

FEDERAL BUDGETING AND ACCOUNTING IN AUSTRIA

USING  R/3



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PROJECT GOALS 1



- **REPLACEMENT OF INDIVIDUALLY-DEVELOPED SOFTWARE**
- **REORGANIZATION OF THE BUDGETING AND ACCOUNTING PROCESSES IN THE FEDERAL ADMINISTRATION**
- **TECHNOLOGICAL AND FUNCTIONAL CONTRIBUTION TO THE NEW FACE OF PUBLIC ADMINISTRATION**
 - ◆ Business process redesign and optimization
 - ◆ Attaining efficiency and achieving potential
 - ◆ Old form: task - automation and now also the new form of process - automation
- **LEGAL REQUIREMENTS**
 - Uniform accounting system for the entire federal administration coming under the responsibility of the Ministry of Finance and the Audit Office

PROJECT GOALS 2



● INTEGRATED AUTHORITIES

- Federal Ministry of Finance with final responsibility for budget administration
- All Ministries (first level)
- All agencies (spending units) under the subordinate authorities (second level)
- Minor authorities/pay offices (third level) with monthly integration
- Actual view of federal budget execution
 - ◆ Daily: 92 - 95%
 - ◆ Monthly: nearly complete

IMPLEMENTATION MEASURES 1



● ORGANIZATIONAL PRECONDITIONS

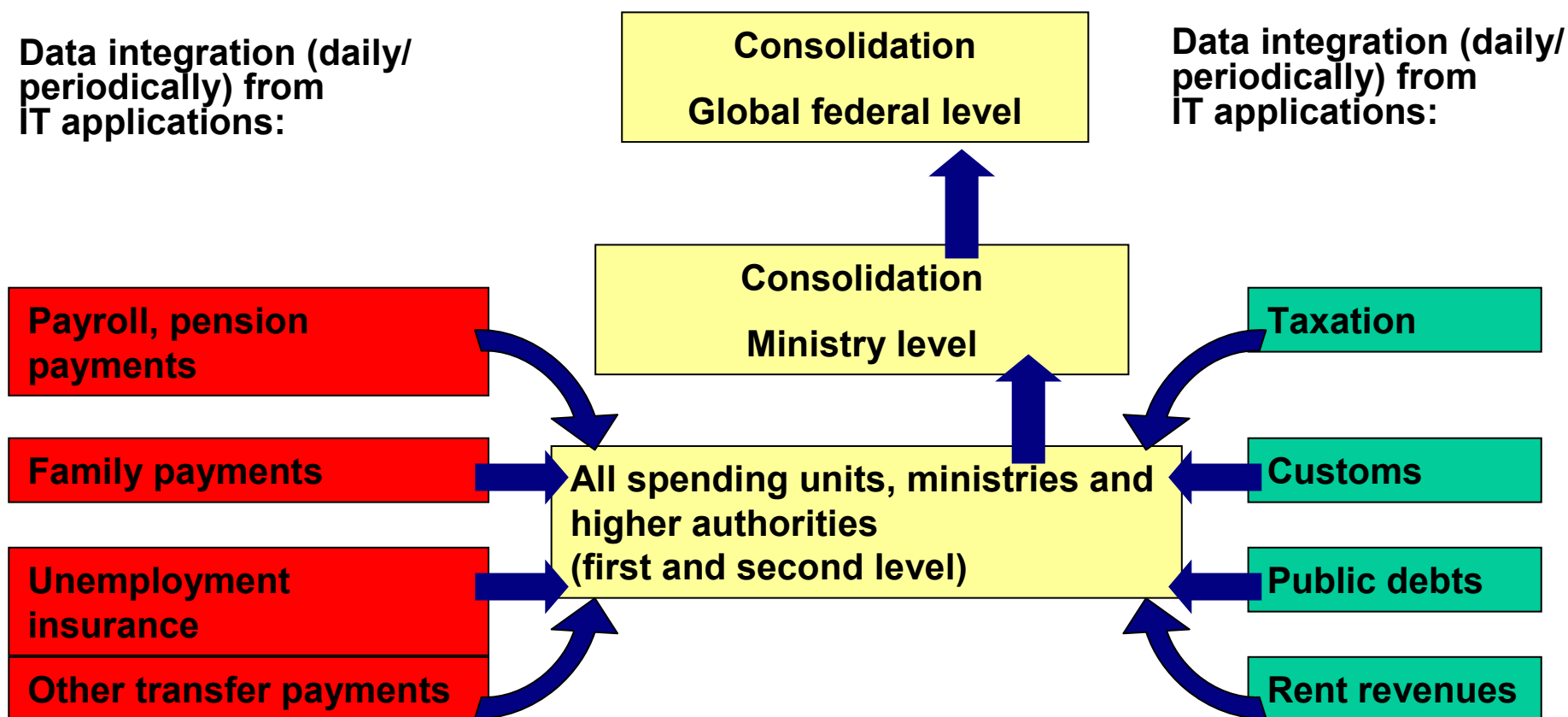
- Guaranteed continued existence of standardized budgeting and accounting system for the entire federal government
- Request functionality lacking in standard from SAP (if necessary) and not an alternative solution
- Redesign of all business processes in the budget administration
- A new design of the organizational and flow structure
- A basis for electronic commerce



IMPLEMENTATION MEASURES 3

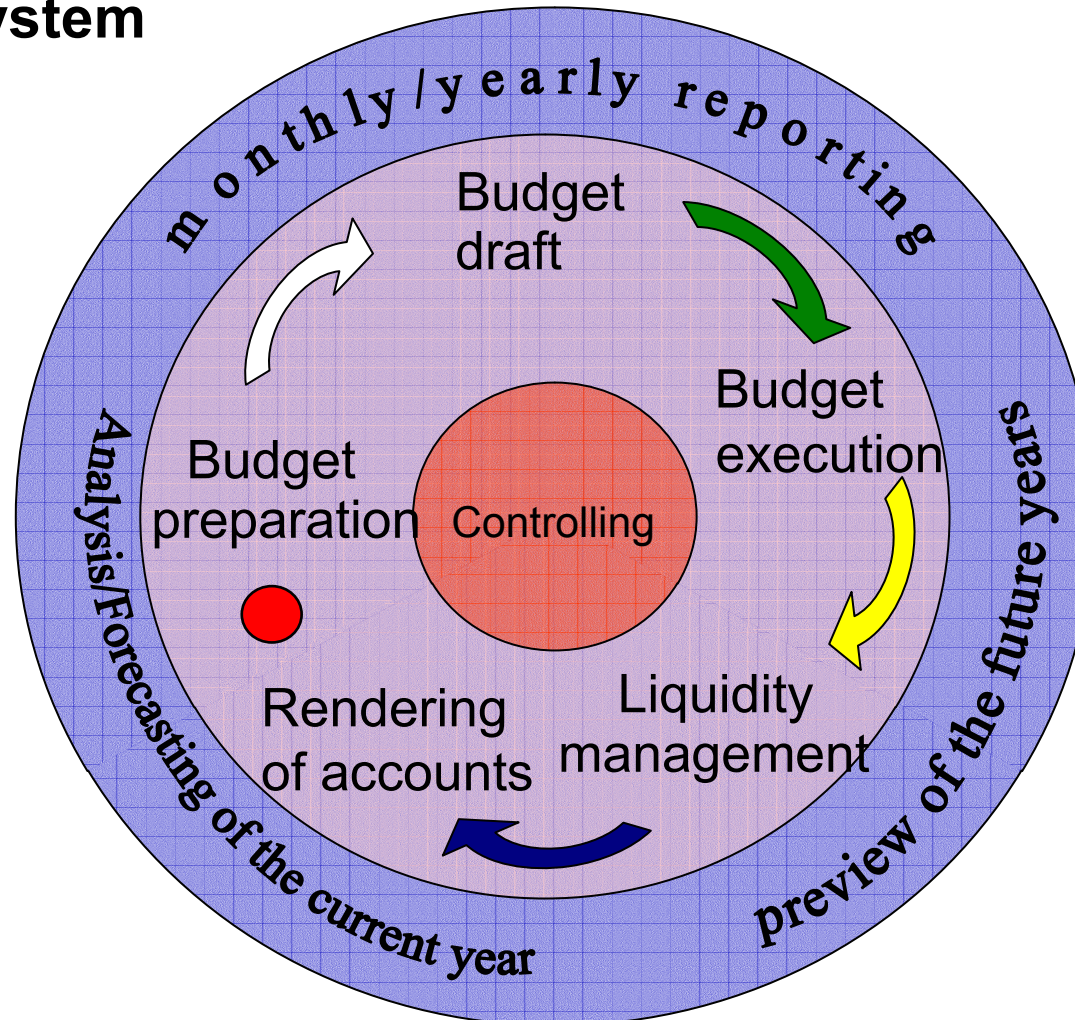


- **ONE information system for the day-to-day information requirements of the central agencies (esp. Ministry of Finance).**



IMPLEMENTATION MEASURES 4

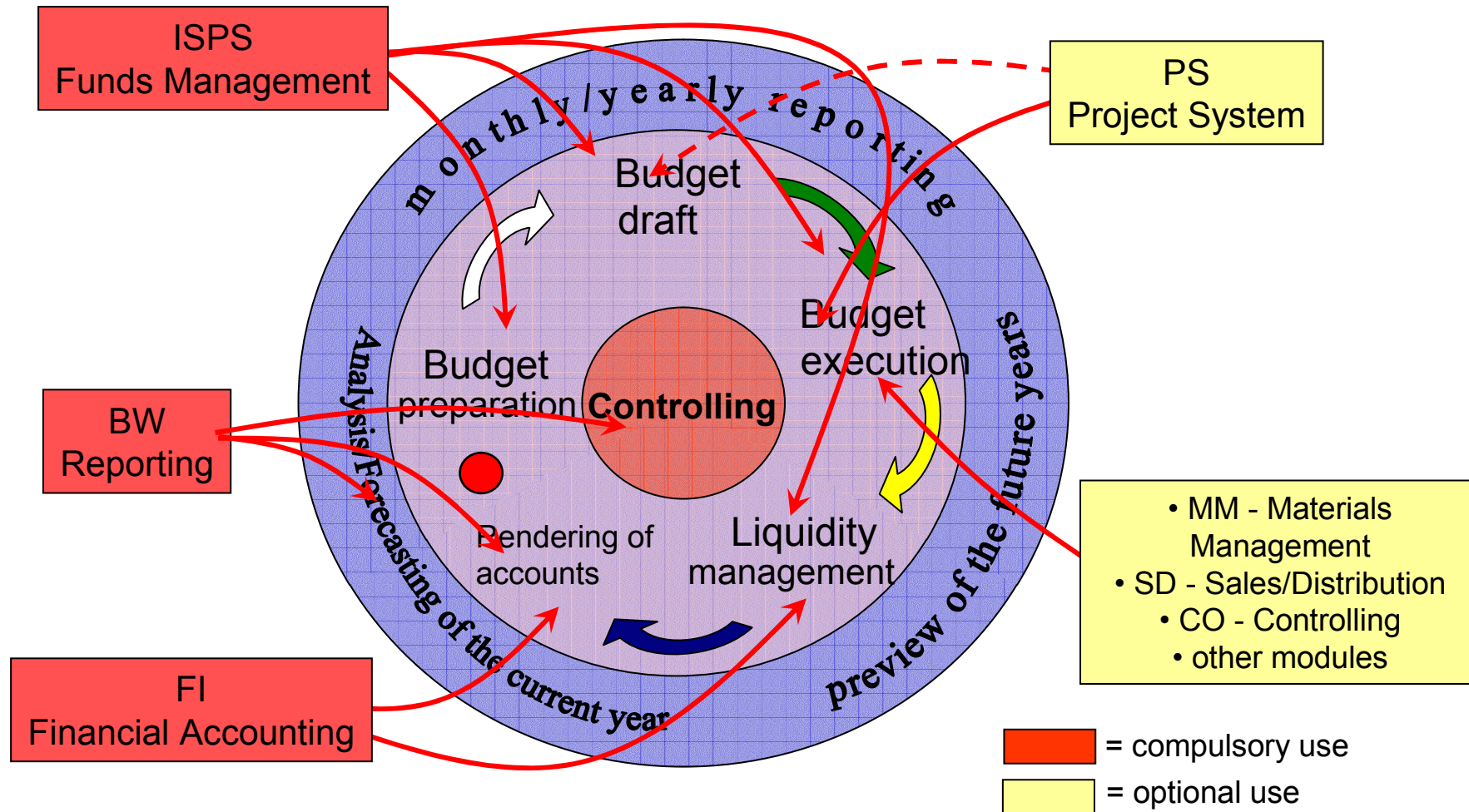
- Integration of all elements of the budget cycle into ONE system



USE OF FUNCTIONS/MODULES 1



- Premium contract allows the use of all SAP R/3 standard modules



USE OF FUNCTIONS/MODULES 2



● ROLLOUT WITH LIMITED USE

- To speed up the rollouts
- To reduce the period requiring parallel operation of the previous system (incl. data transfer old - new)
- Avoiding having to maintain changes in two systems over a prolonged period

● PLANNED MODULE - FULL RANGE OF FUNCTIONS

- Budget management (IS-PS)
- Financial accounting (FI-Financials)

● PLANNED MODULE - STANDARDIZED USE

- Controlling (CO)
- Materials Management (MM)
- Sales and Distribution (SD)
- Project System (PS)

USE OF FUNCTIONS/MODULES 3



- **MODULES CURRENTLY NOT PLANNED - LATER IMPLEMENTATION**
 - Asset Accounting (FI/AA)
 - Plant Maintenance (PM)
 - etc.

- **EXTENSION OF MODULE USAGE**
 - In a subsequent phase it is planned to apply the full functionality (keyword "full utilization") of remaining modules
 - in an overall use
 - for all authorities (including minor or subordinate authorities (third level))

GENERAL STRUCTURES 1



- **MULTI-LEVEL CONCEPTION**

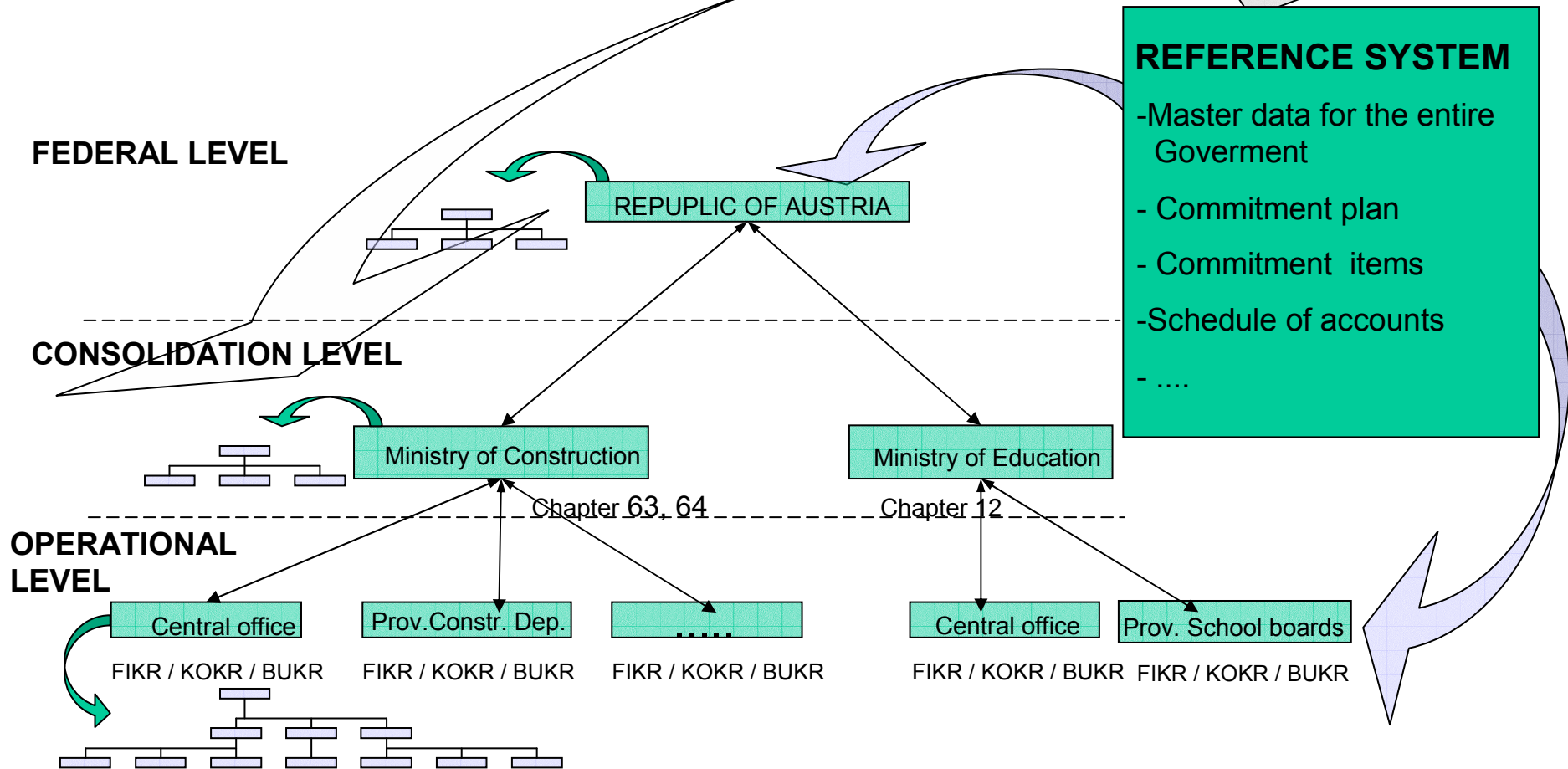
- Multiple SAP clients
- Reference system for default values
- Operational level with access to all data from each individual allocating agency
- Individual consolidation level(s) for fast access, not for general access

- **BUSINESS INFORMATION WAREHOUSE FOR**

- Reporting, analysis and controlling support



GENERAL STRUCTURES 2



BUDGET MANAGEMENT (IS-PS) 1



- **SAP ORGANIZATION - ELEMENTS IN HIERARCHICAL ORDER**
 - A client (MAND) for each Chapter in the ministries
 - A financial management area (FIKR) as reference for an allocating agency/spending unit (first and second level)
 - A cost controlling area (KOKR) for every spending unit, if necessary, more KOKR
 - A company code (BUKR) for every spending unit; if necessary, more BUKR

BUDGET MANAGEMENT (IS-PS) 2



● BASE DATA REQUIREMENT - THEMATIC

- To cover the budget structure
- SAP commitment items (FIPOS) as classification characteristic (appropriation accounts), for every fiscal year
Budget - for what ?
- SAP classification as supplemental characterization/representation option (national and international request, for example, EU payments, OECD classification, COFOG)
Budget - for what else ?
- SAP funds centers (FIST) for depicting the responsibility areas within an allocating agency (first and second level)
Budget - for whom ?



BUDGET MANAGEMENT (IS-PS) 3



● BUDGET DRAFTING/ MODIFICATION

- Support for budget drafting process at all levels
 - ◆ Allocating agencies (second level)
 - ◆ Ministries and consolidation level (first level)
 - ◆ Federal level (global level)
- Bottom-up drafting with top-down distribution
- Depiction of various budget drafts with version numbers

BUDGET MANAGEMENT (IS-PS) 4



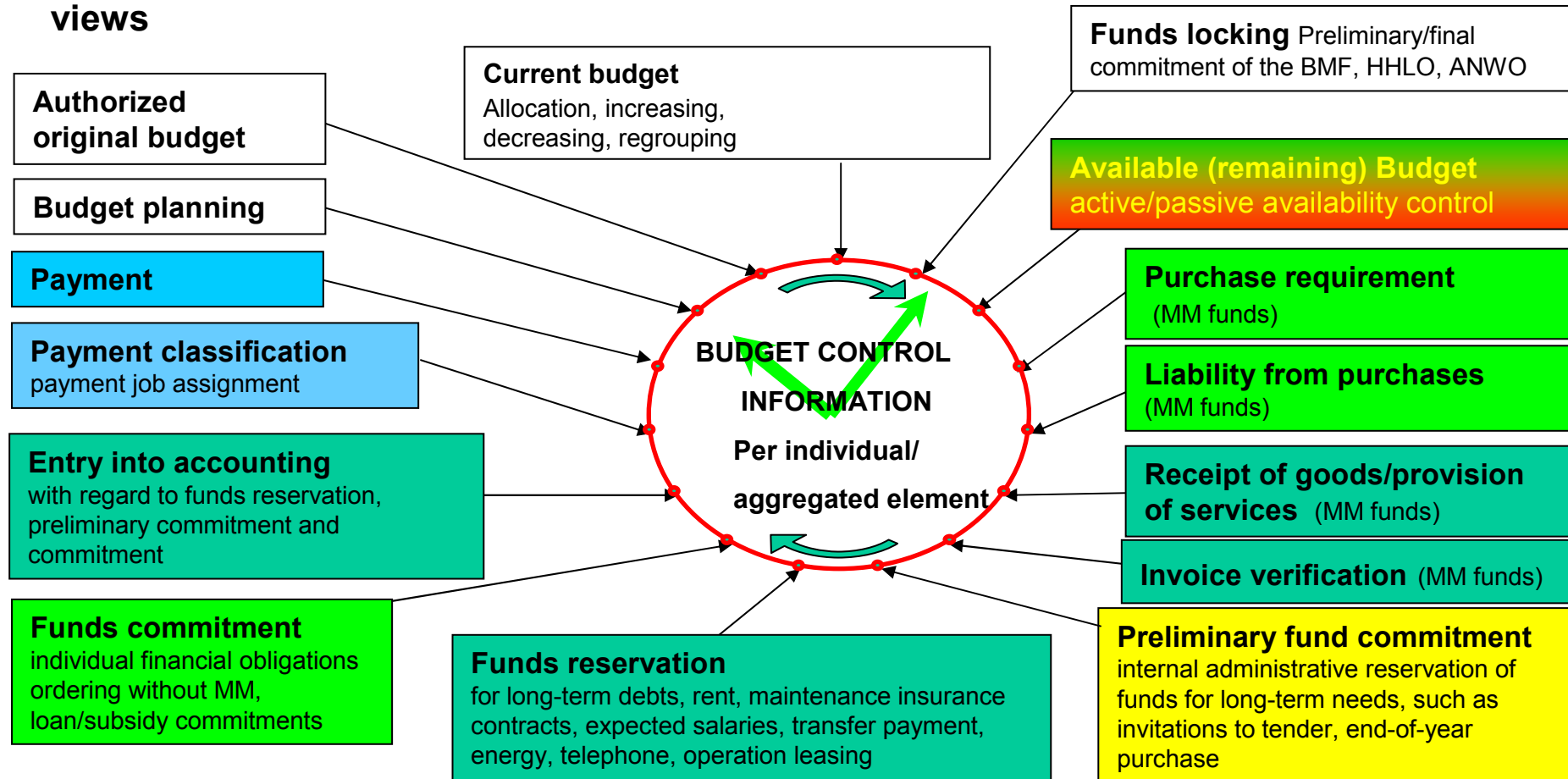
● BUDGET EXECUTION

- Support for all budget execution processes
- Booking should be a "waste product" of the business process
- Releasing/blocking the budget in sections
- Active and passive budget availability control
 - ◆ To prevent the budget to be exceeded
 - ◆ Integrated monetary transactions are available for cash management
 - ◆ Option to control budget at a higher hierarchical level or in budget object groups (cover pools)

BUDGET MANAGEMENT (IS-PS) 5



- **Documentation distinguishing between the actual volume and the outlook for budget execution (finance requirements), covering a view of value, and objective and temporal views**



FINANCIAL ACCOUNTING (FI)



- **GENERAL**

- Commercial bookkeeping
- Basis for calculation of balance, profit and loss
- Need for consolidation



- **BUSINESS PROCESSES**

- Simultaneous processes in budget management (double accounting in SAP)
- Purely commercial booking processes

- **OPEN ITEM ADMINISTRATION**

- Per customer/vendor and business process
- Monitoring of due debts and dunning

- **DOCUMENTATION OF FINANCIAL ASSETS (CASH, ...)**

PROCUREMENT (MM)



- **PROCUREMENT WITH THE USE OF BUDGET- AND MATERIAL- MANAGEMENT**
- **SUPPORT OF PROCUREMENT PROCESS (RATIO POTENTIAL)**
- **IMMEDIATE EFFECTS IN BUDGET MANAGEMENT FOR FURTHER DOCUMENTATION OF THE BUDGET EXECUTION (Phases)**
 - Purchase requisition
 - Purchase as liability
 - Goods receipts/provision of service
 - Invoice receipt
 - Payment as final statement
- **IMPLEMENTATION CONCEPT ACCORDING TO DEGREE OF COMPLEXITY**

CONTROLLING (CO)



- **CONTROLLING AREA (OPERATIONAL ACCOUNTING)**

- To cover administrative controlling requirements
- Replacement of the cost accounting process (overhead or full cost accounting procedures) in 30 authorities
- "Dummy" controlling area in all authorities for later implementation

- **IMPLEMENTATION CONCEPT ACCORDING TO DEGREE OF COMPLEXITY**

SALES/DISTRIBUTION (SD)



- **SUPPORT FOR SERVICE/SALES PROCESSES**
 - For agencies that receive payment for services
 - Support for tariff and price setting
 - Invoice/statement creation, booked as accounts receivable

- **IMPLEMENTATION CONCEPT ACCORDING TO DEGREE OF COMPLEXITY**



SCHEDULE



● PROJECT REALIZATION

- ◆ Project preparation1998
- ◆ Operational prototype, structuring the CCC.....1999
- ◆ Pilot rollout at one ministry in total
(Ministry of Health and Social Welfare).....2000
- ◆ Rollout started (two ministries).....2001
- ◆ Actual status of rollout
(8 ministries in production, 3 ministries in preparation).....2003
- ◆ Rollout ends2004

● CUSTOMER COMPETENCE CENTER

- ◆ Expansion of module use (particularly in
the area of logistics) in own projects.....starting 2004
- ◆ Integration of minor authorities/pay offices.....starting 2005

COMPARISON OF COSTS AND BENEFITS



● TIME OF REFLECTION 10 YEARS (1998 - 2007)

All amounts in millions	USD	Euro
◆ Costs of project and operation	49 - 61	57 - 71
◆ Value of benefit	320 - 346	372 - 402
◆ Net value	271 - 285	315 - 331



The connection between the payment-system and accounting

LIQUIDITY MANAGEMENT 1



- **PROJECT DEFINITION**

- Debt management (special IT application, developed in-house); the calculation of the risks is not part of this project, later implementation

- **SUPPORT FOR CASH MANAGEMENT**

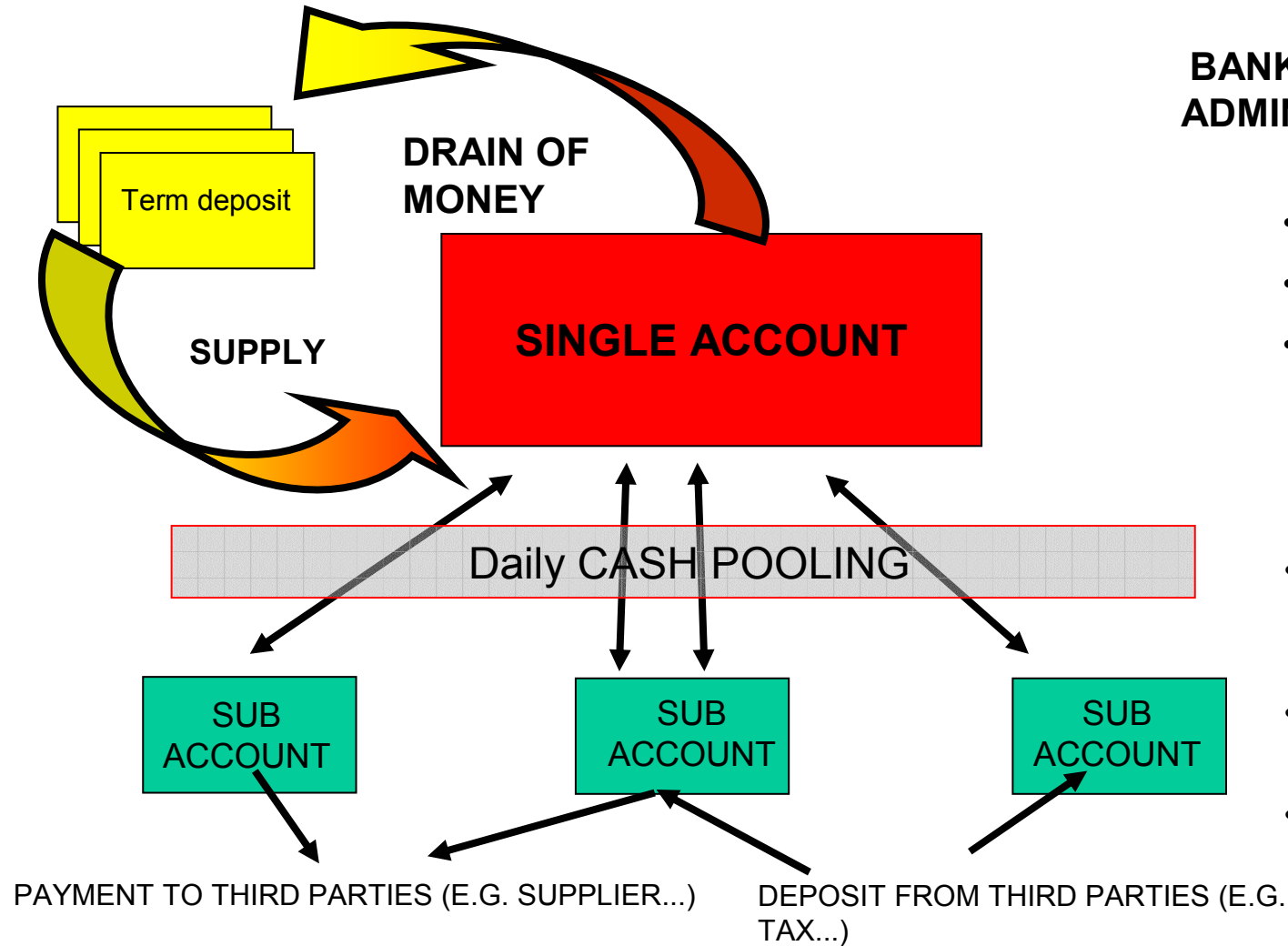
- It is an inseparable connection between the budget management, the monetary transactions and the administration of bank accounts (where are the liquid funds provided)

- **MONETARY TRANSACTION**

- ◆ Automatically (FI function)
 - through an automatic payment proposal
 - with setting the payment periods (twice a week)
- ◆ Processing all revenues/expenditures through the bank accounts of the accounts departments



LIQUIDITY MANAGEMENT 2



BANK ACCOUNT - ADMINISTRATION

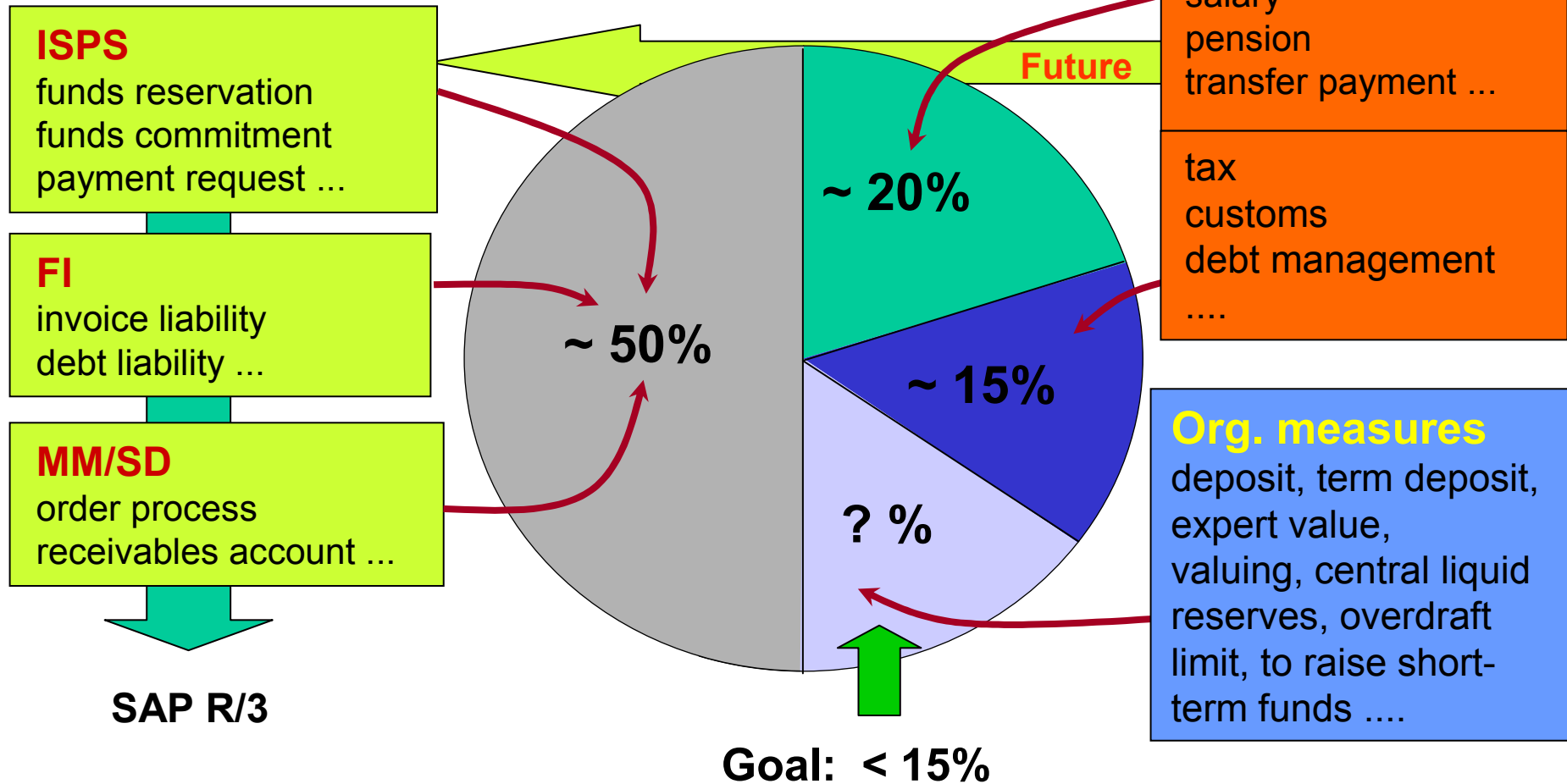
- CENTRAL ACCOUNT
- BMF- COMPETENCE
- CENTRAL DISPOSITION
- SETTLEMENT OF THE MONETARY TRANSACTION
- in COMPETENCE OF SPENDING UNITS
- ZERO BALANCED ACCOUNT (only arithmetical)

LIQUIDITY MANAGEMENT 3



Requirement for liquidity - data availability

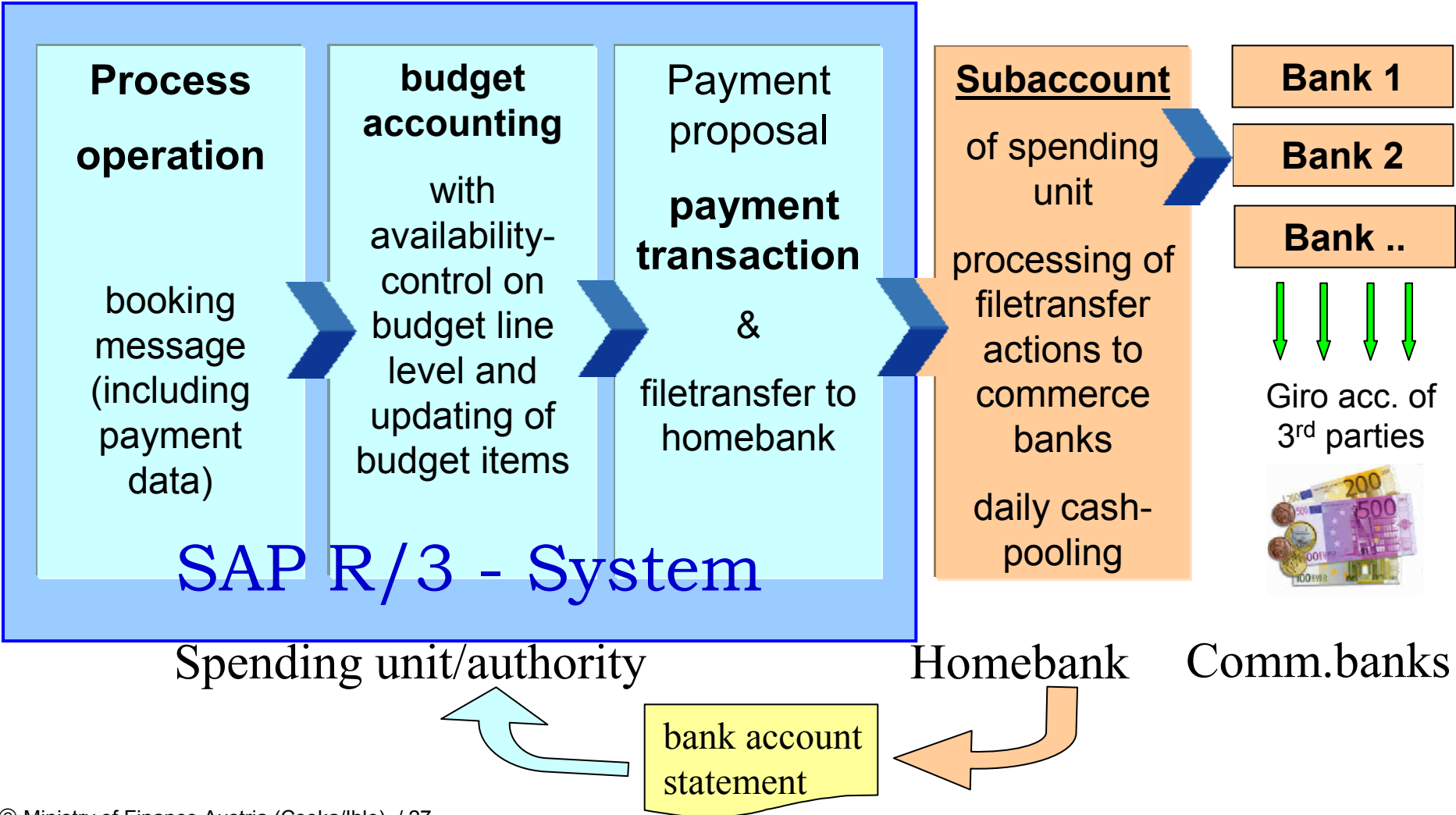
- expenditure of approx. **ATS 1 billion**



PROCESSFLOW OF EXPENDITURES



Budget execution-view ⇒ ⇒ ⇒ monetary/cash-view

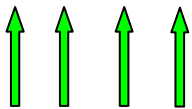


PROCESSFLOW OF REVENUES

monetary/cash - view ⇒ ⇒ ⇒ ⇒ Budget – view

- Bank 1
- Bank 2
- Bank ..

Giro acc.



3rd parties



Subaccount
of spending unit
daily cash-pooling to central account

Process operation
booking message

budget accounting
with updating of budget items

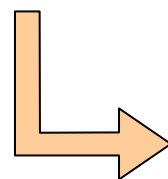
SAP R/3 - System



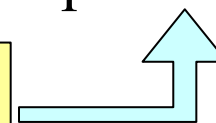
Comm.banks

Homebank

Spending unit/authority



bank account statement



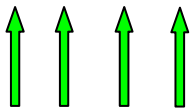
REVENUES OF TAX-PAYERS



monetary/cash - view ⇒ ⇒ ⇒ ⇒ Budget – view

- Bank 1
- Bank 2
- Bank ..

Giro acc.



Tax-Payer



Subaccount
of spending unit
daily cash-pooling to central account

TAX- Application

- processing the transaction on every taxpayer-account
- generating an aggregated booking message



File-transfer (GIP -general interface platform)

•Updates automaticly the budget items
SAP R/3 - System

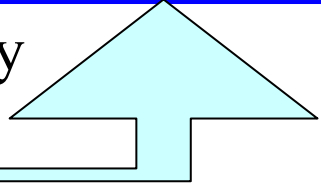
Summary booking of the bank account statement

Comm.banks

Homebank

Spending unit/authority

bank account statement



EXPENDITURES OF OTHER IT-APPL.



Budget execution-view ⇒ ⇒ ⇒ monetary/cash-view

