Financial control rules at Umeå University

Report submitted by
Deputy University Director Per Ragnarsson and Controller Carina Henningsson

Summary
The financial control rules at Umeå University were introduced and established by the University Board in 2007, and were revised in 2012. These rules detail the main principles for financial control within the university, as well as the responsibilities and authorities for the university's managers in relation to finance and internal governance and control. In view of the need to safeguard financial control and to clarify principles, responsibilities and authorities for financial control, a review of the financial control rules has been carried out in consultation with faculties, Umeå School of Education, Umeå University Library and the University Administration.

Decision
The University Board has decided to establish the financial control rules at Umeå University.

Background
The University Board established financial control rules at Umeå University in 2007. These were revised in 2012 as a result of changes in procedures. Against the background of the target for administrative capital decided on by the Vice-Chancellor on 9 October 2015 and the maximum level for negative budgeting introduced with effect from the 2016 budget year for the overall faculty level or equivalent, as well as the organisational change implemented within the University Administration in 2014, a review of the financial control rules has been carried out.

Analysis and motivation
The decision-making documentation includes proposals for revised financial control rules. The aim of this document is to clarify responsibilities and authorities in connection with issues relating to finance and budgeting, and that the document should contribute towards improved financial control. The financial control rules previously allowed departments or units to present a negative budget and thereby exceed annual resources in those cases where there had been administrative capital available to cover the entire excess. The University Board decided in November 2013 that there should be an adjustment to a lower cost level. In order for the university to have sufficient security in relation to finances, financial control needs to be safeguarded and this has been achieved through the Vice-Chancellor's decision of 9 October 2015 in relation to financial results, administrative capital and budgeting, and through a review in accordance with the decision-making documentation. Responsibilities and authorities for the managers of faculties, departments, centres of expertise/work units and the University Library have also been clarified in the appendix, as has the importance of producing a budget, forecast and financial accounts each year in accordance with instructions that have been drawn up.
Rules

1. Main principles

Financial control within the university is primarily based on four principles:
- legislation and ordinances
- targets
- resources
- good use of resources

Umeå University’s target is that the overall administrative capital each year during the period 2015-2020 should not be less than 10 percent of the year’s costs and should not exceed 15 percent of the year’s costs. In those cases where the university’s total administrative capital approaches these levels, all organisational levels are obliged to take action so that the above target is achieved.

Against the background of this target, the university has introduced a maximum level for negative budgeting for the overall faculty level or equivalent with effect from 2016.

If necessary, faculties or equivalent will in turn allocate available scope for negative budgeting to department level or equivalent.

During the period 2015-2020, the target is that no withdrawals of administrative capital, other than those that have already been agreed, should be carried out by the underlying level to the central level.

2. Responsibilities and authorities

The Vice-Chancellor establishes the responsibilities and authorities for the faculty board, the Dean, the University Director, the Library Board and the Chief Librarian in the delegation of authority. There are also specific delegation arrangements for the rectors and boards of Umeå School of Business and Economics and Umeå School of Education.

At Umeå University, every manager has financial responsibility for the faculty, department, centre of expertise or work unit that he or she has been appointed to lead. This financial responsibility cannot be delegated. However, the responsible manager can delegate work duties, and this should be done in writing.

Financial responsibility applies to income and costs for all funds within a faculty, department, centre of expertise or work unit. In other words, this responsibility includes operations financed by funding, fees and grants.

In the following text, the term responsible manager is used to denote the manager of a faculty, a department, a centre of expertise, a work unit or the University Library.
3. Targets and funds

In the event of a conflict between targets and funds, funds shall apply. In other words, finances determine the limit for target fulfilment. This involves:
- deviations being dealt with within the unit in question,
- no faculty, department, centre of expertise or work unit having the right to exceed annual resources, provided that there is no available administrative capital that covers the entire excess and that is included in the maximum level for negative budgeting,
- a higher authority being able to decide on the reallocation of funds (primarily income) from other organisational operations; in such a case, a written decision is required from a superior level including details of how this reallocation will take place.

4. Budget

Responsible managers – with the exception of responsible managers of departments (heads of department) – are responsible for drawing up budget proposals each year for all income and costs, as well as financial planning conditions for the following two years. Budgets should be established by the faculty board (faculties) or the board (centres of expertise, work units and the University Library) at a minuted decision-making meeting. Budgets should follow the university’s instructions, and should be established no later than the date stated in the instructions. Before each budget year, a reconciliation is carried out of the overall budget (including underlying levels) for the relevant faculty or equivalent. This reconciliation is carried out at central level against the background of the university’s agreed administrative capital targets for 2015-2020.

The responsible manager of the department (head of department) is responsible for drawing up a budget each year that covers all costs and income. Decisions on budgets should be taken in dialogue with the immediate superior level, and should be decided on by a responsible manager at a minuted decision-making meeting in accordance with cooperation agreements in which students are entitled to participate. Budgets should follow instructions, and should be established no later than the date stated in the instructions. This responsibility also lies with the University Director and the units of the University Administration and the University Management. The budgets for these units are established in accordance with the agreed delegation of authority.

In budgets, income and costs should be equal. Alternatively, income can be greater than costs. The only time a decision-making authority can approve a budget in which the costs are greater than the income is when the entire difference can be covered by existing administrative capital and where the difference is within the scope of the maximum level for negative budgeting.

5. Monitoring and financial accounts

The responsible manager is obliged to monitor the relevant unit’s finances at the established forecast instances. This monitoring shall be carried out against the year’s budget, and shall relate to the entire unit’s finances, i.e. all income and costs. Monitoring shall include a forecast of the year’s total costs, income and financial results. In the event that a unit forecasts a significant deviation compared with the budget, action shall be taken and reported on in connection with the forecast instances. This is particularly important in those cases where a negative deviation compared with the budget is forecast. Monitoring and forecasting shall follow instructions that have been drawn up and shall be reported to the immediate superior level. This responsibility also lies with the University Director and the units of the University Administration and the University Management.
In particular, the responsible manager shall monitor externally-financed operations to ensure that inappropriately large surpluses do not arise and that deficits do not arise. If a surplus arises in externally-financed operations after the end of the project period, the responsible manager shall make a decision on using these funds based on the conditions provided by the financial backer. The responsible manager shall – in consultation with the responsible project manager – be responsible for externally-financed operations being carried out in accordance with the university’s rules and the financial backer’s conditions.

The responsible manager has overall financial responsibility for all funds at the unit that he or she has been appointed to manage, which involves the project manager for externally-financed operations having subordinate financial responsibility in these cases.

The responsible manager is responsible for drawing up accounts each year for all income and costs. These accounts should be established by the faculty board (faculties), the head of department (departments) or the board (centres of expertise, work units and the University Library) at a minuted decision-making meeting. Accounts should follow instructions, and should be established no later than the date stated in the instructions. This responsibility also lies with the University Director and the units of the University Administration and the University Management. Accounts for these units are established in accordance with the agreed delegation of authority.

6. Budget and outcome in balance

The responsible manager is responsible for ensuring that there is a balance between income and costs for each business area, and for ensuring that a deficit does not arise. If it is feared that there will be a deficit that cannot be covered by existing administrative capital and that is not within the scope of the maximum level for negative budgeting, the responsible manager is obliged to take decisive action immediately to avoid a deficit arising. This responsibility also lies with the University Director and the units of the University Administration and the University Management. The responsible manager should promptly draw up a written action plan in the event of the above situation, and should communicate this action plan to the relevant people, including the superior manager.

In the event that a deficit arises despite action having been taken, this should be settled no later than within three to four years in those cases where there is no positive administrative capital. Plans for settling a deficit should be approved by the superior level and should be financed in full.

The faculty board (faculties), the board of a centre of expertise/work unit or the University Director (University Administration or University Management units) must not reject the responsible manager’s proposal without specifying how the feared deficit should be dealt with. In the event that a responsible manager does not take action to reduce a deficit, the superior level is obliged to take action.
7. Internal governance and control

The responsible manager is responsible for ensuring that the unit follows the university’s internal financial administration, staff administration and study administration provisions in accordance with applicable instructions, and for ensuring that the unit follows the agreed delegation of authority. This includes provisions on authorisation and decisions on contracts/agreements. The responsible manager shall follow the university’s regulations and shall follow specific instructions regarding internal governance and control. This responsibility also lies with the University Director and the units of the University Administration and the University Management.

The responsible manager is supported by his or her superior manager when it comes to responsibility for issues relating to compliance with regulations and other provisions at Umeå University. The superior level is always obliged to take action if the underlying management level does not carry out actions in the event of repeated or serious breaches of regulations. The superior level can also agree in writing with the responsible manager that responsibility should be transferred to the superior manager.

Circulation list

- Library Director
- Faculty management teams
- Rector of USE
- Administrative Manager at UmUB
- Controllers
- Unit Manager at the Financial Office
- Budget Manager