibilities and powers of the parties involved in the management of the University, adhering to the principles of efficiency and productivity in achieving the goals of the University. Managers with such responsibilities and powers in the process of managerial control should consider:

- risks that hinder the achievement of goals;
- protection of university resources from loss, damage and wrongful disposal.
- adherence to the principles of managerial accountability;
- compliance of the university operations with the acting legislation and regulations;



3. Proper managerial control of financial resources increases the efficiency of the operating system, as the rights and responsibilities of each employee are clearly redistributed and their work is constantly monitored by the University Rector.

Article 8. Financial management

1. The third stage of introduction of the financial management and control system is the functioning of a sound financial management system. It is technically the most difficult and complex stage, which ensures the efficient use of financial resources.

2. Through the financial management system, the financial aspects of the activities carried out at the University are aimed at achieving the goals of the University as effectively as possible. The above stage has a crucial impact on the improvement of the financial service and the activities of the University as a whole.

3. Financial management is carried out by the Financial Service. Its main responsibility is to coordinate the budget, participate in its planning, keep records, control the compliance of expenditures and revenues with the parameters provided in the budget.

4. The Financial Service is structurally subordinated to the Rector of the University, who manages the budget funds to achieve the goals of the University and is responsible for achieving the mission. The Rector together with the Financial Service ensures that the activities of the University are in line with the existing budget and are specific, measurable, achievable, realistic and timed.

5. The following is done in financial management matters: Financial supervision over the performance of the adopted budget, revenue and expenditure management, and financial analysis.

6. Financial management includes the following procedures:

A) preparation of data comparison reports, their review and approval;

B) Checking the accuracy of financial records. This control procedure includes checking the summary digits of the procurement invoices and calculating the VAT shown in the procurement invoices;

c) Creation and review (verification) of the control accounts and trial balances.

The control balances include the pay-rolls of comparison of the bank balances of the



books of demands and liabilities and the registers of the accounting of fixed assets;

d) comparison of the results of monetary funds, investments and goods and material supplies with the accounting documents;

7. An essential point of financial management is to work in coordination with the various structural units: The Financial Service actively cooperates with the faculties and various structural units of the University.

8. In order to implement the approved budget, it is important to develop a financial management and control system and implement appropriate procedures. For this purpose, the financial results are periodically compared with the university budget data and also analyzed.

9. In accordance with the University budgeting policy, monitoring is carried out and, if necessary, the budget is adjusted.

10. For the purpose of regular control of incurred revenues / expenditures, the Financial Service conducts quarterly budget analysis and prepares a report on the compliance of both revenues, costs and costs to be incurred and the expenditures allocated and incurred within the expenditure part (limit). The Financial Service submits a report to the Rector of the University, who together with the Vice-Rectors decides on the need to adjust the budget (no more than 3 adjustments should be made during the year). The final decision on the need to adjust the budget is approved by the President of Europe University Ltd.

11. The current financial management system provides accurate accounting of income / expenses, it mainly deals with issues of income, salary, property, purchase, cash and bank accounts.

12. The revenue management process is carried out according to the planned revenue sources: The main ones are tuition fees received from private funding, as well as targeted funding from the state budget and revenues from other additional economic activities, obtained for the commercialization of human and material resources (scientific and other targeted grants). These revenues shall be reflected in the financial reports of the relevant period made by the Financial Service in accordance with the rules established by the law.

13. The Financial Service, in order to receive the planned revenues, on the basis of information analysis, permanently carries out administration measures in agreement with the Rector of the University:



- A) Provides information to the deans of the faculties on the student debts in order to take measures provided by the law;
- b) Conducts an inventory of financial receivables and liabilities in order to manage receivable accounts;
- c) If necessary, seek monetary resources depending on the implementation of articles of the budget.

14. The Financial Services regularly controls bank accounts to ensure that the funds in the bank account match the data of the University accounting book.

15. The issue of salary control is important in the process of managing the expenditure part, as the salaries of the employees are about 40-45% of the revenue part of the university budget. Accordingly, there is an effective salary control system that monitors the financial security of university employees, the accuracy of staff salaries, their verification by the responsible person, and the proper recording of salary expenses in the accounting book of the University.

16. The property of the University must be protected in accordance with the safety rules, the technical safety of the buildings must be regularly checked, and the lands on the balance sheet of the University must be registered. They should be periodically evaluated by an independent auditor and recorded at the correct prices in the accounting book of the University.

17. Financial management / control in procurement - The University must ensure the transparency and efficient organization of the process, the protection of the University from any fraudulent transactions and from mistakes made intentionally, or carelessly.

18. Prior to concluding the procurement contract, the Financial Service processes the written request submitted by the relevant structural unit, compares the type and amount of expenditures presented and considered in the expenditure part, verifies the relevant article of the budget and only then carries out the procurement operation. In case the request of the head of the structural unit exceeds the volume of expenses envisaged by the budget, it is necessary for him to confirm the purpose and need, then to correct the article of the budget according to the decision of the president of the institution.