Introduction

School financial management comprises the planning and implementation of a financial plan, accounting, reporting and the protection of assets from loss, damage and fraud. Schools can regulate their financial management with internal rules. If the school does not have the internal rules, there is a risk that internal controls are not set. The school leader is accountable for setting the internal controls and internal auditing. The main products of financial management are the financial plan and the annual report. The reporting process is closely linked to the planning process, the definition of objectives and measuring.

Various forms of school leader training and the project of Financial Resource Management, which were both implemented within the framework of the Slovenian National School for Leadership in Education, have shown a distinctive need for individual solutions of problems in school leader accountability in financial management of an individual school. Two characteristics of financial management in schools can be pointed out. The first characteristic is that the accountability of school leaders in Slovenia is very high according to the Slovenian legislation, but school leader trainings have shown that school leaders have only become aware of this accountability. The second characteristic of financial management in Slovenia is that schools have no prepared rules for planning and reporting as required by the Slovenian legal provisions. The main reason for such a situation is the lack of school leaders’ knowledge in financial management. Therefore we have set out rules that define provisions of financial management of an individual school on the basis of experiences obtained in counselling talks with school leaders and the provisions of the Slovenian legislation.

1. Theoretical Starting Points of Accountability for School Financial Management

School financial management comprises the planning and implementation of a financial plan, accounting, reporting and the protection of assets from loss, damage and fraud. All items of financial management are exposed to the risk of incorrect, improper and ineffective school management, which is particularly reflected in the accounting control of an institution. Schools can regulate their accounting with at least two internal rules: accounting rules and instructions on inventory check. If the school does not have the abovementioned internal rules, there is a risk that internal controls are not set. And this means a great risk for incorrect and ineffective management as well as unintended use of public financial resources. The internal control system comprises a system of procedures and methods with the objective to assure compliance with the principles of legality, transparency, efficiency, effectiveness and management economy. Related to internal control, the internal auditing appears which provides autonomous assessment of financial management and control systems as well as counselling to the school leader on how to improve their efficiency.

If a school does not have the abovementioned rules or acts, there is a risk that internal controls are not set. And this means a great risk for incorrect and ineffective management as well as unintended use of public financial resources.
Beside this there is a risk for school leaders at Slovenian schools that they shall pay a financial penalty as a legal person who does not regulate the preparation of bookkeeping documents, the type of bookkeeping documents, the accountability for their preparation, the movement, control and the maintenance of bookkeeping documents in the accounting rules, who does not issue instructions for inventory check or does not regulate the duties and the organization of accounting and the accountability of responsible person in the rules shall be inflicted a penalty in the amount from Euro 417 to 25,000 pursuant to the provisions of the Accounting Act.

The following three subchapters will present theoretical starting points for planning, reporting, internal control and internal auditing in schools.

1.1. Planning

If the school has no financial plan, there is a risk that the funds for the action of the school are not properly planned and harmonized with the school’s work program. This means that the bases for preparing a financial plan and the intended use of funds according to individual programs in the financial plan or their explanations are not correspondingly shown. It is impossible to report on achieved objectives and results at the end of the year if there are no correspondingly adopted plans.

Slovenian regulations tentatively define the integral elements of the financial plan and they have to comply with the school’s work program. The school’s financial plan contains two parts, a general part and a specific part, as required by the Slovenian regulations. The general part is a compulsory element and it is composed of the same parts as the state budget: statement of revenue and expenses, statement of receivables and investments account and statement of financing account. Breakdown of revenue and expenses must comply with the uniform chart of accounts, and they are stated according to the cash flow principle. The key problem that schools have in the preparation of the financial plan is the statement of revenue and expenses on the basis of cash flow, as they actually have accrual based accounting. In respect thereof questions arise on how to show a balanced financial plan according to the cash flow when in the next year the school will finance certain expenditures from revenue in the past year. Such examples are school fees that were paid in the past year and the expenditure will incur in the upcoming year.

The financial plan has to comprise all planned revenue and expenditure of indirect users that will be paid to schools in the next calendar year (cash flow principle).

The financial plan has to show separately all revenue and expenditures that indirect users obtain or pay under the head of public service and under the head of selling goods or services on the market (market activity).

1 The developed countries go into reforms from traditional cash-based governmental accounting to full accrual based accounting (računovodstvo na podlagi nastanka poslovnega dogodka). Accrual accounting enables to develop the cost accounting for full cost calculating of services, measuring and evaluating of efficiency and effectiveness of programs and activities on different levels of government and governmental entities. On the basis of critical judgment of currently, content – inconsistent connection between two accounting basis in Slovenian governmental accounting (Cash basis for Cash flow Statement and accrual basis for Balance Sheet) many researches in Slovenia proposes, that Slovenia implements IFAC International Public Accounting Standards (IPSAS) as soon as possible.
The proposed financial plan shall contain:
1. The realization of revenue and expenditure for the past year as stated in the adopted annual report or the assessment of the realization of revenue and expenditure for the past year, if the annual report has not been adopted, yet;
2. The assessment of the realization of revenue and expenditure for the current year;
3. The revenue and expenditure plan for the next year.

The specific part of the school’s financial plan, which is regulated for larger and more complex schools, shall contain expenditures according to individual items, which are set up with regard to programs, subprograms, measures or actions implemented by the school. Practice has shown that the financial plan must contain the specific or the program part regardless of the school size otherwise it is impossible to assure the interconnection between the school’s work program and the financial plan. The Court of Audit can audit the management effectiveness only if financial plans are prepared on such basis.

The proposed financial plan is prepared by an accountant or the person who is responsible for accounting, and it is signed by the school leader who is accountable for the regularity of the financial plan by his/her signature. The financial plan is adopted by the school council.

The adopted financial plan for an individual year is the basis for assuming school’s obligations. The planned financial resources can be used only for the purposes provided for by the financial plan. The school leader is accountable for the regularity, entitlement and the intended purpose of used funds and full collection of revenues.

1.2. Reporting

The school has to report on its work and action to the management or supervising authority, fund provider, founder and other interest groups. Reporting can be divided to annual reporting, as required also by the Slovenian legislation, and other types of reporting. We will focus on the annual report. Schools prepare annual reports for the financial year equal to the calendar year. Schools prepare annual reports exceptionally also during the year in case of status changes, closure and other cases.

The annual report is the school’s act. It is the annual presentation of achievements of school management and its management. The annual report is the report for the public and also for the internal school participants on the accomplishments in the past year. We report on effectiveness and efficiency of the organization as a whole, on individual activities/programs and we can also report on individuals. The reporting process is closely linked to the planning process, the definition of objectives and measuring.

The school annual report reflects the realization of our plan that we had foreseen for the following year (work program), thus the fulfilment or non-fulfilment of the set objectives that derive from school’s long-term orientation. Reports have to explain the established facts, especially non-fulfilled objectives and tasks. The Slovenian legislation regulates the elements of the annual report but not its deeper contents.

If we take the example of the Slovenian legislation, the annual report is composed of:

a) Accounting report, which is composed of:
   - Financial statements (balance sheet, statement of revenue and expenses), and
   - Notes to financial statements;
b) Financial report:
The accounting report is prepared by an accountant or the person responsible for school’s accounting, and the financial report is prepared by the school leader.

- **Accounting Report**

Financial statements have to show a true and fair view of the balance of assets and liabilities, revenue and expenses as well as gain or loss. The objective of financial statements is to give information on the financial situation, effectiveness and changes of the financial position of a legal person, which are useful in economic decision-making for a wide range of users.

A balance sheet is the financial statement, which contains information on the assets and liabilities of the user of the uniform chart of accounts at the end of the accounting period. A statement of revenue and expenses is the financial statement, which contains information on the revenue and expenses that the user of the uniform chart of accounts achieved in the accounting period. The balance sheet and the statement refer to filling in the forms defined in advance, while notes to items refer to the explanation of individual accounting items in both statements. Financial statements contain data of the current accounting period and the past accounting period.

- **Notes to Financial Statements**

Notes to statements are supplementary financial statements or tables, enclosed as appendices to balance sheet or statement of revenue and expenses, which additionally breakdown or explain specific types of information on assets, liabilities, revenue and expenditure stated in the balance sheet or the statement of revenue and expenses and other accounting information.

Schools also provide written accounting information or written disclosures within the framework of notes and they refer to the disclosure of data stated in the balance sheet, the statement of revenue and expenses and appendices to the statements.

According to the rules on annual reports, the compulsory appendices to balance sheet are:
- Table entitled Situation and changes in intangible fixed assets and tangible fixed assets,
- Table entitled Situation and changes in long-term equity capital investments and loans.

Both tables are regulated explanations of values to balance sheet, and besides these two the school also states short written disclosures, which include information on the applied methods for determining the value of individual items in the balance sheet, additional breakdowns of individual items in the balance sheet and similar.

Statement of revenue and expenses according to the type of activities is an appendix to the statement of revenue and expenses. In this statement the school separately presents revenue and expenses for performing public service and revenue and expenses from the sale of goods and services on the market, broken down according to the type of revenues and expenses (type of activity).

A special type of regulated explanations of values are the so-called record (additional) statements:
- Statement of revenue and expenses of defined users according to the cash flow principle,
Written notes to financial statements include the following information:
- Criteria if they were used for delimitation of revenue and expenses to the public service activity and the activity of the sale of goods and services on the market,
- Purposes for which long-term provisions were formed, and the formation and usage of long-term provisions according to purposes,
- Reasons for stating an excess of expenses over revenue in balance sheet and statement of revenue and expenses,
- Method used for the valuation of inventories of finished products and work-in-progress,
- Data on unpaid receivables and the measures for their payment or the reasons for not paying them,
- Data on liabilities that are due by the end of the financial year and the reasons for not paying them,
- Sources of funds used for investments in tangible fixed assets, intangible fixed assets and long-term investments (equity capital investments and loans),
- Free cash flow investments,
- Reasons for important changes in fixed assets,
- Types of items that are included in the amount stated in off-balance-sheet accounts records,
- Data on important tangible fixed assets and intangible fixed assets that are already fully written off but are still used for performing the activity, and
- Other matters that are important for a complete presentation of operations and assets of the users of the uniform chart of accounts.

- Financial Report

Accounting categories from the accounting report in the financial part are linked to the performance of school tasks. The financial report comprises:
- a general part, which contains the presentation of school, its management and important authorities, the presentation of school activities, significances, advantages and weaknesses in comparison with the branch;
- a specific part is regulated by an instruction and has to contain all prescribed items, and
- a conclusion.

Rules by chapters do not define accurately the contents and the form of the financial report. A few guidelines are mentioned further on.

As required by the Slovenian legislation, the school leader has to produce the proposed annual report to the school council no later than two months after the end of the financial year. The school has to produce the annual report to the organization authorized for processing and publishing information (Agencija za javnopraevne evidence in storitev – AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services)), till the 28th of February of the current year at the latest for the past year.

1.3. Internal Control and Internal Auditing

Internal control and internal monitoring are integral parts of internal school monitoring. Internal monitoring supervises the school financial management system, which comprises the
setting up and implementation of planning, financial plans, accounting and reporting in order to achieve the set objectives and to assure the protection of assets from loss, damage and fraud.

The internal control system comprises a system of procedures and methods with the objective to assure compliance with the principles of legality, transparency, efficiency, effectiveness and economy. The accounting control of data verifies the regularity of accounting data and the correction of found irregularities as well as the inventory of assets and liabilities. This means monitoring of bookkeeping documents, keeping subsidiary book of account, analytical records and general ledgers as well as the transmission of accounting data to outside users.

Internal auditing provides autonomous assessment of financial management and control systems as well as counselling to the school leader on how to improve their efficiency. In contrast to internal auditing, controlling is mainly a preventive control based on professional simultaneous (parallel) establishing of facts by persons accountable for the management. The school leader is usually accountable for setting the internal controls.

Internal audits of accounting are therefore subsequent assessment of regularity of accounting control system of data, the reliability of its operation and the manner of preparing accounting reports, especially financial statements.

Internal audits of accounting also verify and assess computer programs, especially the functioning of built-in controls as well as the protection against unauthorized interference in computer data.

The institute leader shall require from assistant headmaster or any other person accountable at school to set up such an internal control system, which will provide a transparent institute management, compliance with legality and regular operation and which will assure effective, efficient and economical management. It is significant thereby that the internal control is implemented by another person who is not the school leader as school leaders should not monitor themselves. Computerized accounting data have an important part of control built-in the applied computer programs. Additional internal monitoring of school management is provided by internal auditing.

Each employee at school is accountable for their areas of work in accordance with the definitions in employment agreements or the act on the classification of assignments and duties and in compliance with these rules. Accounting control system also monitors the accountability of persons responsible for assets, protection of assets from theft, loss, inefficient use, the accountability for liabilities, cost and revenue.

In the context of accounting, internal monitoring is provided for in compliance with the internal rules and built-in internal accounting controls. The objective of accounting control is to obtain reliable statements of account and budgets, which are parts of the financial plan and the annual report.

2. Research and Results

The purpose of the project that was implemented within the framework of the Slovenian National School for Leadership in Education was to set up a system of advising school leaders in Slovenia as assistance in their professional development and accountability in financial
resource management. Various forms of school leader training within the framework of the Slovenian National School for Leadership in Education have shown a distinctive need for individual solutions of certain problems in school leader accountability in financial management in a specific environment of an individual school. The purpose of the project was to link theoretical starting points on school leadership and practical solutions in financial resource management for schools. Counselling was based on the comprehensive assessment of methods of counselling talks with school leaders and financial resource management. Thereby theoretical grounds of financial management in education were applied to actual environment of an individual school.

The expected results of the project were:
- Developing instruments for the assessment of school leadership in financial resource management;
- Making a test assessment of school management in financial resource management;
- Identifying key areas of improvement;
- Issuing a publication and rules\(^2\) for financial resource management with examples of good practice as an assistance for school leaders;
- Preparation of recommendations for school founders and the Ministry of Education and Sport for financial resource management in schools.

School management can define rules for the manner of work, procedures and accountabilities in important areas of financial management with internal rules, instructions, guidelines, authorizations or other written documents. Only written rules on financial management can have binding force in accordance with the legislation. The efficiency of control measures can be established only if the implementation can be supervised. Therefore control tasks must be recorded in documents. If school management is not regulated by internal rules, this means a greater risk of incorrect and ineffective management, non-attainment of school objectives, ineffective use of resources, damage to assets as well as incorrect and unreliable information and data. On the basis of trainings and counselling talks we have therefore prepared guidelines for the preparation of financial plans, annual reports, accounting rules, which also define accounting supervision, and other rules that are important for regulated school financial management.

2.1. Guidelines for the Preparation of Financial Plan

The school leader is accountable for the contents of the financial plan. Guidelines for the elements of the annual report, as derived from legal provisions, practice and information from counselling talks with school leaders are:

FINANCIAL PLAN OF X SCHOOL

A. CONTENTS ELEMENT
1. MISSION AND VISION
2. PRESENTATION OF THE INSTITUTION
   - Information about the education sector: types and number of programs that are implemented for the youth, the number of students and »graduates«, other programs that are

\(^2\) More about the main elements of accounting rules in Appendix no. 1.
implemented (adults, unemployed persons...), the number of all employees (specialized staff members and others);
- Information about development activity;
- Description of the organization of the institution;
- Description of the environment in which the institution operates: definition of social and economic environments in which the institution operates at »regional«, state and international levels, and advantages (possibilities of developing) and limitations of the institution that derive from the environment;
- Other.
3. GUIDELINES AND OBJECTIVES OF THE INSTITUTION
3.1. Long-term objectives of the action of the institution and expected results (for 5 years)
3.2. Short-term objectives of the action of the institution and expected results (for one year in advance)
4. EXECUTIVE TASKS IN THE CURRENT YEAR
This chapter states the implementation of individual tasks, and also the approximate amount of funds required for the implementation of each task and how these funds were calculated, measures and activities for attaining the objectives. With examples we show how we will improve individual activities, how we will measure them, what the expected changes are, what we will do if we do not obtain the result...):
4.1. Education sector (secondary and post-secondary vocational education and the activity of residence halls for students)
4.1.1. Implementation of youth education
Example:
Short-term priority objective 1: improvement of the educational process
Executive task 1: preparation of program executive part (open curriculum)
Expected result 1: program implementation according to the new guidelines
Expected change: greater scope of work study
4.1.2. Implementation of adult education (non-regular education), improvement programs and non-formal learning programs
4.1.3. Plan of entrances in the first year in the next school/study year (for youth and adults)
4.2. Development activity of the institution
4.2.1. Integration in the Slovenian space (seminars, conferences, exchange of teachers, school consortium...)
4.2.2. Cooperation with local, regional environment (cooperation with enterprises)
4.2.3. International activity
4.2.4. Development of new programs
4.2.5. Increase of quality
4.2.6. Other development tasks
4.3. Children leisure activities
4.4. Institution market activities
4.5. Investments and extraordinary maintenance (equipment, maintenance, value)
5. STAFF
5.1. Staff policy
5.2. Staff plan
5.3. Staff development
6. OTHER
B. GENERAL PART: Budget financial statements
We show revenue and other income, expenditure and other expenses according to the economic classification considering a uniform chart of accounts – it is a statement of revenue and expenses according to the cash flow principle
• Indirect users must prepare their own financial plan considering financial statements for the preparation of annual reports. Comparison with the previous year, explanations of large deviations

C. SPECIFIC PART
Contains:
- Cash flow plan by months (the purpose is to provide cash flow management and liquidity)
- Expenditure plan for a specific (educational) program (the objective is to obtain the realized price per child/student for a certain educational program at a concrete school, preparation for at least 2 to 3 programs)
- Plan for the purchase of equipment in the current year (financed by other resources than the Ministry funds)
- Plan of investment in space
- Other

2.2. Guidelines for the Preparation of Annual Reports

The school leader and the person responsible for school accounting are accountable for the contents of the annual report. Guidelines for the elements of the annual report arising from legal provisions, practices and information from counselling talks with school leaders are:

ANNUAL REPORT OF X SCHOOL

1. ACCOUNTING REPORT
1.1. Balance sheet
1.2. Statement of revenue and expenses
1.3. Explanations
   - Situation and changes of intangible fixed assets and tangible fixed assets
   - Situation and changes of equity capital investments and loans
   - Revenue and expenditure account according to the type of activities
   - Revenue and expenditure account according to cash flow principle
   - Statement of receivables and investments account
   - Statement of financing account
   - Written disclosures

2. FINANCIAL REPORT:
2.1. General part:
   - Presentation
   - Short description of development
   - Presentation of the management
   - Presentation of important authorities
   - Short review of activities
   - Short description of economic, monetary, fiscal and other influences

2. 2. Specific part:
• Information reports on the implementation of programs, activities, projects
• Report on attained objectives and results
   - Legal bases that explain the scope of indirect users
   - Long-term objectives
   - Annual objectives
- Assessment of success in attaining the set objectives with indicators according to activities
- Occurrence of eventual impermissible and unexpected consequences in program implementation
- Assessment of success in attaining the set objectives in comparison with the achieved objectives
- Assessment of economy and efficiency of management
- Assessment of internal financial monitoring system functioning
- Explanations according to sections in which the set objectives were not attained and why
- Assessment of management effects on economy, social condition, environmental protection, regional development, etc.
- Other explanations that contain staffing and investment analyses

3. GENERAL PART:
   • Date of adopting the annual report by the relevant authority
   • Date and place of annual report
   • Signatures of persons accountable for the preparation of the annual report

2.2.1. Recommendations for Written Disclosures in the Accounting Report

The contents of written disclosures are explained below:

1. Criteria if they were used for delimitation of revenue and expenses to the public service activity and the activity of the sale of goods and services on the market. For example, revenue should be stated on the accrual basis; however only direct cost not general cost is stated on the accrual basis. Criteria should be used for general costs therefore the type of criteria and the manner of use should be disclosed;

2. Purposes for which long-term provisions were formed, and the formation and usage of long-term provisions. The latter are valid for schools that finance public service from private sources and sale on the market as a rule. We should disclose the purpose and the source of formed long-term provisions or how the existent provisions were used;

3. Reasons for stating an excess of expenses over revenue in balance sheet and statement of revenue and expenses. Causes should be enumerated; the causes can be for example insufficient funds of the founder, unforeseen costs of the public service or market activity;

4. Methods used for the valuation of inventories of finished products and work-in-progress. For example lower inventories of finished goods depend on the method for inventory decrease that was adopted and written in the internal rules (accounting rules). The methods can be continued or weighted average methods, the fifo method. The application of the abovementioned methods has influence on the valuation of units that remain in inventories;

5. Data on unpaid receivables and the measures for their payment or the reasons for not paying them. Original receivables can be subsequently reduced by valuation adjustments, if it is reasonably expected that they will not be settled by their due date or in their full amount. The revaluation of receivables from operations due to their impairment means the formation of valuation adjustments and receivable write-offs. The necessary receivable write-offs must be justified by relevant documents. Valuation adjustments are formed in percent to total receivables, a group of receivables or an individual receivable. At the end of the financial year the receivables balance should be broken down and disclosed as receivables from the founder (value) that refer to the financial year, and the expected payment date, and other receivables that are already due but not settled yet (reasons for them, measures);
6. Data on liabilities that are due by the end of the financial year and the reasons for not paying them. There can be various reasons for not paying already due liabilities: difficulties with liquidity, inadequate payment terms … It is appropriate to disclose liabilities to the founder and other liabilities that refer to business relationships with customers and other budgetary users;

7. Sources of funds used for investments in tangible fixed assets, intangible fixed assets and long-term investments. Sources that should be stated can be budget funds, donations of legal and natural persons, an excess of revenue over expenses, depreciation funds, financial leasing, raised loans and similar. Purposes or the types of investment can be: the purchase and renovation of equipment and buildings, land purchase, purchase of intangible fixed assets, investments by types, locations and other;

8. Free cash flow investments. These are non-budgetary sources, for example school fees, sources from researches and similar; it should be stated where free cash flow investments were made, under what conditions and for how long;

9. Reasons for important changes in fixed assets. They should be explained in connection with investments under Item 7;

10. Types of items that are included in the amount stated in off-balance-sheet accounts. It should be explained which these items are, the purpose, scope and causes for off-balance-sheet records. Data are shown in the off-balance-sheet records if they state events that currently have no influence on items in the balance sheet or the statement of revenue and expenses; however they are important for the assessment of used foreign assistance funds, for eventual future liabilities, business processes controlling and for informing. These also comprise events stated in off-balance-sheet records, which at the accrual cannot have the nature of balance sheet items that would have influence on assets, liabilities, revenue and expenses;

11. Data on important tangible fixed assets and intangible fixed assets that are already fully written off but are still used for performing the activity. The type or list of important equipment that is still used despite being written off should be stated, the reasons for using these assets, their share in the total equipment and similar;

12. Other written disclosures that are important for a complete presentation of operations and assets. For example the presentation of the module of evaluation of items in financial statements, writing off of intangible fixed assets and tangible fixed assets and other.

2.2.2. Recommendations for the Contents of the Financial Report

As the contents of individual elements in the school financial report are usually not defined in detail by the rules, they are described in detail below resulting from the practice and the information from counselling talks with school leaders.

The general part of the financial report is usually the same every year, however, not the same persons read annual reports every year and therefore it is important to present the school as well as the authorities in the annual report and thus the report can be better every year. It is recommended to state short school name, its headquarters, telephone and fax numbers, internet address, etc.

The contents should be presented in concise form, for ex. the year of institute foundation, the founders, institute activity and the role of the institute in the environment in which it operates. The institute presentation should certainly contain also the most resounding achievements that children, pupils or students and employees attained in the past calendar year. Accountable persons and the members of authorities (institute council) should also be stated. Only the
number of representatives for ex. students should be written, but not persons who need parental consent. The institute activity should be described in detail, and all activities that the institute implements should be stated as well as those that are not funded from the budgetary resources. We must be aware of the fact that also the revenue that was obtained from the budget and on the market will be shown in the accounting report.

Kindergartens and schools must observe market behaviour more and more, ensure the development of the institute and the employees and thus adapt to the new situation that is brought by the legislation, economic and political circumstances. Therefore the report should show to the reader of our annual report the advantages and important matters as well as shortcomings and weaknesses of individual factors (the influence of labour legislation, the influence of the 9-year primary school on the program implementation: the premises, educational faculty…). If the general part presents the institute financial management (in tables with explanations), the specific part of the financial report can state only findings or performance indicators. The general part can be concluded by stating the cooperation of our institute with the environment in which it operates.

The specific part of the financial report should contain the achieved objectives and results; the Slovenian legislation regulates these elements. Beside the mandatory elements we should also present the extent to which we have realized the set objectives, what still has to be done in order to fulfil the objectives and similar.

Legal and other bases that explain the school scope are: Institutes Act, Education and Schooling Financing Act, other acts as for example: Primary School Act; Secondary School Act …, Employment Relationship Act, Civil Servants Act, Accountancy Act, other regulation acts, such as for ex.: Regulations on the Methodology for the Program Pricing in Kindergartens that Perform Public Service, Rules on Criteria and Minimum Technical Conditions for Kindergarten Premises and Equipment; Regulations on School Calendar for Elementary Schools, Regulations on the Field of Study of Professional Workers in Nine-year Elementary School, Rules on Standards and Criteria as well as the Elements for Position Classification Underpinning Organisation and Budgetary Financing of 9-year Elementary School; Rules on Residence in Secondary School Student Dormitories; Regulations on Enrolment in Secondary School, Vocational, Secondary and Technical Schools, Rules on the Secondary School Graduation, Regulations on Examination and Assessment of Knowledge in Secondary School… and internal rules: institute statute, accounting rules and others.

More and more schools have established missions and visions, which represent their long-term operating policy. It is recommendable that all objectives set in the long-term follow the institute mission and vision: for ex. stimulation of good relationship between pupils, teachers and parents, becoming a healthy school, providing adequate spatial conditions for pupils and teachers … If there are several activities implemented, each institute activity should have its own defined policy.

Annual objectives derive from the long-term policy, but they refer to one year. They are especially the basis for the numerical, graphical presentation of the realization of the objectives set in the past (for ex. organizing a lecture for parents and pupils on the development of positive self-image, organizing a non-smoking campaign for the fifth-grade pupils, school renovation …).
In the assessment of success in attaining the set objectives we show our success with numbers, quantities, graphs… The assessment should be as precise as possible. The success of objectives can also be shown with indicators, if possible (the planned and the actually achieved revenue). The attainment or non-attainment of non-measurable objectives should be described.

In case of occurrence of eventual impermissible and unexpected consequences in program implementation, we should find out if there are any factors that have influence on the implementation of our program. These factors can be positive and negative but they need not always have a non-beneficial effect on our performance, operation, or influence on our profit or loss. We could state as examples the effects of the new labour legislation, Public Servants Act or Public Sector Wage System Act, which is before the entry into force. The provisions of the abovementioned acts can have effect on the regulation of labour relations, which have no effect on our eventual non-performance as it was already mentioned before.

The assessment of success in attaining the set objectives in comparison with the achieved objectives from the report of the past year or several past years relates closely with this item where various indicators show the institute performance. In any case, in this item we must focus only on those objectives that repeat every year and can thus be compared. The comparison of these data can be most easily shown in graphs.

In the assessment of economy and efficiency of management we focus on the criteria and standards that are valid for kindergartens, elementary and secondary schools. With indicators we can calculate the economy, operational efficiency, profitability, etc. The ratio between revenue and expenses is the indicator on the basis of which we can assess our economy. The ratio of the excess of revenue over expenses and owned funds or funds in trust, the established profit or loss and long-term provisions, enables profitability assessment.

The assessment of internal financial monitoring system functioning presents our regularity to the reader of the annual report. The internal financial monitoring system comprises the adopted and current rules that regulate financial management (accounting rules, rules on small-value public contract, rules on salaries and wages or »undertakings« collective contract). This item includes the rules on internal monitoring of invoice payment, etc. Only large institutes have to organize internal audit in compliance with the Public Finance Act.

In sections in which the set objectives were not attained, we must analyse the causes for not attaining the objectives and the eventual effect or consequences.

Cooperation and the effects of cooperation on the external environment are gaining higher and higher importance in the field of public institute action. Each institute is not founded for making profit, but with the aim to perform activities for different interest groups in the environment in which it operates, therefore the relationship to this environment and contributions in it are so important. The cooperation between schools in the region and perhaps outside the national border is an important contribution to the integration with institutes in the regional or even international environments. Various campaigns such as »Let’s clean our environment«, eco school, collecting old paper, are also the ways to make children and youth aware of environmental protection.

Only motivated institute staff can help realize the set long-term and short-term objectives. Therefore also this sector requires a special attention. The staff structure should be indicated.
by description and numbers, by education, by titles, etc. We can also indicate the number of promotions in the past year, educations and concluded educations in acquiring state recognized educational qualifications, function specific trainings, eventual retirements, technological surplus, redundant labour, etc.

The conclusion of the financial report must contain the date of adopting the annual report by the relevant authority (Institution Council), date and place of annual report and the signatures of persons accountable for the preparation of the annual report.

2.3. Guidelines for Internal Control and Internal Auditing

Internal control and internal auditing are the least developed sections in school financial management. The main internal control weakness is that it is usually performed by the accountant, who also prepares statements of account and budget, and in the case of Slovenia the biggest problem in internal auditing is that the state does not provide financial resources, and therefore only those schools that obtain more financial resources from performing activities on the market can afford to conduct this activity. Notwithstanding, the rules for performing internal control can be set in the internal rules such as for example accounting rules and rules on inventory check. The internal rules should define at least the sections of internal control, time-frames and accountabilities.

Further on we mention a practical case of employees at school who are accountable for the preparation of bookkeeping documents, which are the basis for booking in books of account, and for their timely and correct issuing:

<table>
<thead>
<tr>
<th>Position number</th>
<th>Type of document</th>
<th>Person responsible for preparation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Pro forma invoice or invoice for services</td>
<td>accountant</td>
</tr>
<tr>
<td>2.</td>
<td>Pro forma invoice or invoice for the sale of material, fixed assets, etc.</td>
<td>accountant</td>
</tr>
<tr>
<td>3.</td>
<td>Account of default interest, claims, costs of reprimands</td>
<td>accountant</td>
</tr>
<tr>
<td>4.</td>
<td>Cash book (expenditure, receipt)</td>
<td>secretary</td>
</tr>
<tr>
<td>5.</td>
<td>Account of salaries /copyright contracts / employment contracts</td>
<td>accountant</td>
</tr>
<tr>
<td>6.</td>
<td>Depreciation account</td>
<td>accountant</td>
</tr>
<tr>
<td>7.</td>
<td>Contracts on deposits</td>
<td>accountant</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

For an example of bookkeeping document control we state the definitions of employees and bookkeeping documents that are the basis for accruals or their consequences are material financial liabilities of the institute, and bookkeeping documents, which are the basis for booking:

<table>
<thead>
<tr>
<th>Pos. number</th>
<th>Bookkeeping document</th>
<th>Person authorized for controlling bookkeeping documents - position:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Received invoices and pro forma</td>
<td>assistant headmaster, secretary</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>invoices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Loan contracts, deposits</td>
<td>assistant headmaster</td>
<td></td>
</tr>
<tr>
<td>3. Regular and default interest account</td>
<td>assistant headmaster</td>
<td></td>
</tr>
<tr>
<td>4. Daily extracts of balance on subaccount of treasury single account /transaction account</td>
<td>assistant headmaster</td>
<td></td>
</tr>
<tr>
<td>5. Employment contracts, copyright contracts, etc.</td>
<td>school leader, assistant headmaster</td>
<td></td>
</tr>
<tr>
<td>6. Education contracts</td>
<td>assistant headmaster</td>
<td></td>
</tr>
<tr>
<td>7. Depreciation account</td>
<td>assistant headmaster</td>
<td></td>
</tr>
<tr>
<td>8. Cash book</td>
<td>secretary, school leader</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

The abovementioned accountable persons with their signatures confirm the adequacy, the regularity, accuracy and legality of bookkeeping document as documents that prove accruals. The person accountable controls above all:

- whether the accrual was in the form and scope indicated in the document,
- whether the document has all documents that prove accruals enclosed,
- whether the prices in the bookkeeping document are correct and in compliance with the agreement or contract,
- whether deductions are correctly stated,
- whether VAT is accounted for correctly,
- whether the payment period in the document corresponds to the agreed payment period,
- that the bookkeeping document does not include costs contrary to the agreement,
- formal accounting control of a document regularity,
- ...

3. Conclusion

We have pointed out the most important sections of school financial management, which are funded from the national budget effort. The presented guidelines can be also adequately applied by schools that are funded in other manners. The significance of financial plans and annual reports is relatively small and out of proportion regarding the work and the scope of school leader accountability related to them. As professional knowledge of school leaders mostly does not derive from the sector of economy or finances, accounting and auditing, the awareness of school leaders and professional help are even more important, as well as additional trainings and guidelines for the preparation or rules in the abovementioned sectors.

The main problems of reporting and planning are the scope and transparency of information as well as non-compliance with the legislation. Therefore we have prepared guidelines for the contents of annual reports and financial plans. Their main link regarding the contents is that the annual report contains information about the realization of the specific part of the financial plan, which should be the base for the preparation of the financial report or for the report on the attained objectives and results. Therefore it would be logical that this part becomes a compulsory element in the financial report.
The main recommendations for better financial management are also greater integration between schools, corresponding institutions such as the Institute of Auditors, Court of Auditors and Ministries.

Schools as public institutions and indirect users of the budget are obliged to organize their management in such a manner that will assure legality, entitlement and the intended purpose of using the funds as well as full and timely collection of revenues and other receipts from the budget within their competence.

4. Literature and Resources

Accountancy Act (Official Gazette of the RS No. 11/01, 20/06),
Public Finance Act (Official Gazette of the RS No. 56/02)
Rules on Drawing up Annual Reports for the Budget, Budget Spending Units and other Entities of Public Law (Official Gazette of the RS No. 126/04)
Instruction on the Presentation of the State and Municipal Budget Accounts and the Methodology for the Preparation of Report on the Achieved Objectives and Results of Budget Indirect and Direct Users (Official Gazette of the RS No. 12/01 and No. 10/06)
Rules on the Preparation of Financial Plans for the Indirect Users of the State and Municipal Budgets (Official Gazette of the RS No. 91/00 and No. 122/00)
Guidelines for INTOSAI Internal Control Standards, Slovenian Institute of Auditors, Ljubljana 1995