

author: Christian Ihle

FEDERAL BUDGETING AND ACCOUNTING IN AUSTRIA USING

MoF Austria



Vienna/2015 01 29

PROJECT GOALS 1

- **REPLACEMENT OF INDIVIDUALLY-DEVELOPED SOFTWARE**
- **INTEGRATION OF THE COMPLETE BUDGET-CYCLE IN ONE SYSTEM (ALL-IN-ONE)**
- **TECHNOLOGICAL AND FUNCTIONAL CONTRIBUTION TO THE NEW FACE OF PUBLIC ADMINISTRATION**
 - Business/administrative process redesign and optimization
 - Attaining efficiency and achieving potential
 - past: task - automation - future: process - automation
- **LEGAL REQUIREMENTS**
 - **Uniform accounting system for the entire federal administration under the responsibility of the Ministry of Finance and the Audit Office**

PROJECT GOALS 2

- **INTEGRATED AUTHORITIES (Online)**

- Federal Ministry of Finance with final responsibility for budget administration
- All Ministries and supreme authorities (first level)
- All agencies and subordinate authorities (second level)
- Minor authorities/pay offices (third level) with monthly integration – **today up to date**
- Actual view of federal budget execution
 - Daily: nearby 100%



3

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
- new design of the organizational and flow structure
- basis for e-commerce/e-procurement



4

IMPLEMENTATION MEASURES 2

EXAMPLE: ENHANCING EFFICIENCY IN PROCUREMENT PROCESSES

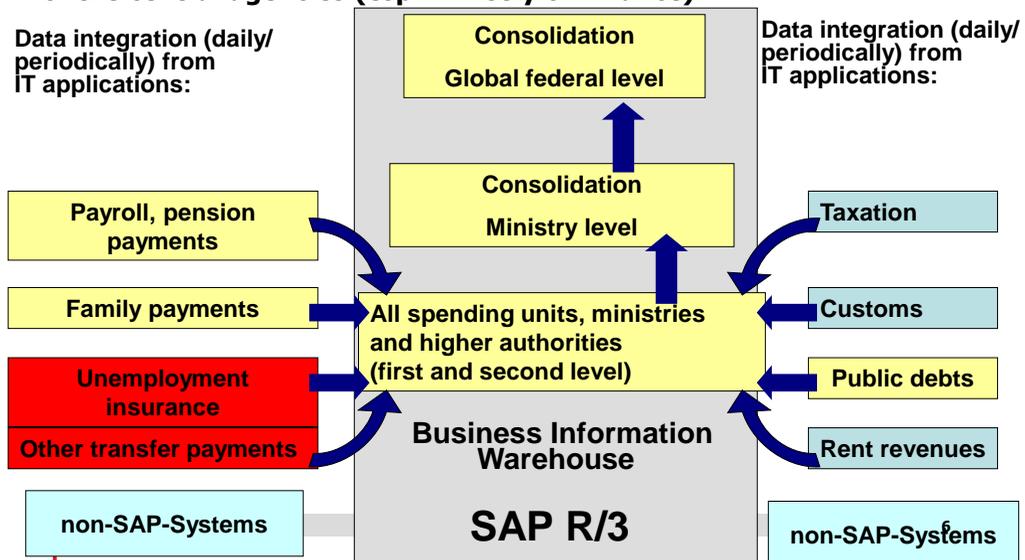
CONTENT	CURRENT PROCESS	NEW PROCESS
Number of steps in the process *)	25	14
Org. interfaces *)	6	4
Breaks in media	5	1
Number of employees *)	app. 15	app. 7
Number of different roles	app. 20	app. 10
Duration time	app. 12 days	app. 6 days
Processing time	app. 44 min.	app. 30 min.
Communication time required for the process [*]= approx. 5 mins]	app. 225 min.	app. 110 min

Basis: minimum of 1.0 million procurement processes,
total order volume EUR 4.36 bn (2004)

IMPLEMENTATION MEASURES 3

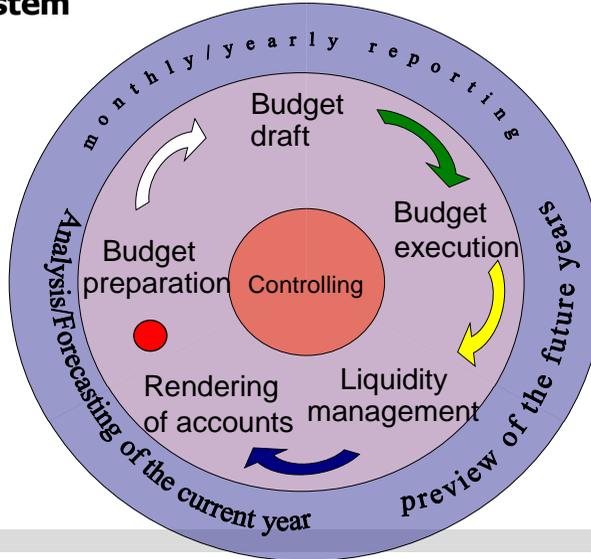
- ONE information system for the day-to-day information requirements of the central agencies (esp. Ministry of Finance).

Data integration (daily/periodically) from IT applications:



IMPLEMENTATION MEASURES 4

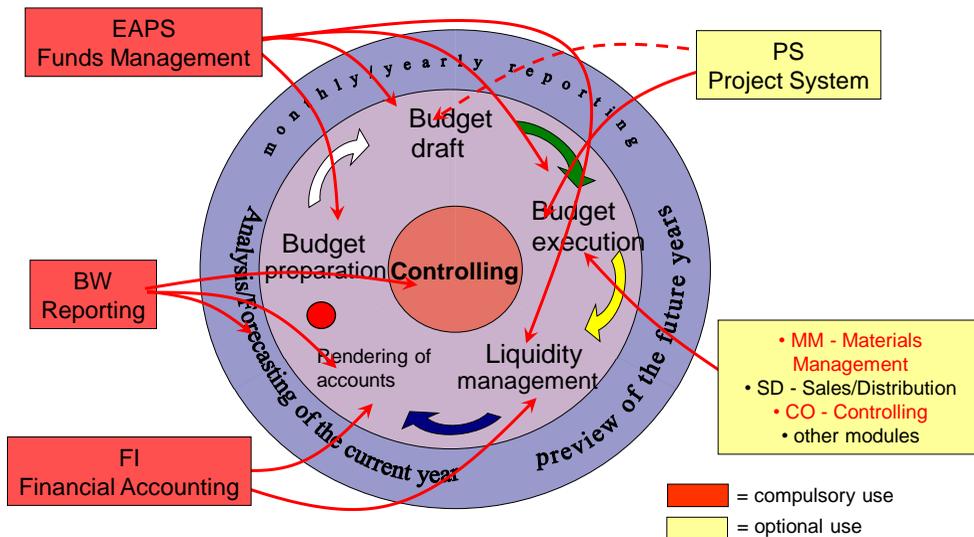
- Integration of all elements of the budget cycle into **ONE** system



7

USE OF FUNCTIONS/MODULES 1

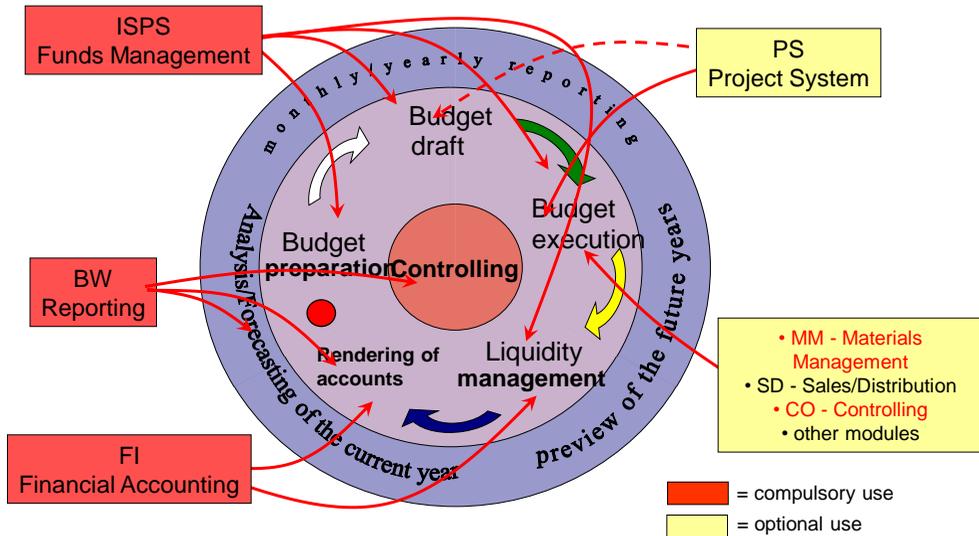
- Premium contract allows the use of all SAP R/3 standard modules



8

USE OF FUNCTIONS/MODULES

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



USE OF FUNCTIONS/MODULES 2

• ROLLOUT WITH LIMITED USE

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

• PLANNED MODULE - FULL RANGE OF FUNCTIONS

- Budget management (EAPS) – Enterprise Application Public Sector
- Financial accounting (FI-Financials)

• PLANNED MODULE - STANDARDIZED USE

- Controlling (CO)
- Materials Management (MM)
- Sales and Distribution (SD)
- Project System (PS)
- Business Information Warehouse (BW)



USE OF FUNCTIONS/MODULES 3

- **MODULES CURRENTLY NOT PLANNED - LATER IMPLEMENTATION**

- Asset Accounting (FI/AA) – **today in use !**
- Plant Maintenance (PM)
- etc.



- **EXTENSION OF MODULE USE**

- In a subsequent phase full functionality (keyword "full utilization") of remaining modules will be applied.
- in an overall use
- for all authorities including minor authorities (third level))

11

GENERAL STRUCTURES 1

- **MULTI-LEVEL CONCEPTION**

- **Start with multiple SAP clients – today only one !!**
- **Integrated system for default values, master-data**
- **Operational level with access to all data from each individual allocating agency**
- **consolidation level**

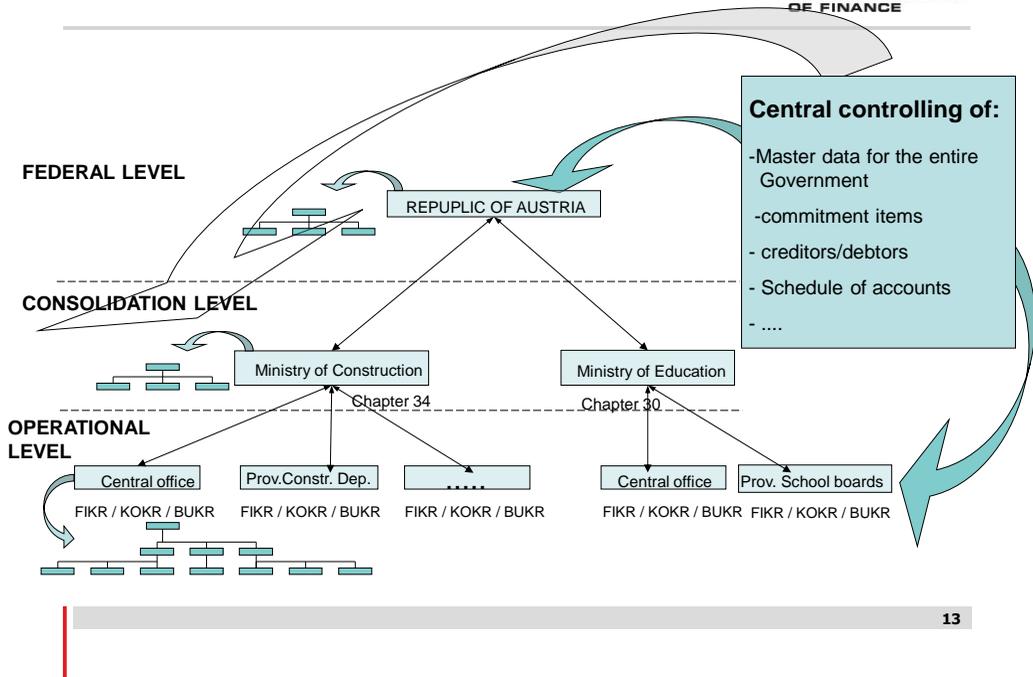
- **BUSINESS INFORMATION WAREHOUSE**

- **federal level**
- **including all SAP-clients**
- **Reporting, analysis and controlling support**



12

GENERAL STRUCTURES 2



BUDGET MANAGEMENT (EAPS) 1

• SAP ORGANIZATION - ELEMENTS IN HIERARCHICAL ORDER

- one client for each Chapter in the ministries
today : only one client for all chapters !
- one financial management area, one cost controlling area and one company code as reference for an allocating agency/spending unit (first level)



BUDGET MANAGEMENT (EAPS) 2

• **BASE DATA REQUIREMENT - THEMATIC**

- cover the budget structure
- **SAP commitment items to categorize the budget-structure (appropriation accounts, budget lines), 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 depicting responsibility areas within an allocating agency (first and second level)**
Budget - for whom ?



15

BUDGET MANAGEMENT (EAPS) 3

• **BUDGET DRAFTING/ MODIFICATION**

- **Support the budget drafting process at all levels**
 - Allocating agencies (second level)
 - Ministries and consolidation level (first level)
 - Federal/global level
 - Bottom-up drafting with top-down distribution
- **Depiction of various budget drafts with version numbers**
- **With SAP possible but in Austria realized within a Cognos-Application (IBM)**



16

BUDGET MANAGEMENT (EAPS) 4

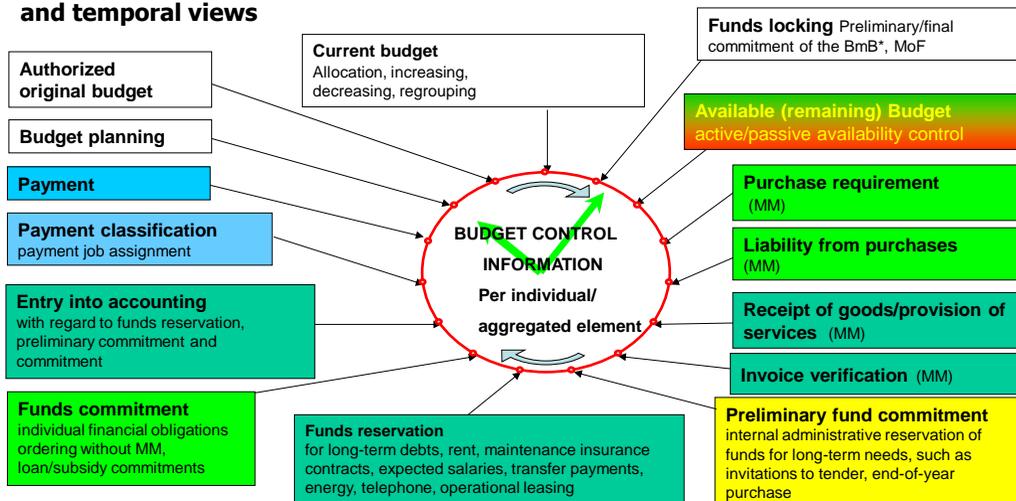
• BUDGET EXECUTION

- 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
 - 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 (EAPS) 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 to generate the balance-sheet and the profit and loss account
- Necessary for consolidation

- **BUSINESS PROCESSES**

- Simultaneous processes in budget management (double-entry book-keeping)
- Purely commercial booking processes

- **OPEN ITEM ADMINISTRATION**

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



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

19

PROCUREMENT (MM)

- **PROCUREMENT USING 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 received/payment for services
- Invoice receipt
- Payment as final statement

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



20

CONTROLLING (CO)

- **CONTROLLING AREA (OPERATIONAL ACCOUNTING)**
 - To cover administrative controlling requirements
 - Replacement of the cost accounting process (overhead or full cost accounting procedures) first in 30 authorities
 - "Dummy" controlling area in all authorities for later implementation
- **IMPLEMENTATION CONCEPT ACCORDING TO DEGREE OF COMPLEXITY**



21

SALES/DISTRIBUTION (SD)

- **SUPPORT FOR SERVICE/SALES PROCESSES**
 - For agencies receiving payment for services/sales
 - Support for tariff and price settings
 - Invoice/statement creation, booked as receivable
- **IMPLEMENTATION CONCEPT ACCORDING TO DEGREE OF COMPLEXITY**
- **Today almost no relevance**



22

TREASURY MANAGEMENT (1)

● CENTRALIZED RESPONSIBILITIES/FUNCTIONS

- public-debt-management, (currency) swaps, administration of all financial resources (long/short-term capital)
- liquidity-management
- budget-management and controlling on a global and consolidation level
- permission of obligations (long-term, depending on value)
- opening bank accounts, administration of single-account

● DECENTRALIZED RESPONSIBILITIES/FUNCTIONS

- process operating (concluding contracts, buying goods/services, personnel-administration)
- budget execution
- monetary transactions, payments, administration of sub-accounts

TREASURY MANAGEMENT (2)

● PROJECT DEFINITION

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

● CONNECTION BETWEEN BUDGET- AND LIQUIDITY-MANAGEMENT

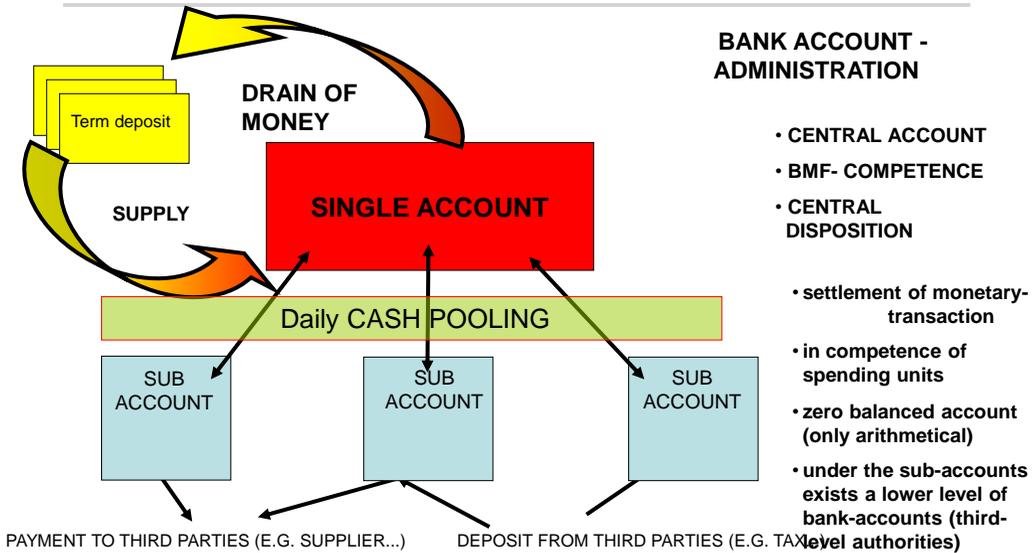
- inseparable connection between the budget management, the processing of monetary transactions and the administration of bank accounts (app. 1500 bank-accounts)

● MONETARY TRANSACTIONS

- general rule: credit-transfer - not cash-payments (except: customer-payments, credit/debit-cards)
- Automatically (FI function)
 - automatic payment proposal
 - with setting the payment periods (twice a week)
- Processing all revenues/expenditures through the bank accounts of the accounting departments

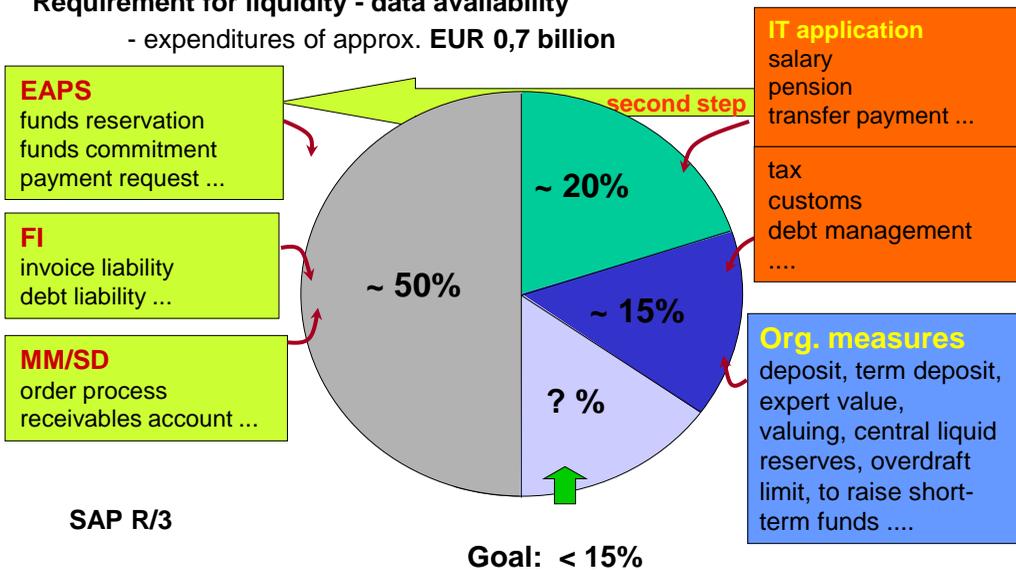


SYSTEM OF BANK ACCOUNTS



LIQUIDITY REQUIREMENTS

Requirement for liquidity - data availability
- expenditures of approx. EUR 0,7 billion



SCHEDULE

• PROJECT REALIZATION

- Project preparation1998
- Operational prototype, structuring the CCC.....1999
- Pilot rollout at one ministry in total
(Ministry of Social Welfare and Generations).....2000
- Rollout started (two ministries).....2001
- Actual status of rollout
(5 ministries in production, about 900 users, 4 ministries in
preparation).....2002
- end of rollout2004

• CUSTOMER COMPETENCE CENTER

- Expansion of module use (particularly in
the area of logistics) in own projects..... started 2004
- Integration of minor authorities/pay offices.....started 2008

27

COMPARISON OF COSTS AND BENEFITS

• TIME OF REFLECTION 10 YEARS (1998 - 2007)

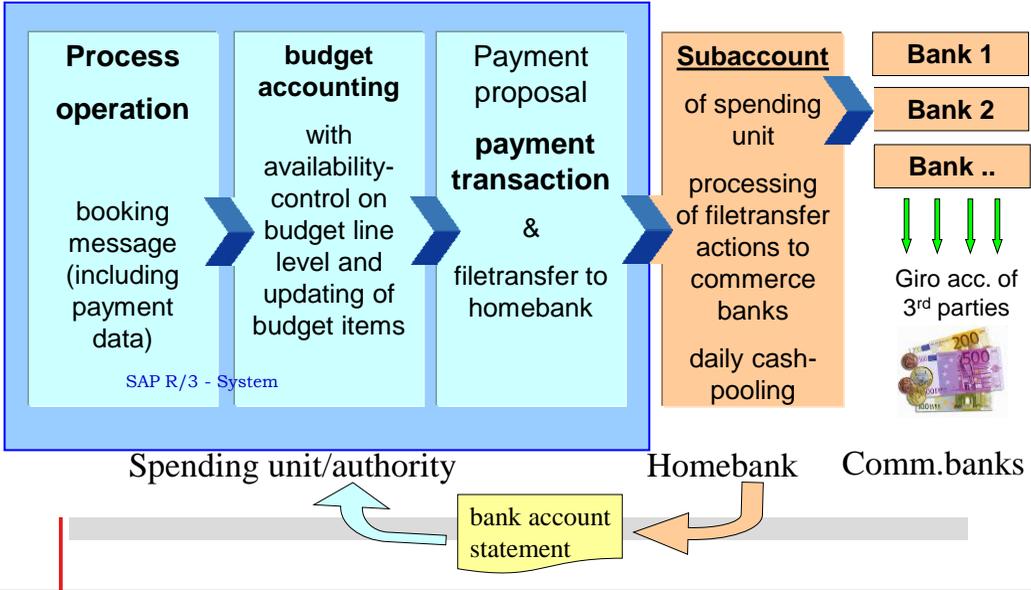
All amounts in millions	Euro
- Costs of project and operation	57 - 71
- Value of benefit	372 - 402
- Net value	315 - 331



28

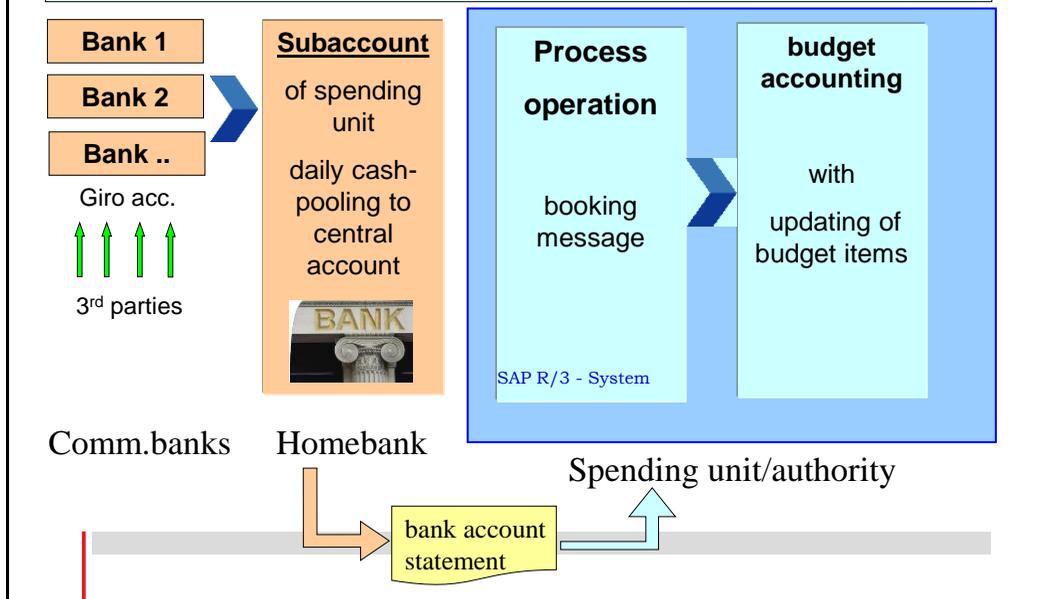
PROCESSFLOW OF EXPENDITURES

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

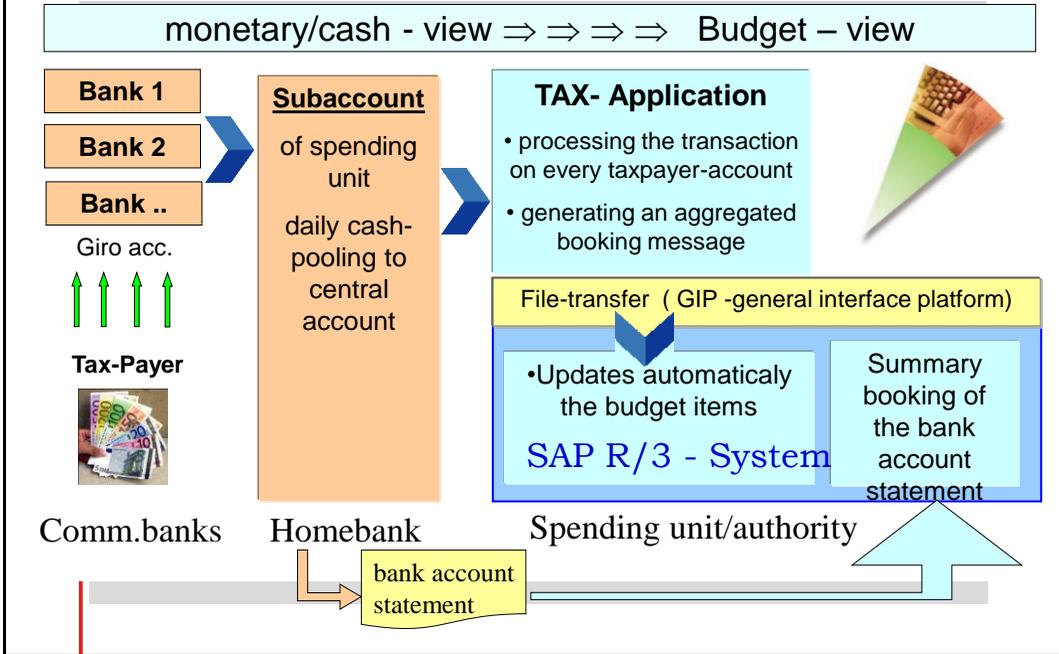


PROCESSFLOW OF REVENUES

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



REVENUES OF TAX-PAYERS



EXPENDITURES OF OTHER IT-APPL.

