

European Polytechnic Institute Ltd

# **BACHELOR THESIS**

2010

MARTIN GRULICH

European Polytechnic Institute Ltd., Kunovice

**Study Branch: Finance and Taxes**

**EFFICIENT AND EFFECTIVE FINANCIAL  
MANAGEMENT OF MUNICIPAL SERVICES, FOCUSING  
ON THE KONICE PRIMARY ART SCHOOL**

(Bachelor Thesis)

**Author:** Martin GRULICH

**Supervisor:** Ing. Jarmila Švecová

Kunovice, August 2010



1. soukromá vysoká škola na Moravě  
**Evropský polytechnický institut, s.r.o.**  
akademický rok 2009/2010

## ZADÁNÍ BAKALÁŘSKÉ PRÁCE

Jméno a příjmení: **Martin GRULICH**  
Studijní obor: **Finance a daně**

**Téma práce:**

**Hospodárné, účelné a efektivní hospodaření s finančními prostředky v příspěvkové organizaci**

### Cíl bakalářské práce:

Cílem práce je podat ucelený přehled o hospodaření příspěvkové organizace – Základní umělecké školy Konice. Analýza způsobu využití finančních prostředků, poskytovaných zřizovatelem a prostředků získaných vlastní činností školy. V návaznosti na analýzu navrhnout optimální využití financí, s ohledem na změny v legislativě. Podat návrh na možné snížení nákladů a na zkvalitnění vnitřního kontrolního systému.

Práce bude prezentována před vedením Základní umělecké školy Konice. Toto hodnocení bude součástí bakalářské práce.

### Osnova:

#### Úvod

1. Příspěvková organizace (charakteristika, právní uspořádání, povinnosti)
2. Finanční hospodaření Základní umělecké školy Konice v roce 2008
3. Analýza výnosů v roce 2008
4. Analýza nákladů v roce 2008


#### Závěr


Podle zákona č. 111/1998 Sb., § 47b, odst.3 platí, že odevzdáním práce autor souhlasí se zveřejněním své práce podle tohoto zákona, bez ohledu na výsledek obhajoby.

Vedoucí bakalářské práce:  
Datum zadání bakalářské práce:

Ing. Jarmila Švecová  
Kunovice, 11. února 2010

Evropský polytechnický institut,  
s. r. o.  
Osvobození 699 -1-  
686 04 KUNOVICE

  
Ing. Vladimíra Hlaváčková  
ředitelka Ústavu management a marketing  
zahraničního obchodu a Finance a daně

  
Oldřich Kratochvíl  
H. prof., Ing., Ph.D., Dr.h.c., MBA  
rektor

I hereby declare that I have written my bachelor thesis on my own, under the supervision of Ing. Jarmila Švecová and that all sources are listed in the bibliography.

Kunovice, August 2010

I would like to thank Ing. Jarmila Švecová for the very useful methodical help she provided to me during the preparation of my Bachelor Thesis.

Kunovice, August 2010

Martin Grulich

# Content

Introduction.....	8
Definition of goals.....	9
Brief history of the Konice Primary Art School .....	10
1    Municipal Organisations .....	11
1.1    Characteristics of Municipal Organisations .....	11
1.1    Legal dispositions of municipal organizations.....	11
1.2    Economy of municipal organizations.....	12
1.3    Duties of municipal organizations .....	12
1.4    Financial relations defined by founder.....	13
1.5    Economic result.....	14
1.6    Covering the worse economic result .....	14
1.7    Money funds of municipal organization .....	15
1.9    Money donations.....	16
1.10    Loans .....	16
1.11    Other activity.....	16
1.12    Budget limits .....	17
1.13    Providing advance payments.....	17
1.14    Grouping of resources .....	18
2    Management of finances of ZUŠ Konice in year 2008 .....	19
2.1    Budgetary process .....	19
2.2    Obligatory indices .....	22
2.3    Changes of budget.....	23
2.4    Managing the money funds resources.....	23
2.4.1    Reserve fund.....	23
2.4.2    Investment fund.....	24
2.4.3    Bonus fund.....	26
2.4.4    Fund of cultural and social needs .....	26
3    Analysis of incomes in year 2008 .....	29
3.1    Incomes from school fees in 2008 and comparison with 2007 .....	30
3.2    Operational grants from founder in 2008 and comparison with 2007 .....	31
3.3    Other grants.....	31
4    Analysis of costs in 2008.....	33

4.1	Reasons of significant differences between reality of 2008 and 2007 .....	33
4.2	Reasons of significant difference between budget and reality of 2008 .....	35
4.3	Evaluation of economy .....	36
4.4	Internal control system .....	38
4.4.1	Norms of financial control.....	38
Conclusion .....		44
Evaluation from the Primary Art School .....		46
Summary.....		47
Bibliography .....		48
List of enclosures .....		51

## **Introduction**

The topic of my bachelor thesis is the Efficient and Effective Financial Management of Municipal Services, Focusing on the Konice Primary Art School.

Municipal organisations are legal entities that participate in working of public administration and autonomies. They provide public services for all the people. The activities are various e.g. hospitals, schools, technical services, service of cemeteries, libraries, museums, theatres and other cultural facilities, administration of estates, retirement homes, some sport facilities and many others. We all use them and we concentrate mainly on the services they provide. We seldom think about the fact that every organization consists of people. People are those who provide the services, teach in schools, nurse their clients, heal ill ones, order the books for us, organize cultural events, manage the estates. But there are also people we do not meet often. These are directors, economists, accountants, housekeepers, representatives and workers of town, local and regional autonomies, etc. [1, p. 4]. These people decide about the workings of these services, participate in management, do accounting of economic operations, ensure that everything is done in practical and logical way, so that the activity of organization is useful to people, but at the same time respecting the legal norms. There are many norms in the area of public services.

I would like to describe the characteristics and history of the Konice Primary Art School at the beginning of my work. So the first part of my work will include the basic characteristics and function of municipal organisations, then there is information about legal norms related to them in terms of their financing and economy.

I will write about the economy of school in year 2008 in the second part of my work. The third part of my work will include analysis of costs and incomes of year 2008.

The fourth part of my thesis concentrates on the internal system of control. I will analyze the internal control system in ZUŠ Konice as a control tool and also possibilities of its failure. I try to examine how much the internal control system ensures the protection of the school's financial resources.

I am using theoretical information from expert literature, laws and Internet pages of Ministry of Finance and Ministry of Education in my work. Practical information were acquired mainly from the internal regulations of the school, foundation deed, Rules for



management of municipal organizations founded by Olomouc Region and magazines Guide of the Public Administration.

## **Definition of goals**

The goal of my bachelor thesis is to learn if the management of financial resources in Primary Art School Konice is economical, purposeful and effective. The amount of finances provided by the founder for education activities in ZUS Konice depends on the number of students. The grant has its maximum based on the number of students that is part of the decision about implementation of the school into the school network.

But it is never possible to say the exact number of students for the following school year in advance. I try to find the ways in my bachelor thesis of how to use the financial resources provided by founder, and also the own resources from the school's activity, in the most efficient and beneficial way.

## **Brief history of the Konice Primary Art School**

The Konice Primary Art School is a school with legal personality founded in the Olomouc Region. The town of Konice is located in the North West area of Prostějov .

The Konice Primary Art School is part of the educational network. It provides basic education in the individual art areas, prepares its students for studies in the fields of studies at art secondary schools and at conservatoires. ZUŠ Konice also concentrates on vocational training for the study at art universities [2].



Picture No. 1: Primary Art School Konice  
Source: [2]

Primary Art School Konice (formerly Public Art School) had been a subsidiary to LSU Plumlov till 1981. The independent teaching started at ZUS Konice in academic year 1981/82. The conditions were modest that time, the teaching took place in three rooms of chateau Konice and school did not have their own inventory of instruments and other teaching aids. But in the time the material conditions of the school were improving. Rooms of Konice chateau were modified and the inventory of musical instruments was extended and complemented.

The school received legal subjectivity on 1st January 1992. With the increasing number of students there was also increase of number of teachers.

# **1 Municipal Organisations**

## **1.1 Characteristics of Municipal Organisations**

Municipal organizations are part of non-profit business. The Czech Republic and its autonomies provide their duties through municipal organizations. Municipal organizations do not make any gross domestic product, on the contrary they use the resources from it in the form of grants and donations to cover their needs. Municipal organizations are working mostly in the areas of science, research, health care, social care, education, culture, defense, security and in other areas.

## **1.1 Legal dispositions of municipal organizations**

Municipal organizations are legal entities that follow the specific legal regulations. Basic legal frameworks are defined by the law No. 250/2000 Sb., About budgetary rules of regional budgets, as amended. This law defines the rules for economy of towns, cities and regions, for preparing the budgets, providing of grants, etc. It also defines what legal entities can be established by regional autonomies. One of the types of such legal entities are municipal organizations.

Law No. 218/2000 Sb., About budgetary rules and changes of some connected laws (budgetary rules), as amended, regulating also financial management of municipal organizations. In this case we can say that municipal organizations are state municipal organizations.

Because municipal organization is managing the public resources, it is subject to the law No. 320/2001 Sb., About financial control in the public administration, as amended and the implementation norm No. 416/2004 Sb. Law about financial control is regulating the public control, financial control according to international agreements and implementation of internal control system in the public administration body, including not only the founder, but also the municipal organization.

Part of the general legal regulations, creating the legal framework of working of municipal organization, is Law No. 563/1991 Sb., About accounting, as amended and the public note No. 505/2002 Sb.

## **1.2 Economy of municipal organizations**

Municipal organizations manage:

- money resources acquired through main activities,
- money resources accepted from state budget as part of the financial relations defined by the founder,
- resources of its own funds,
- resources acquired through other activities,
- money donations of individuals and legal entities.

Economy of municipal organization is based on its budget. Organization must include the grant from state budget into its budget, or to include the payment into state budget. Budget must be balanced and it must include only the costs and incomes of the provided services that are part of municipal organization main activities.

## **1.3 Duties of municipal organizations**

Main duty is to do the tasks in the most economical way and to keep the defined financial relations towards state budget.

Spending the available money resources only for purposes they are designed for, to cover the necessary needs and measures necessary to ensure smooth running of municipal organization.

Make sure that the payments of the municipal organization in the accounting period are not higher than its budget for the given fiscal period.

If the real amount of incomes and costs during the business year does not correspond with the amount in the budget and there is expectation of worsened economic results, organization must take measures to ensure stabilization.

Municipal organization must pay the amount of incomes from sale of tangible assets of the Czech Republic in three days after money come to its account. The only exceptions are incomes from sale of tangible assets that organization received as a gift or as heritage.

#### **1.4 Financial relations defined by founder**

- payment for operating from the state budget,
- payment from operating to state budget,
- individual and system grants for financing of programs and events,
- returnable financial help,
- payments from depreciation [17, p. 45].

If the budget costs without state budget contribution are higher than budget incomes, the operating contribution is defined.

Payment from operating is defined by the founder of municipal organization in the case when the budget incomes are higher than the budget costs. The amount of payment for operating or amount of payment from operating is defined as the difference between the budget costs and incomes from the main activity.

If there is significant change of conditions that were used to define the financial relation towards the state budget, the founder can:

- lower the defined grant for the municipal organization,
- to order non-budgetary payment from the budget,
- increase the defined grant.

Such change of conditions must be immediately reported to the founder. If founder orders non-budget payment, he will define the maturity of this payment.

Return of financial help (provided by founder to cover the worsened economic results) must be done till the end of business year (fiscal period) in which the worsened economic result should be paid.

Payments from depreciation are defined by founder, if:

- no development of the municipal organization is expected and its activities are being limited,
- it is considered to close down the municipal organization,
- amount of depreciation is much higher than real needs of municipal organization to renew the long-term assets. Total payment from depreciation in this case cannot be higher than depreciations of tangible assets.

Payments from depreciation can be ordered only in the current year up to the amount of resources from this year.

## **1.5 Economic result**

Economic result of budgetary organization equals the economic results of the main activity and profits of other activities after taxation.

Worsened economic results are such economic results that mean loss after including the operation contribution. If such situation happens, founder must discuss it with municipal organization to make sure that the worsened economic results is settled till the end of following business year (fiscal period).

## **1.6 Covering the worse economic result**

Coverage of worsened economic result can be done:

- from reserve fund of municipal organization,
- from the founder's budget, if there are not enough resources in reserve fund,
- from the profit after including of operations grant or payment from running (i.e. from improved economic result) of the municipal organization in the following business year (fiscal period), if there are not enough resources in the budget of founder [7].

If there is no settlement of worsened economic results and there is no improvement of economic results, founder will close the municipal organization till the end of the year

following after the year from which the one that should have paid for the worsened economic result. If it is necessary, founder will take care of providing the activities of the former organization through some other accounting entity, for example state's organizational unit. This solution does not need consent of ministry because the above mentioned concerns the municipal organizations that are financed from public health insurance and municipal organizations that provide specialized hygiene and anti-epidemic tasks and they are important for the state control in the protection of public health [3, p. 15].

Improved economic results will be preferentially used by the organization to cover its worsened economic result and the worsened economic result that happened before validity of this law.

## **1.7 Money funds of municipal organization**

Municipal organizations have following funds available:

- reserve fund,
- fund of assets reproduction,
- bonus fund,
- fund of cultural and social needs.

Money funds are started by the municipal organization from the improved economic results in the case when the worsened economic result of previous year, or years, was paid. The establishment of money funds, based on the improved economic results, is defined by the law in following way:

- into bonus fund up to 80% of improved economic result of municipal organization, maximum 80% of the limit of wages resources or acceptable amount of the wage resources,
- into fund of assets reproduction up to 25% of improved economic results of municipal organization,
- into reserve fund without percentage limits.

## **1.8 Breaking the budget discipline and penalty**

If there is break of budget discipline or duty to pay some penalty, then the payment is done:

- from reserve fund, if there are not enough financial resources in the fund, the payment can come as a cost of the main activity,
- from the corresponding fund, if the break of rules was caused by the fund. If there are not enough financial resources in the fund, the payment must be done as cost of the main activity.

## **1.9 Money donations**

Money donations can be given only from the fund of cultural and social needs. Money and material payments are provided according to the Public notice No. 114/2002 Sb., About the fund of cultural and social needs.

## **1.10 Loans**

Municipal organization cannot provide nor accept any loans, or issue bills of exchange. Only with the approval of ministry it can accept supplier loans for financing of programs. Exception applies for health care facilities that can accept loans to cover temporary insufficiency of financial resources in the case that this insufficiency is caused by delayed payments from health insurance companies.

## **1.11 Other activity**

If the municipal organization is doing another (economic) activity, its object and range must be defined (limited) in the founding document before this activity starts. Another activity must be kept separate from the main activity in accounting. If there is loss on 30th September, statutory authority of municipal organization must ensure payment of the



loss till the end of business year (fiscal period) or to make provisions to finish this another activity after the end of business year (fiscal period).

## **1.12 Budget limits**

Budget limits are opened usually for the one quarter of year. Contribution for the activities is transferred by the municipal organization up to the limit defined by founder. Grants provided for financing of the property reproduction are provided as direct payment in the form of individual grant and by the range of financing needs by the system grant from the corresponding budget cost account.

Municipal organizations have limits for:

- using the grant from founder for operating of municipal organization,
- using of individual grants provided for particular projects,
- using of system grants provided for particular projects,
- using of returnable financial help provided for particular projects.

Limits are valid till 31st December of the business year (fiscal period).

## **1.13 Providing advance payments**

Municipal organizations can in reasonable cases provide their employees cash advance payments for small costs that will be accounted. Advance payments can be following:

- non-recurring,
- fixed.

Non-recurring advance payments are provided in the expected amount and must be accounted ten working days after the purpose is reached, for which they were provided. Employees who received non-recurring advance payment must give the bill of costs so that the real costs can be included into annual costs (fiscal period) in which the non-recurring advance payment was provided in. If the cost, for which non-recurring payment was paid, did not take place, employee must return the money next working day at latest. The non-recurring advance payment for the same purpose can be paid after the previous non-

recurring advance payment is returned. Additional increase of non-recurring advance payment is not considered to be a next advance payment.

Fixed advance payments are paid in an amount of monthly need and must be accounted ten working days after the end of calendar month at latest. Employees who received fixed advance payments must give bill of costs so that the real costs can be included into the annual costs (fiscal period) in which the advance payments were provided.

Non-recurring and fixed advance payments can be provided only to the employees with signed written agreement about responsibility for tangible assets.

This rule about providing of non-recurring and fixed advance payments does not apply to providing of the advance payments for travel costs.

## **1.14 Grouping of resources**

Agreements about grouping of resources can be signed only in the case of the need to ensure the operating activity, for which there are necessary resources in the budget. Agreement about grouping should enable the municipal organization to ensure the possibility to use the equipment, services or other benefits adequate to their share of the paid resources [3, p. 30].

## **2 Management of finances of ZUŠ Konice in year 2008**

### **2.1 Budgetary process**

Region's budget is accepted by the Council of Olomouc region (further region's council). Immediately after the region's budget is accepted, the scheduling of budget is done, i.e. the breakdown of the budget in details according to budget composition, including the obligatory indices of organizations, accepted by the region's council.

Possible changes of obligatory indices during the year are accepted by the region's council. Organization, after receiving the budget composition information, prepares its own accepted budget in given time and on the given forms and sends it to the corresponding bureau for control.

The relation between region's and organization's budget are represented by non-investment and investment grants. Non-investment grants are the contributions for operating, for wages costs, depreciations and purpose grants from the region's budget.

Grant for operating is for covering the common operational costs such as consumption of energy, consumption of material, common repairs and other common costs. Organization must do the given tasks in the most economical way. If the real amount of costs and incomes in the budgetary year does not correspond with their budget amount and there is expectation that the budget result can be worse, organization must take such measures to ensure the balance. The grant is provided only for the main activity. In reasonable cases (for example not enough available financial resources) organization can ask the corresponding bureau to modify the payment calendar.

Grant for operating – wages costs is the contribution that should cover the wages costs. Organization must do the given tasks in the most economical way. Grant for operating - wages costs is provided to organizations from region's budget usually once a month in the amount of 1/12 of the annual amount. The grant is provided only for the main activity.

Grant for operating – depreciation is the contribution that should cover the accounting depreciations which is the source of investment fund. Grant for operating - depreciations are provided to organization from region's budget usually four times a year in the amount

of accepted annual value. The terms are accepted by region's council when accepting the region's budget. The grant is provided only for the main activity. In reasonable cases (for example not enough available financial resources) organization can ask the corresponding bureau to modify the payment calendar.

Purpose grant from the region's budget is the contribution for given purpose, for example for repairs of tangible assets. Purpose grant from region's budget is provided usually in a non-recurring way, in case of bigger projects continuously, according to the real costs. The grant is provided only for the main activity.

Investment grants are investment contributions to investment fund with the purpose to pay for investment costs. Contribution for investment costs from the region's budget is provided usually as nonrecurring payment to organizations, continuously in the case of bigger projects according to the real costs.

Till the region's budget for investments and repairs for the given calendar year is accepted, organization can use the investment fund resources only in exceptional cases and urgent cases, after it is discussed with the corresponding bureau. The reason is expected participation of the organization in financing of region's council accepted projects [4, p. 10].

Line number	Indicator	Budget of year 2008				
		Main activity			Additional activities	Total
		Main activity total (a+b)	Covered by own sources (f.e. incomes, funds, donations, etc.)	Covered by region's sources (f.e. grant for operating, depreciation, rent, etc.)		
		1	a	b	2	3 = 1+2
1	Consumption of material (account number 501)	280	280			280
2	incl. textbooks, teaching aids	0	0			0
3	small tangible long-term assets /furniture, office equipment, etc/	175	175			175
4	food	0				0
5	consumption of fuels	0				0
6	Consumption of energy (account number 502)	86	86			86
7	incl. electricity	43	43			43
8	gas	43	43			43
9	consumption of other non-stockable deliveries (account number 503)	0				0
10	sold goods (account number 504)	0				0
11	Repairs and maintenance (account number 511)	9	9			9
12	Travel costs (account number 512)	8	8			8
13	costs of representation (account number 513)	1	1			1
14	other services (account number 518)	206	151	55		206
15	inc.: rent (without payments for connected services)	55		55		55
16	telecommunication, post services	60	60			60
17	training and education	8	8			8
18	fixed costs of students	0				0
19	wage costs (account number 521)	0	0	0	0	0
20	inc.: wages	0				0
21	other costs	0				0
22	inc.: payments to trainees	0				0
23	legal social and other social insurances (account number 524, 525)	0				0
24	legal social and other social costs (account number 527,528)	0				0
25	taxes and fees (account number 531, 532, 538)	0				0
26	other costs (account number 541, 542, 543, 544, 545 546, 548, 549)	24	24			24
27	depreciation of long-term assets (account number 551)	34		34		34
28	other accounts of group 55 (account number 552, 553, 554, 556, 559)	0				0
29	income taxes and additional payments of income taxes (account number 591, 595)	0				0
30	Costs of LE - accounting group 5 in total (sum of lines 1+6+9+10+11+12+13+14+19+23+24+25+26+27+28+29)	648	559	89	0	648

Table No. 1: Budget of the year 2008 - incomes  
Source: [5, p. 1]

Line number	Indicator	Budget of year 2008				
		Main activity			Additional activities	Total
		Main activity total (a+b)	Covered by own sources (f.e. incomes, funds, donations, etc.)	Covered by region's sources (f.e. grant for operating, depreciation, rent, etc.)		
		1	a	b	2	3 = 1+2
31	incomes from own production (account number 601)	559	559			559
32	incomes from sale of services (account number 602)	0				0
33	productive work of students	0				0
34	school fee (SVČ, ZUS, ...)	559	559			559
35	boarding fee	0				0
36	payments for accommodation	0				0
37	incomes from sold goods (account number 604)	0				0
38	variations (account number 611, 612, 613, 614)	0				0
39	activation (account number 621, 622, 623, 624)	0				0
40	other incomes (account number 641, 642, 643, 644, 645, 648, 649)	0				0
41	inc.: bonus fund	0				0
42	reserve fund	0				0
43	investment fund	0				0
44	rent of assets	0				0
45	incomes from sale of assets, reserves, discretionary remedies (account number 651, 652, 653, 0	0				0
46	operating grants (account number 691)	89	0	89	0	89
47	incl. Operation grant - ÚZ 00020	55		55		55
48	operating grant - rent - ÚZ 00023	0				0
49	operating grant - wages costs - ÚZ 00027	0				0
50	grant for repairs and maintenance of intangible assets - ÚZ 00010	0				0
51	operating grant - depreciation - ÚZ 00006	34		34		34
52	other grants and donations ( f.e. ÚZ 00803, etc.)	0				0
53	total incomes - accounting class 6 (sum of lines 31+32+37+38+39+40+45+46)	648	559	89	0	648
54	Economic results (line 53 - line 30)	0	0	0	0	0
55	Additional data					
56						
57						
58						

Table No. 2: Budget of the year 2008 - costs  
Source [5, p. 2]

## 2.2 Obligatory indices

Obligatory indices are accepted for the calendar year by the region's council. If not accepted otherwise, then obligatory indices are:

**Grant for operations - depreciation**, it is non-investment grant from the region budget to cover the depreciations that is the source of investment fund in the main activity of organization. Grant does not have to be equal to the real amount of accounting depreciation.

**Grant for operations - rent**, means the purposeful non-investment grant from region's budget.

**Limit of wage resources**, represent the maximal amount of costs for wages in the main activity of organization.

It does not apply to resources:

- provided in the form of purpose grants, grant or contribution directly to the account of organization from the region authority,
- of bonus fund that are designed for possible exceeding of the resources for wages to cover so called direct costs for education and purposeful grants or development programs of Ministry of Education.

It is necessary to prove the acceptance of resources as incomes for the above exceptions.

**Payment to the region's budget** - payments from the investment fund in relation to the provided grants to cover the accounting depreciation. The region is providing the grant to the organization to cover the accounting depreciation (excluding some organizations from health service industry) and orders the transfers from investment fund in the amount accepted by the region's council. The payment is done according to the grants provided from region's budget.

Payments from investment fund to co-finance investments done by region. Organization is doing the payments in the defined time.

## **2.3 Changes of budget**

The change of the organization's budget can be done by founder or based on the request of organization.

Organization will send its request to change the budget to the corresponding bureau, bureau will consider the righteousness of that request and availability of available resources. The righteous requests to change the budget will be then delivered to the council of Economical Department of Regional Authority of Olomouc Region to accept it, together with opinion of the corresponding bureau. The bureau will tell the organization if the request was accepted or not. After acceptance of the change of budget by region's council, the Economical Department will send budgetary measures to the organization [4, p. 9].

## **2.4 Managing the money funds resources**

### **2.4.1 Reserve fund**

Reserve fund is financed from the improved economic results of the municipal organization based on the acceptance of its amount by the founder after the end of year, decreased by the possible transfers to bonus fund. Improved results of the municipal organization happen if the real incomes of its economy are, together with accepted operational grant, higher than its operational costs. Transferring of improved economic results into reserve fund and bonus fund is subject of authorization by founder. The source of reserve fund can be also money donations and resources transferred according to § 28 article of the law No. 250/2000Sb.

Reserve fund, excluding the resources transferred according to § 28 article 3, Law No. 250/2000 Sb., is used by the municipal organization for:

- further development of its activities,
- time covering of the temporary discordance of incomes with costs,
- payment of possible sanctions given for breaking the budgetary discipline,
- payment of the loss from previous years.

Founder can consent the municipal organization to use the reserve fund to reinforce its investment fund, excluding the resources transferred according to § 28 article 3, Law No. 250/2000 Sb. [4].

<b>Overview - 914 - Reserve fund</b>			Note - unit is CZK with 2 decimal positions		
Namely creation of values+source	thousand CZK		Usage ( purpose )	thousand CZK	
	accounting	financial		accounting	financial
<b>Starting balance on 1.1.2008</b>	<b>232 260,02</b>	<b>231 231,95</b>	<b>Usage :</b>	<b>X</b>	<b>X</b>
<b>Creation:</b>	<b>X</b>	<b>X</b>	<b>further development of the own</b>		
share on improved ER	140,66	140,66	<b>activity</b>	<b>950,00</b>	
money donations			<b>current account fees</b>		<b>2 200,00</b>
transfers from CA for fees		3 223,07	<b>bank fees</b>		<b>46,40</b>
account interest		46,40			
<b>Total creation of values</b>	<b>140,66</b>	<b>3 410,13</b>	<b>Total usage</b>	<b>950,00</b>	<b>2 246,40</b>
<b>Total PS + creation</b>	<b>232 400,68</b>	<b>234 642,08</b>	<b>Balance on 31.12.2008</b>	<b>231 450,68</b>	<b>232 395,68</b>
			Cover of the balance on acc.241:		
			Cover of the balance on acc.245:		<b>232 395,68</b>

Table No. 3: Reserve fund of the year 2008  
Source: [6, p. 7]

## 2.4.2 Investment fund

Investment fund is established by the municipal organization to finance its investment needs. Its sources are:

- depreciations of tangible and intangible long-term assets done according to founder accepted depreciation plan,
- investment grants from founder's budget,
- investment grants from state funds,
- incomes from sales of property, if founder allows that by his decision,
- donations and grants from other subjects, if they are intended for or useable for investment purposes,
- incomes from sales of property owned by municipal organization,
- transfers from reserve fund in amounts allowed by founder.

Organization prepares plan of using the investment plan sorted by the priorities every year, then gives it to the corresponding bureau to prepare the budget for investments and repairs.





### 2.4.3 Bonus fund

Bonus fund is based on the improved results of municipal organization up to 80%, but maximum is 80% or to the allowed value of resources for wages. The bonus fund is established by municipal organization based on the accepted amount of improved results.

Bonus fund provides bonuses for employees. Priority has the payment of increased resources for wages, the amount is based on the special legal norm.

Suggestion to divide the economic results into the bonus fund is sent by the organization to the corresponding bureau. The suggestion of the organization must take into account the need of organization to pay into the reserve fund, or organization can use part of its reserve fund for the increase of investment fund. The bonus fund cannot be used to pay for the health and social insurance that are connected to the payments from this fund.

Overview - 911 - Bonus fund			Note - unit is CZK with 2 decimal positions		
	accounting	financial		accounting	financial
<b>Starting balance on 1.1.2008</b>	<b>62 778,95</b>	<b>61 924,96</b>	<b>Usage:</b>		<b>x</b>
<b>Creation :</b>	X	X	Usage of the fund for increased wages		
Share of the economic results	562,05	562,05	costs		
transfer from CA to cover fees		3 048,99	Usage of the fund for payment		
		12,57	of bonuses		
			bank fees		2 200,00
			bank fees		12,57
<b>Total creation of values</b>	<b>562,05</b>	<b>3 623,61</b>	<b>Total usage</b>	<b>0,00</b>	<b>2 212,57</b>
<b>Celkem PS + tvořba</b>	<b>63 341,00</b>	<b>65 548,57</b>	<b>Balance on 31.12.2008</b>		<b>63 336,00</b>
			Cover of the balance on acc.241		
			Cover of the balance on acc.245		<b>63 336,00</b>

Table No. 5: Bonus fund of the year 2008  
Source: [6, p. 5]

#### 2.4.4 Fund of cultural and social needs

Fund of cultural and social needs consists of basic allocation of the resources for the costs of municipal organization from annual amount of costs of wages and refunds, for bonuses for work readiness and bonuses for additional works.

Fund of cultural and social needs is paid every year as an advance payment from the annual planned amount according to the accepted budget. Accounting of the basic allocation of funds is done in the final accounts.

Fund of cultural and social needs is meant to cover the cultural, social and other needs and it is for employees that are employed in the municipal organization, students of secondary vocational schools, internal science aspirants, pensioners who worked in the municipal organization after first leave for old-age pension or disability annuity of third grade, or for family members of employees and other individuals or legal entities.

Another incomes, amount of incomes and management of the Fund of cultural and social needs are defined by the notice of the Ministry of Finance.

The amount of funds and management of the Fund of cultural and social needs in organizations founded by autonomies are defined by the public notice of the Ministry of Finance. Authorization of the fund use to pay for the provisions of establishing document is given by the founder based on the request of organization sent to the corresponding bureau.

When using the fund for buying the personal chattels, ensuring services, repairs or maintenance and every time the organization announces a selection procedure, they must abide the basic principles of contracting public orders by organizations founded by Olomouc region. Organization asks the council of the region, based on the results of selection procedure, to authorize the use of financial resources through the corresponding bureau.

Organization is doing the separate evidence of financial resources of the fund on bank account. They can include the money funds into incomes only in the case of money coverage.

## Overview - 912 - Fund of Cultural and Social Needs

Indicator	Budget	Reality		Percent of usage col.2/col.1
		accounting (912)	financial (243)	
	col.1	col.2	col.3	col.4
<b>Starting balance on 1.1.2008</b>	<b>38 469,08</b>	<b>50 049,08</b>	<b>38 469,08</b>	
basic share	53 614,00	53 614,00	53 614,00	100%
payment of loans for housing purposes	0,00	0,00	0,00	
payment of damage and paid insurance	0,00	0,00	0,00	
money and other donations to the fund	0,00	0,00	0,00	
account interest	0,00	0,00	10,65	
transfer from CA for fees	3 200,00		7 135,75	
<b>Total creation of values</b>	<b>95 283,08</b>	<b>103 663,08</b>	<b>99 229,48</b>	<b>109%</b>
Total PS + creation	95 283,08	103 663,08	99 229,48	109%
<b>Usage</b>				
§ 4 - usage of facility for employee develop	12 500,00	10 900,00	9 800,00	
§ 5 - buying of tangible assets	0,00	0,00	0,00	
§ 6 - loans for housing purposes	0,00	0,00	0,00	
§ 7 - catering	3 500,00	2 716,80	2 610,80	78%
§ 8 - recreation	30 000,00	30 000,00	30 000,00	100%
§ 9 - culture, sport	0,00	0,00	0,00	#DIV/0!
§ 10 - exchange stays	0,00	0,00	0,00	
§ 11 - social help and loans	0,00	0,00	0,00	
§ 12,12a - pension ins., life insurance	0,00	0,00	0,00	
§ 13 - donation to trade unions	0,00	0,00	0,00	
§ 14 - anniversary gifts	0,00	0,00	0,00	#DIV/0!
account interest			10,65	#DIV/0!
account fees	2 100,00		2 414,35	0%
<b>Total Usage</b>	<b>48 100,00</b>	<b>43 616,80</b>	<b>44 835,80</b>	<b>91%</b>
<b>Balance on 31.12.2008</b>	<b>47 183,08</b>	<b>60 046,28</b>	<b>54 393,68</b>	<b>127%</b>
Bank account balance on 31.12.2008			<b>54 393,68</b>	
Bank account number 107-15339701/0100				

Table No. 6: Fund of cultural and social needs of year 2008

Source: [6, p. 6]

### **3 Analysis of incomes in year 2008**

Incomes consist of:

- incomes from sale of services - resources from the school fee,
- other incomes (interest),
- operational grants from budget of the region,
- other grants.

### 3.1 Incomes from school fees in 2008 and comparison with 2007

#### Amount of school fee in ZUŠ Konice in 2008

<b>MUSICAL FIELD OF STUDY</b>	<b>School fee 1 month</b>	<b>School fee In half year</b>
Individual education – instrument play	300 CZK	1 500 CZK
Education at branch offices	250 CZK	1 250 CZK
Preparation musical education	260 CZK	1 300 CZK
Band education (keyboard, guitar, fipple flute)	270 CZK	1 350 CZK
Choral singing – main branch	30 CZK	150 CZK
Brass band	20 CZK	100 CZK

<b>DANCE FIELD OF STUDY:</b>	<b>School fee 1 month</b>	<b>School fee In half year</b>
Preparation study	140 CZK	700 CZK
Basic study 2x45 min	150 CZK	750 CZK
Basic study 3x45 min	160 CZK	800 CZK
Basic study 4x45 min	170 CZK	850 CZK

<b>ART FIELD OF STUDY:</b>	<b>School fee 1 month</b>	<b>School fee In half year</b>
Preparation study	350 CZK	1 750 CZK
Basic study	350 CZK	1 750 CZK

<b>LITERAL-ACTING FIELD OF STUDY:</b>	<b>School fee 1 month</b>	<b>School fee In half year</b>
Preparation study	50 CZK	250 CZK
Basic study	50 CZK	250 CZK

Table No. 7: School fee in year 2008  
Source: [6, p. 10]

The amount of school fee was the same in 2007 and 2008. The school fee is acceptable for parents. It is set to cover all the operational costs including the costs of teaching aids (excluding the rent and depreciation).

Incomes from school fee in 2007 were 558 067 CZK. They were 582 286 CZK in 2008. New school subsidiary was opened in 2008 and there was slight increase of the number of students. This fact influenced the amount of incomes from school fee (increase of 24 219 CZK when comparing with 2007).

Neither big increase nor decrease of the number of students is expected in the future. There should be no big changes of incomes from own activities then.

### 3.2 Operational grants from founder in 2008 and comparison with 2007

Grants: provided by - RA Olomouc Region	year 2007		year 2008		comparing 2008 : 2007	
	grant	usage	grant	usage	grant	usage
line 1 - wages	2 375 000,00	2 375 000,00	2 680 708,00	2 680 708,00	+305 708	+305 708
line 2 - Other costs	5 000,00	5 000,00	5 000,00	5 000,00	0,00	0,00
line 3 - insurance	881 000,00	881 000,00	993 292,00	991 852,00	+112 292	+110 852
line 4 - direct ONIV	0,00	0,00			0,00	0,00
line 5 - SIPVZ	0,00	0,00			0,00	0,00
line 6 - rent	55 000,00	54 750,00	55 000,00	54 750,00	0,00	0,00
line 7 - depreciation	48 000,00	47 910,05	34 000,00	34 000,00	-14 000,00	-13 910,00

Table No. 8: Operational grants in 2008, comparison with year 2007

Source: [6, p. 17]

line 1. Grant was used in full to pay the wages of employees. The amount was sufficient.

line 2. Grant for OPC (other personnel costs) was used for contracts of services. Their amount was sufficient.

line 3. Grant for insurance was not fully used. There was saving of 1440 CZK. The reason was use of OPC for contract of services for which social and health insurance is not paid.

line 6. Grant for rent was used to pay the invoice for the rent of building. Unused amount of 250 CZK became part of economical results according to directives for financial settlement of grants.

line. 7. Grant for depreciation was used for the depreciation of assets according to depreciation plan.

We can say that year 2008 was not very different from 2007, in area of grants or their use.

### 3.3 Other grants

Primary Art School Konice received financial grant from town budget of 10 000 CZK in 2008. The grant was for support of school activities of Primary Art School Konice through recording of brass music CD. Financial grant was fully used for this purpose, in accordance with the grant agreement.



## 4 Analysis of costs in 2008

### 4.1 Reasons of significant differences between reality of 2008 and 2007

<b>Analysis of costs - year 2007</b>	<b>Budget for year 2008</b>	<b>Reality 2008</b>	<b>Reality 2007</b>
<b>line 1 spotřeba materiálu:</b>	<b>280 000,00</b>	<b>264 342,65</b>	<b>282 526,30</b>
line 2 - cleaning equipment	2 000,00	1 542,40	3 568,71
line 3 - books, teaching aids, printing	25 000,00	28 710,00	56 053,00
line 4 - small material	42 000,00	36 132,25	52 491,59
line 5 - Small Tangible Investment Assets	150 000,00	197 958,00	170 413,00
<b>line 6 consumption of energy</b>	<b>86 000,00</b>	<b>110 641,07</b>	<b>78 932,81</b>
line 7 - consumption of gas	43 000,00	73 216,97	34 742,91
line 8 - consumption of electricity, water	43 000,00	37 424,10	44 189,90
<b>line 9 repairs and maintenance</b>	<b>9 000,00</b>	<b>12 532,80</b>	<b>6 438,00</b>
<b>line 10 travelling costs</b>	<b>8 000,00</b>	<b>5 808,00</b>	<b>6 656,00</b>
<b>line 11 costs of representation</b>	<b>1 000,00</b>	<b>450,00</b>	<b>655,00</b>
<b>line 12 other services:</b>	<b>216 000,00</b>	<b>228 371,89</b>	<b>214 265,00</b>
line 13 - postage	2 000,00	1 979,00	1 856,00
line 14 - telecommunication services	53 000,00	66 031,98	59 125,17
line 15 - rent	55 000,00	54 750,00	54 750,00
line 16 - education and training	6 000,00	15 299,00	6 530,00
line 17 - other services	52 000,00	80 420,91	48 724,53
line 18 - programs, maintenance	44 000,00	9 891,00	43 279,30
<b>line 19 costs of wages</b>	<b>2 685 710,00</b>	<b>2 685 708,00</b>	<b>2 380 000,00</b>
<b>line 20 legal social insurance</b>	<b>993 290,00</b>	<b>938 238,00</b>	<b>834 397,09</b>
<b>line 21 legal social costs</b>	<b>0,00</b>	<b>53 614,00</b>	<b>47 500,00</b>
<b>line 22 penalty</b>	<b>0,00</b>		<b>166,00</b>
<b>line 23 other costs</b>	<b>24 000,00</b>	<b>25 501,47</b>	<b>22 069,00</b>
<b>line 24 depreciation of long-term assets</b>	<b>34 000,00</b>	<b>34 314,00</b>	<b>47 910,05</b>
<b>line 25 donations</b>	<b>0,00</b>		<b>0,00</b>
<b>TOTAL</b>	<b>4 337 000,00</b>	<b>4 359 521,88</b>	<b>3 921 515,25</b>

Table No. 9: Analysis of costs in year 2008, compared with year 2007

Source: [6, p. 12]

#### line 3. Books, teaching aids, printing

Reality of the year 2008 was lower when comparing with reality of 2007.

New subsidiary of the school was opened in September 2008. It was necessary to equip this subsidiary with new teaching aids and instruments. These were bought in years 2007 and 2008. Buying of teaching aids was preferred in 2007. There was only limited number of teaching aids bought for new branch in 2008.

#### line 5. Long-term tangible investment assets

Reality of year 2008 was higher than reality of year 2007.

It was necessary to buy financially demanding long-term tangible investment assets in 2008 due to necessity to equip subsidiary of the school.

line 7. **Consumption of gas**

Reality of year 2008 was higher when comparing with year 2007.

It was necessary to use the heating more in 2008 due to the dampness of building.

line 8. **Repairs and maintenance**

Reality of year 2008 was higher when comparing with reality of year 2007.

There were costs caused by necessity of business machines and equipment repairs in 2008.

line 16. **Training and education**

Reality of year 2008 was higher when comparing with reality of year 2007.

Mapping the education needs of employees showed the necessity of training for the teachers in year 2008.

line 17. **Other services**

Reality of year 2008 was higher when comparing with reality of year 2007.

There were costs connected to the rent of studio to record a CD in 2008.

line 18. **Program equipment, maintenance of programs**

Reality of year 2008 is lower when comparing with year 2007

It was not necessary to buy new software in 2008, maintenance of program equipment was normal and did not require high costs.

line 24. **Depreciation of long-term assets**

Reality of year 2008 is lower when compared with reality of year 2007.

1 piece of small tangible investment assets was completely depreciated in 2007. The depreciations decreased. It was not necessary to buy new assets in 2008.

## **4.2 Reasons of significant difference between budget and reality of 2008**

### **line 5. Small tangible investment property**

The reality of year 2008 is higher than the budget of year 2008.

Due to the new opened subsidiary office of the school, there was a need to equip this branch with teaching aids and tools. Buying was done in years 2007 and 2008. The emphasis in year 2008 was on the buying of musical instruments. It was not possible to accurately define the need of buying the musical instruments for year 2008 when preparing budget for year 2008.

### **line 16. Training and education**

The reality of year 2008 is higher when compared with year 2008 budget.

The necessity of more training than usually for all the teachers were not known, when preparing budget for 2008.

### **line 17. Other services**

The reality of 2008 is higher when compared with 2008 budget.

There were costs of the record of profile CD in 2008.

### **line 18. Program equipment, maintenance**

The reality of year 2008 is lower than the budget of 2007.

It was not necessary to invest into maintenance of programs in 2008 as much as in 2007.

Economic results were 515,85, - CZK.

The result of economy is mostly influenced by income from sales of services - school fee and by the operational costs - consumption of material, energy, costs of the teaching aids, small tangible assets.

No extensive decrease of the number of students nor some big increase of costs is expected in the future.

Primary Art School expects the balanced results of economy.

### **4.3 Evaluation of economy**

Financial resources of the organization are regularly planned for the calendar year and this plan is always prepared for the individual school departments. All the planning is done according to the valid norms that are part of the internal directives of the organization. These internal directives are regularly updated [8].

Transparency of economy with state budget resources is ensured through doing of final accounts according to time table and the way of dealing with final accounts and results of controls.

Managers of the school and also managers of the departments are responsible for effective spending of money for the individual school activities. All of them must abide the valid legal norms that are implemented into the internal regulations. Future financial plans, based on the needs of school development, are prepared regularly and they are taken into account when preparing the annual projects. Projects of modernization of buildings and teaching rooms are implemented into budgets and modified according to the available sources of financing.

Transparency of financial management is ensured by publishing of the Report about the activity of organization for the calendar year on the web pages of the school, informing the director during the operating meetings, answering the questions of employees.

The plan of using the financial resources for the given time period is prepared that is bound to the concrete goals and requirements.

Economy of the state budget resources is the subject of financial control, school must comply with the laws about budgetary rules and methodical instructions of founder. Financial control proves the use of granted financial resources and their economical use to the founder every year.

School has implemented perennial plan of school development:

- short-term – expressed by the annual plans of work
- medium-term – till 2010
- long-term – till 2014

Actual state of the reaching and changes of plans is told the employees during regular meetings.

Operational monitoring of costs is based on the analysis of costs and comparison with the previous years, analysis of costs are done twice a year as part of biannual balance.

Public and employees are informed about planned investments and the results during the regular meetings and through annual report. Transparency of the use of financial resources is ensured through the system of internal and external controls and annual reports that is published on the web pages of the school.

Economy of the state budget resources and budget of region is monitored by the internal control system. School is doing quarterly balances and monthly use of the resources for wages and sending them to founder. School has medium-term investment plan and plan of repairs prepared.

Economic results of activities are compared in accordance with the implemented accounting system. It is possible to consider the development of standard costs as part of the annual analyses. School uses analytic accounts, accounting is structured by departments. The mentioned form of accounting enables the monthly monitoring of activities connected to the abiding of Law No. 250/2000 Sb., About budgetary rules of regional budgets, Law No. 563/1991 Sb., About accounting, Law No. 586/1992 Sb., About incomes tax and Law No. 235/2004 Sb., About value added tax. This fact influences the decisions of preliminary managing control. School is preparing and sending to founder quarterly balances, which enables monitoring of the budget.

School did not participate in the international projects in the past and today.

Management of the organization should try to find some extra sources of financing or find some additional activity. But there is danger that if the founder takes into consideration all the planned incomes of organization, he can decrease is grant to minimum. This does not give any motivation to the management to seek some extra sources of financing. On the other hand organization cannot ask the founder to pay for its operational costs through grants if it has some other financial resources. So it is very important that founder knows the possibilities of organization when accepting the municipal for operations and to modify the corresponding indices for the organization according to these possibilities.

School did not use the possibility to ask for financial resources from EU structural funds for the education of employees, especially in the area of languages, in the past.

Main and total financial responsibility is on the school management, some of the competences were given to the employees of individual departments. They are bound to keep the rules for dealing with entrusted property through the agreement about responsibility. It is necessary to evaluate for example if the costs for buying new musical instruments and own teaching aids are really necessary and if they will be fully used. Another possibility how to reach the savings of financial resources is qualified consideration of the possibility to buy older musical instruments.

## **4.4 Internal control system**

### **4.4.1 Norms of financial control**

Financial control according to Law No. 320/2001 Sb., About financial control and Notices No. 416/2004 Sb., implementing law No. 320/2001 Sb., About financial control in the public administrations and changes of some laws include also the internal control system in the public administration bodies, including also the regional autonomies, i.e. the region and the town and municipal organizations established by them.

The positions of payer of the operation, budget manager and main accountant are important for the financial management as the basic elements of financial control in the management and use of public resources.

### **Mechanisms of financial control**

Internal control system includes managing control, which consists of:

- preliminary controls,
- continuous controls,
- consequential controls.

### **Competences**

**Payer of the operation - director** controls:

- necessity of the operation,
- correctness and completeness of all the base materials,
- abiding the criteria of economy, efficiency and usefulness,
- conformity of the operation with legal norms,
- considers the possibility of the risks.

**Budget manager - economist** controls keeping of:

- rules defined by the special legal norms,
- extent of the authority of operation payer and comparing his signature with signature card,
- budget composition,
- accepted, or the modified budget, its composition and obligatory indices for the given entry of budgetary structure,
- conformity of the operation with accepted programs, projects or other decisions about using of public resources.

If she finds some deficiencies of the prepared operation, she stops it and informs the operation payer.

**Main accountant – economist** controls:

- completeness and necessities of the given base data for the purpose of meeting the requirements defined by special legal norms,
- extent and authority of operation payer and budget manager, comparing their signatures with signature cards.

If she finds some problems in the documents, she stops the operation and informs the operation payer.

### **Approval procedures of preliminary managing control**

**Before signature of agreement or sending of order**, that would mean some commitment for the organization, or before signature of an agreement or norm that would mean some claim for the organization, it is necessary:

- to check the operation being prepared, including the completeness of base materials and accept it by operation payer,
- to check the given base materials and to agree them with budget manager.

**Preliminary managing control is confirmed by agreement signature or sending of order.**

### **Approval procedures of continuous managing control**

Operation payer monitors the mechanism of operation progress. He will mainly monitor:

- keeping of the defined conditions during implementation, settlement and account of the accepted operations,
- timeliness and accuracy of the records in evidence systems of financial and accounting nature, timeliness of the preparation of given financial, accounting and other records.

If she finds some problems (terms of implementation, necessities of documents that accompany the operation, etc.), the budget manager and main accountant will ensure the correction of this state.

Budget manager and main accountant:

- ensure the operation in a financial and accounting way,
- monitor the term of the operation running, keep records of the financial and accounting nature in the given financial, accounting and other books.

### **Approval procedures of consequential managing control**

Operation payer will evaluate the running of operation after it is finished. He will monitor mainly if:

- operation shows truly the resources and movement of public finance and if these data correspond with the facts decided for the executed operation,
- the controlled operation correspond with the legal norms, accepted budgets, signed agreements and other decisions accepted during the process,
- the terms of implementation and criteria of economy, usefulness and efficiency are kept.

In the case of deficiencies, the budget manager and main accountant are informed and the correction is done. Budget manager and main accountant finalize the operation (in financial and accounting way). The running of preliminary, continuous and consequential control are confirmed by the budget payer, budget manager and main accountant with a



signature of the accompanying document of the operation, which is part of the actuarial document and that that accompanies this document from its acceptance or drawing till it is brought to book [9].

#### **4.4.2 Evaluation of the internal control system**

The term internal control system should not be understood as some individual department in the municipal organization. On the contrary it is complex of all the measures and institutions in the organization with the task to control the economical and operational activity of the organization and the connected activities of the employees of municipal organization.

I must say that important tool and object of the control are virtually all the branches of the organizational information system, such as accounting, operative evidence, calculations and also budgeting and statistics. Mainly the accounting and accounting systems should provide the regular collection and assortment of evidential accounting information for the company management, protection of its property, preparation of final accounts and abiding of legal norms.

That is why it must be integral part of accounting system and control, making sure that all the accounting transaction that should be recorded are recorded, in evidential way, correctly, completely and on time.

Internal control system of the Primary Art School is done by the school management. The financial control in the organization is part of the system of financial management ensuring the management of public resources.

The object of financial control are all the public financial resources managed by the school. These were incomes and costs of the main activity. The incomes were grants from Ministry of Education, Olomouc region and town hall, then incomes from the sale of services (school fee), bank interest and other incomes. The costs were costs of material, gas, water, electricity, services, travel costs, wages and costs connected to the wages, costs of repairs and maintenance, depreciation of long-term assets and other costs. The object of financial control included also control of property management.

The first phase of financial control was preliminary control that was dealing with negative impact of planned and prepared operation before they even started. This is why all the costs paid through bank transfer were authorized and documented through purchase orders.

In the case when the deliveries were done based on the signed agreement, it was not necessary to use the process of authorization.

School uses limited assurance for small purchases. It is provided to the limit of 5000 CZK for the time period of one month to cover the liabilities that are not pre-defined and where the individual creditor is not known.

Next phases were continuous and consequential control. The control itself included following partial controls:

- control of actuarial documents - done by school's director,
- control of box office and stamps - done by school's director,
- continuous control of the budget spending - done by school's economist, regularly consulted with school's director,
- control of depreciation - done by school's director,
- control of inventory - done by school's director,
- control of the creation of financial funds - done by school's economist,
- control of personal files of employees - done by school's director,
- control of school fee payments - done by school's economist.

The following documentation was the subject of continuous and consecutive control:

- accepted budget including its changes and monthly overview of budget spending,
- actuarial documents (directive of accounting and management of properties, accounting timetable, main accounting book, records of final results, necessities of actuarial documents,
- internal wage directives,
- plan of depreciation, real depreciation in accounting,
- inventory of the school property,
- financial and statistic records,
- financial funds,
- signed agreements,
- personal files of employees,

- wages record,
- record of paid school fee.

It is possible to say that financial control done in the Primary Art School Konice is set correctly. Only in individual cases there were small deficiencies in the system of control of formal necessities of some actuarial documents. These small deficiencies do not influence the school's economy in any way.

## Conclusion

Managing the financial means in the municipal organization is not only interesting work, but it is also very demanding for the personal attributes of the people responsible. The economic department of the school has great responsibility for the correctness of accounting that must give true and trustworthy image of the activity of organization. The financial and control carried out by these organisations should be respected by society. The profession of economist requires precise knowledge of the accounting, good knowledge and orientation in the countless old and new laws, appendices, amendments and appendices of amendments. I tried to provide detailed analysis of costs and incomes and analysis of internal control system in my thesis to evaluate the school's economy and to make the use of school's financial resources more effective.

My work should provide basic understanding of the problems of financial management in the municipal organization in connection to the changes in legislation, influencing the economy of these organizations.

This thesis can be used as a guide in how to ensure the protection of public resources against the risks and discrepancies caused by the violation of legal norms or purposeless use of these resources, even when caused by criminal activity.

I tried to analyze in detail if it is possible to improve the school's economy, how to effectively use the finance acquired from founder and if the internal control system of the organization is correctly set.

The system of school's financing is key question in the practice. It is necessary to keep the primary art schools available, because they cultivate the student's personality and form his stance towards art in a very strong way.

Capacities of educational institutions are often used with the lower level than in the comparable countries, and that means great educational and economical loss. Very important is also creation of pleasant school environment and good communication of school with students and parents. School should have some pedagogic rights towards its students even after the lessons.

People speak less about financial resources for the primary art schools than about the financial resources for the other schools, these resources are often reduced only to wages of teachers.

They will not be able to improve their level without further increase of resources into primary art schools, their facilities, tools and personnel background, including non-pedagogic workers. The Czech Republic invests less into the school system than other European countries with better quality education systems.

The main thing for the Czech school system development is its quality. Quantitative development of the school system has already been finished. Quality, its management and stimulation is behind. I think that the main task of school system is to educate towards morale and work. The key thing is to develop the ability of individual to continually learn, work in the team and adapt to the changing conditions. School system cannot develop without financial resources, in competition with other segments of the economic system.

# Evaluation from the Primary Art School

ZÁKLADNÍ UMĚLECKÁ ŠKOLA KONICE

Na Příhonech 425, 798 52 Konice

Tel.: 582396620, 582396018

IČO 00402320

In Konice on 4th May 2010

## Evaluation of Bachelor Thesis

The goal of Bachelor Thesis was to find out if the management of financial resources in our organization is economical, purposeful and efficient.

The results of the accounting were analyzed and that analysis became the source for economical evaluation. Economical data that are part of common accounting and audits are just the raw material and it was necessary to mine out the information about economy first. This task was definitely fulfilled in the bachelor thesis.

The detailed analysis of the economy of organization showed possible reserves in the management of financial resources in economical, purposeful and efficient way. Finding the problem in the company's economy is as important as the pursuit of efficient use of state resources.

Detailed analysis of the economy forced us to watch closer the decision processes about the use of financial resources and this will help us to remove possible deficiencies in economy in the future.

But the analysis of any processes and states itself is very costly, in time, financial and also the expert way. That is why it is often on the far end of priorities. Analysis that should ensure the efficiency and balance of incomes and costs of the state budget is challenging process requiring professional approach. We think that this was accomplished in the bachelor thesis.

Základní umělecká škola Konice, Na Příhonech 425  
798 52 Konice, Na Příhonech 425  
IČO: 00402320

## Summary

GRULICH, M. Economical, purposeful and effective management of financial resources in the municipal organization.

Bachelor Thesis. Evropský polytechnický institut, s.r.o. Kunovice, 2010.

Supervisor: Ing. Jarmila Švecová

Key words: municipal organization, financial means, budgetary process, obligatory indices, municipal for operation, money funds, incomes, costs, economy of organization, internal control system, public resources, public property.

I concentrated on the analysis of economy of the Primary Art School Konice in year 2008 in my final project, named „ Economical, purposeful and effective management of financial resources in the municipal organization“. The goal was to provide the basic guide for orientation in the problem of financial economy in the municipal organization in connection to the changes in legislation.

The first part of my thesis describes the basic characteristics and function of municipal organizations, information about legal norms concerning the municipal organization in the light of its financing and economy. The second part describes the school's economy in 2008. The third part analyses in detail the costs and incomes of year 2008. The fourth part of my thesis concentrates on the internal control system. I tried to assess how much the internal control system protects the school's financial resources.

## Bibliography

- [1] MADEROVÁ VOLTNEROVÁ, K.; TÉGL, P. *Vztahy mezi zřizovatelem a příspěvkovou organizací USC*. 1st ed. Olomouc : ANAG, 2009. 151 p. ISBN 978-80-7263-546-7.
- [2] *Zuskonice* [online]. Konice : 2003 - 2009 [quo. 25. 11. 2009]. ZUŠ Konice. Available on WWW: <http://www.zuskonice.cz/index.php>
- [3] PODHORSKÝ, J.; SVOBODOVÁ, J. *Účetnictví příspěvkových organizací*. 2nd ed. Olomouc : ANAG, 2003. 279 p. ISBN 80-7263-151-9.
- [4] Zásady řízení příspěvkových organizací zřizovaných Olomouckým krajem [online]. 2000 [quo. 2009-11-05]. Available on: <[http://www.kr-olomoucky.cz/Olomoucky\\_Kraj/Doprava/Zásady řízení příspěvkových organizací zřizovaných Olomouckým krajem/ zasady\\_CZ.htm?lang=CZ](http://www.kr-olomoucky.cz/Olomoucky_Kraj/Doprava/Zasady_rizeni_prispevkovych_organizaci_zrizovanych_Olomouckym_krajem/zasady_CZ.htm?lang=CZ)>.
- [5] NOVÁKOVÁ, A. *Rozpočet 2008*. Konice : 2008. 2 p. Budget. Základní umělecká škola Konice.
- [6] NOVÁKOVÁ, A. *Rozbory hospodaření 2008*. Konice : 2008. 31 p. Analyses of Economy. Základní umělecká škola Konice.
- [7] Czech Republic. Law No. 218 from 27th June 2000 About budgetary rules and changes of some connected laws (budgetary rules). In *Collection of Laws of the Czech Republic*. 2008, article 65, p. 3104-3128. Available on WWW: <[http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/zakony\\_1155.html](http://www.mfcr.cz/cps/rde/xchg/mfcr/xsl/zakony_1155.html)>.
- [8] *Benchmarkink pro organizace veřejného sektoru* [online]. Third update. Praha : 2009 [quo. 18. 01. 2010]. Examples of good practice. Available on WWW: <<http://www.benchmarking.cz/caf/default.aspx>>.
- [9] NOVÁKOVÁ, A. *Směrnice k finanční kontrole rok 2008*. Konice : 2008. 3 p. Guidelines. Základní umělecká škola Konice.
- [10] Czech Republic. Law No. 250 from 7th July 2000 about budgetary rules of regional budgets. In *Collection of Laws of the Czech Republic*. 2000, částka 73, s. 3 557-



3567. Available on WWW:  
<[http://cds.mfcr.cz/cps/rde/xchg/cds/xsl/182\\_4026.html](http://cds.mfcr.cz/cps/rde/xchg/cds/xsl/182_4026.html)>.

- [11] Law No. 563 from 12th December 1991 About accounting, as amended. In *Collection of Laws of the Czech Republic*. 1991, article 107, p. 2802-2809. Available on WWW:  
<[http://portal.gov.cz/wps/portal/\\_s.155/701/\\_s.155/701?l=563/1991](http://portal.gov.cz/wps/portal/_s.155/701/_s.155/701?l=563/1991)>.
- [12] *Alternatívne prístupy a faktory financovania verejného sektora: Sborník z mezinárodnej konferencie*. 1. Bratislava : Ekonomická univerzita, 2001. 65 p. ISBN 80-225-163-7.
- [13] FABIAN, Š. *Rozpočtovníctvo a účtovníctvo verejnej správy, obcí, VÚC a jimi zriadených rozpočtových a príspevkových organizácií*. 1. Bratislava : Súvaha, 2005. 95 p. ISBN 80-88727-92-8.
- [14] HAMERNÍKOVÁ, B.; MAAYTOVÁ, A. *Veřejné finance*. 3. Praha : ASPI, 2007. 364 p. ISBN 978-80-7357-301-0.
- [15] KOVALČÍKOVÁ, A.; KORDOŠOVÁ, A. *Účtovníctvo rozpočtových organizácií, príspevkových organizácií*. 1. Bratislava : IURA EDITION, 2008. 326 p. ISBN 978-80-8078-221-4.
- [16] LIBNAROVÁ, A.; ČORNEJOVÁ, H.; PETEROVÁ, H. *Jak správně vytvářet a využívat FKSP*. 1. Praha : SONDY s.r.o., 2009. 175 p. ISBN 978-80-86846-32-3.
- [17] MOSKOVČIAKOVÁ, A. ; PROKŮPKOVÁ, D.; MORÁVEK, Z. *Príspevkové organizácie 2009*. 1st ed. Praha : ASPI, a.s., 2009. 345 p. Available on WWW:  
<[aspimeritum.cz](http://aspimeritum.cz)>. ISBN 978-80-7357-416-1.
- [18] MRAČKO, M. *Nové postupy účtovania a rámcová účtová osnova pre rozpočtové organizácie, príspevkové organizácie, štátne fondy, obce a vyššie územné celky*. 1. Bratislava : EPOS, 2007. 47 p. ISBN 80-805-773-84.
- [19] NOVÁKOVÁ, Š. *Účetnictví příspěvkových organizací*. 2. Praha : Oeconomica, 2005. 96 p. ISBN 80-245-0851-6.

- [20] OTRUSINOVÁ, M. *Hospodaření nepodnikatelských organizací - studijní pomůcka pro distanční studium*. 1st ed. Zlín : Univerzita Tomáše Bati ve Zlíně, 2009. 132 p. ISBN 978-80-7318-789-7.
- [21] PAVLÁSEK, V. *Financování a rozpočtování škol, Distanční studijní text ZUČ*. 1st ed. Plzeň : Západočeská univerzita v Plzni, 2001. 120 p. ISBN 80-7082-786-6.
- [22] REKTOŘÍK, J., et al. *Organizace neziskového sektoru: Základy ekonomiky, teorie a řízení: 2*. Praha: Ekopress, 2007. 188 p. ISBN 80-86929-25-5.
- [23] SVOBODOVÁ, J., et al. *Abeceda účetnictví 2008: pro územní samosprávné celky, příspěvkové organizace, státní fondy a organizační složky státu.. 1*. Olomouc : ANAG, 2008. 504 p. ISBN 978-80-7263-457-6.
- [24] STEJSKALOVÁ, I. *Účetnictví příspěvkových organizací: distanční učební text/Irena Stejskalová*. 1st edition. Praha : Oeconomica, 2003. 70 p. ISBN 978-80-24505-92-3.
- [25] SCHIFFER, V. *Vnitřní kontrolní systém: významný nástroj ochrany majetku a hospodaření účetních jednotek*. 17th added and updated edition. Praha : ASPI, a.s., 2009. 224 p. ISBN 978-80-7357-436-9.
- [26] ŠEBESTOVÁ, J. *Kontrolní systém veřejné správy a veřejného sektoru*. 1st edition. Karviná : Slezská univerzita v Opavě, Obchodně podnikatelská fakulta v Karviné, 2008. 180 p. ISBN 978-80-7248-460-7.
- [27] URBÁNEK, V. *Veřejné finance II.. 1*. Praha : Vysoká škola ekonomická, 2005. 179 p. ISBN 80-245-0931-8.

## **List of enclosures**

Picture No. 1 : Primary Art School Konice

Table No. 1 : Budget of year 2008 - incomes

Table No. 2 : Budget of year 2008 - costs

Table No. 3 : Reserve fund of year 2008

Table No. 4 : Investment fund of year 2008

Table No. 5 : Bonus fund of year 2008

Table No. 6 : Fund of cultural and social needs of year 2008

Table No. 7 : School fee in year 2008

Table No. 8 : Operational grants in year 2008, comparison with year 2007

Table No. 9 : Analysis of costs in year 2008, comparison with year 2007