

Authority:

- Approved by the President
- Private School Act

## **Chapter 27: Budget planning, execution and monitoring**

### **27.1 Policy**

The University's budget planning process aims at allocating its resources and at maximizing their utilization to achieve the University's strategic mission.

The goal of the budget execution monitoring is to provide accurate information to managers responsible for the use of the University's funds and to assist them in the exercise of their responsibility.

These two functions, planning and monitoring, also provide the President and the Board of Governors (BOG) and the Board of Councilors (BOC) with an analytical tool enabling them to oversee the financial operations, status, and health of the University.

The University has a responsibility to submit an annual budget plan to the BOG each year.

This policy outlines the University's annual budget process and describes the budget components and other related procedures integral to the process.

This policy applies to all University administrative divisions, research units and affiliated programs in their preparation and management of operating and capital budgets.

### **27.2 General Considerations**

The budget breakdown structure is designed to reflect as much as possible the University organizational and management structure, allowing for a clear identification of responsibilities and accountabilities.

The exercise of budgetary responsibilities requires easy access to accurate and timely information on budget execution status. The University implements an ERP system that enables such access. Budget Supervisors and Budget Holders must be familiar with this system before accepting budgetary responsibility.

The President undertakes budget allocation upon delegation from the BOG, which has the ultimate authority and responsibility for the management and operation of the Corporation, through the Vice President for Financial Management, under the supervision of the Secretary General. The Vice President for Financial Management

sub-delegates his responsibility for budget planning and execution to the Vice President or equivalent (see 2.4.5 [\[link: 2.4.5\]](#)) accountable for budget execution.

Budget revisions and reallocations are possible after the initial budget allocation.

Income and Expenditure Budget consists the budget of the University. The budget of the University consolidates all University sources of funding, and all its operation expenses and capital expenditures, including building and facilities.

## **27.3 Rules**

### **27.3.1 Budget term**

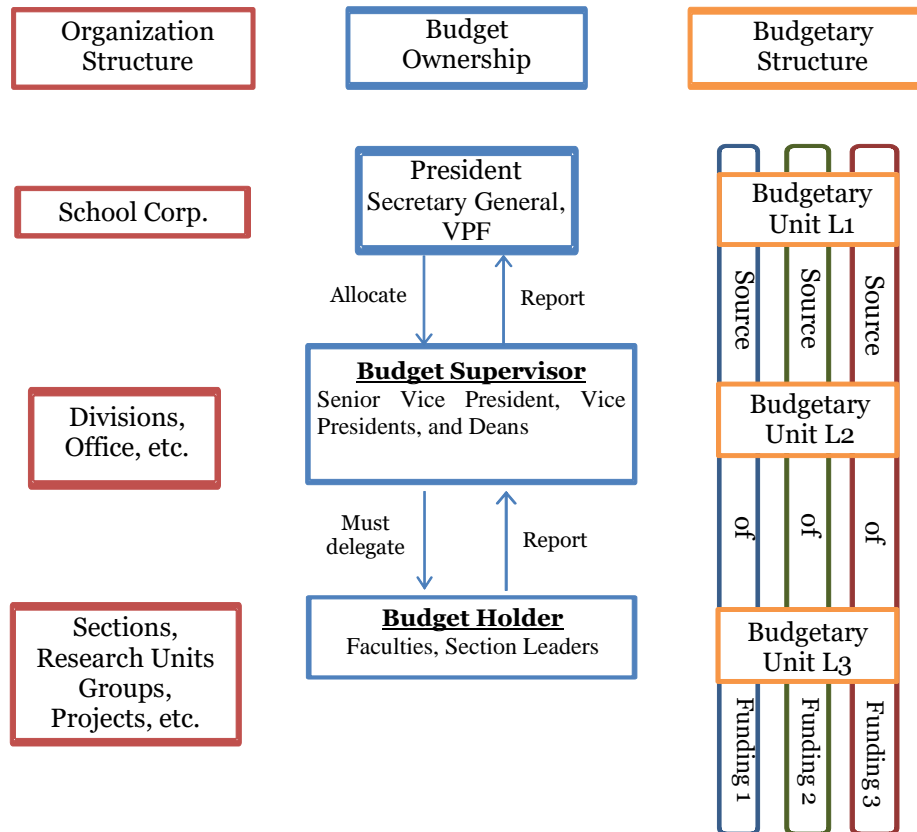
The budget term of the University is April 1st to March 31st.

### **27.3.2 Budgetary Breakdown Structure, Budgetary Units and budget authority**

The budget of the University is compiled, executed and monitored according to a hierarchical structure, the Budgetary Breakdown Structure that reflects the University organization to the largest possible extent (fig. 1).

**Figure 1**

**The Budget Breakdown Structure**



Each Budgetary Unit is managed by a budget owner: “Budget Supervisor” at the Division level/Office equivalent or “Budget Holder” for Research Unit/Section level and below.

Budget Holders are responsible for the budget execution of his/her budgetary unit(s).

- The responsibilities for the Division budget execution lies with the Budget Supervisor at the Division level (See Tab. 1).

**Table 1**

Budget Supervisor's Title	Division/Office, etc.
Person designated by the chair of the BOG (VP or above)	Office, etc. under the Board of Governors Office
President	Office, etc. under the President
Senior Vice President	Office, etc. under the Senior Vice President
Provost	Office, etc. under the Provost
Secretary General	Office, etc. under the Secretary General
Dean of the Graduate School	Office, etc. under the Dean of the Graduate School
Dean of Research	Office/Units, etc. under the Dean of Research
Vice President for Information Technology	Division, etc. under the Vice president
Dean of the Faculty Affairs	Office, etc. under the Dean of the Faculty Affairs
Executive Vice President for Technology Development and Innovation	Office, etc. under the Executive Vice President for Technology Development and Innovation
Vice President for Human Resources	Division under the Vice President
Vice President for Financial Management	Division under the Vice President
Vice President for Communication and Public Relations	Division under the Vice President
Vice President for Buildings and Facilities Management	Division under the Vice President
Auditors	Office under the Auditor

Budget Supervisors (Vice President and equivalent) must distribute the budget at section level.

Regardless of the above, for external funding, such as Kakenhi and Funded Research, a grantee or a principal investigator of the contract becomes the Budget Holder.

In the event that a Budget Supervisor is unable to act or a position becomes vacant, the Secretary General shall appoint a proxy to whom budgetary authority is formally delegated until the position has been filled.

### **27.3.3 Budget Breakdown Units**

Budget Breakdown units are the lowest budgetary breakdown of the University for budget allocation and reporting. Budget Supervisors are responsible for defining the Budget Breakdown Units structure and denomination under the Section level of the organization.

Budget Breakdown Units have two functions: a) to provide a level of precision

in the budget planning and budget execution that allows accurate monitoring and informed decisions and b) to facilitate adjustment of budget structure in case of organizational changes by allowing redistribution of coherent Budget Breakdown Units that preserve tracking continuity and possibility of year to year comparison despite changes of perimeters.

#### 27.3.3.1 Budget Breakdown Units attached to Sources of funding

The funding of the University comes from various sources with specific requirements and restrictions on how these funds may be used and reported. In order to facilitate recording and reporting of these funds utilization, it is necessary to create separate Budget Breakdown Units for each funding source. It is the responsibility of each Budget Supervisor and of the relevant sections leaders under his/her supervision<sup>1</sup> to inform the Budget Section when they receive external funding and to communicate corresponding recording and reporting requirements.

#### 27.3.3.2 Combining different source of funding

Combining different source of funding is allowed unless it is prohibited by laws and/or the rules of particular subsidies, and other source of funding.

Budget Supervisors are responsible for confirming those constraints and informing the Budget Section.

#### 27.3.3.3 Budget Breakdown Units attached to deposit in favor of Researchers, Students

Many subsidies, grants, scholarship etc. are granted to individual researchers but may be under the custody of their host institution which is required to manage the funds on their behalf. In such cases, funds are treated as deposits and their use is reported on behalf of the recipient. The Budget Supervisor of these external funding treated as deposits is responsible for informing the Budget Section of specific constraints before funds consumption actually occurs. Specific Budget Breakdown Units are created to enable the monitoring of these individual funds.

#### 27.3.3.4 Budget Breakdown Units and coordinated projects

Specific activities or projects are carried out under the responsibility of a project manager/Budget Holder but require coordinated actions and spending from different part of the organization. In such case a specific Budget Breakdown Unit is created within the section of the Budget Holder of the project, with a budget to which other sections involved in

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<sup>1</sup> The Sponsored Research Section works particularly closely with the Budget Section to ensure timely and accurate reporting to funding agencies.

the project may access. This allows the project manager to monitor the project budget execution despite the diversity of spending sections.

The Budget Supervisor of the section holding “project Budget Breakdown Units” is responsible for communicating its specific requirements, use restrictions or other information to the “Budget Section”.

#### **27.3.4 Main Budget categories for expenditure**

##### 27.3.4.1 Budget categories for subsidies for operation and subsidies for construction

The University uses several main budget categories for compilation and monitoring of its budget allocation and execution. These categories may vary with different sources of funding (see 27.3.4.2 [\[link: 27.3.4.2\]](#)).

Categories “by default” for subsidies for operation and all other unrestricted sources of funding are:

1	Personnel expenses (PEREX)
2	Operational expenses, non personnel (OPEX)
3	Capital expenditure (CAPEX)

Categories “by default” for subsidies for construction are:

1	Construction work
2	Ancillary cost

These main categories are broken down in more detailed subcategories.

The University budgetary system used by all Budget Supervisors and Budget Holders is based upon this allocation structure.

27.3.4.2 Specific budget categories for different sources of funding  
Funding agencies, Foundations, research sponsors have often specific requirements for reporting the use of their funds. The Budget Supervisor of the receiving Division is responsible for communicating these specific requirements, any use restrictions or other information on use of funds to the “Budget Section”.

#### **27.3.5 Budgeting the use of common and shared facilities and equipment**

The University encourages sharing of its resources such as facilities and equipment. These common resources are under the responsibility of specific sections which must also budget for their acquisition, maintenance and operation.

Users of these common and shared facilities and equipment must budget only for the direct costs associated with their specific utilization (mostly consumable). It is not necessary to budget for the fraction of the total operating cost corresponding to their use time.

However, the University will implement, in some situation, a cost monitoring of these common and shared facilities and equipment and report this cost to the users, for information and benchmarking.

## **27.4 Authorities & Responsibilities**

### **27.4.1 Board of Governors (BOG)**

The BOG makes decisions on the budget and financial plans and oversees the budget execution of the Corporation. (Article 3, Paragraph 1, item 11 of the Rules for the operation of the BOG [\[link:\]](#))

### **27.4.2 Board of Councilors (BOC)**

The President must hear the opinions of the BOC beforehand regarding the following items.

(1) Handling of budgets

(2) Acceptance of new obligations or release of rights outside the budget

(Article 21 of the Bylaws [\[link:\]](#))

### **27.4.3 President**

The President receives delegation from the BOG for the management of the University and is responsible and accountable for the execution of the annual plan and corresponding budget. The President reviews and is accountable for the budget plans submitted by the Budget Supervisors of each Division. The President may delegate some of his/her duties necessary for such purpose to the Vice President for Financial Management, under the supervision of the Secretary General.

The University budget plans shall be compiled by the President before the beginning of each fiscal year, and must be approved at a BOG meeting. This shall also apply when any major changes are instituted to budgets plans.

After approval of the business and budget plans by the BOG, the Secretary General informs the University staff in order to enhance transparency and accountability regarding the next year's business plan specifying budget priorities and implementation.

### **27.4.4 Budget Supervisors**

Budget Supervisors are responsible for the timely and reliable planning and careful implementation within the limitation of the budget approved of their Division's budget through efficient operation and strict monitoring.

#### **27.4.5 Vice President for Financial Management**

The Vice President for Financial Management shall be responsible for all aspects of the budget and have the responsibility, as the head of the Financial Management Division, to proceed with budget planning and compilation for the entire University, communication and negotiation with the Cabinet Office in the course of making budget requests to the Government, formulation of plans for budget allocation within the University, execution and execution monitoring of the determined budget plans, and other tasks, under the supervision of the President and the Secretary General.

With respect to the monitoring of budget execution, the Vice President for Financial Management shall confirm the budget execution results of each Budgetary Unit for the month and submit the Budget execution status report to the Budget Supervisors, the Secretary General and the President every month.

In addition, the Vice President for Financial Management shall review the budget execution results of each Division after the closing of each fiscal year and submit an annual report to the President and to the BOG.

#### **27.4.6 Budget Section**

The Budget Section shall perform operations necessary for budget planning and compilation for the entire University, communication and negotiation with the Cabinet Office in the course of making budget requests to the Government, formulation of plans for budget allocation within the University, execution and execution monitoring of the determined budget plans, and other tasks, under the supervision of the Vice President for Financial Management.

In addition, the Budget Section is responsible for monitoring all budgeted funds appropriated by the University as approved by the BOG, and subject to mandates, regulations and procedures established by the University or by the institutions providing the funds.

#### **27.4.7 University personnel**

##### **27.4.7.1 Appropriate use of the University budget**

All University personnel are responsible for timely and reliable execution of their task within the limit of the budget allocated to their Budgetary Units, in accordance with the regulations of the University.

##### **27.4.7.2 Familiarity with, and use of supporting IT infrastructure**

The University uses the ERP system to compile, execute and manage its budget. This system supports most financial transactions of the University and is the basis for budget execution monitoring. All University personnel having disbursement or budgetary responsibility



are expected to be trained and familiar with the functions necessary to the effective fulfillment of their tasks.

#### 27.4.7.3 Budget Analysts

The Budget Analysts at their respective Divisions shall offer practical support for the Budget Supervisors with regard to budget planning and compilation, preparation of budget request materials, budget execution and execution management, for which the Budget Supervisors are responsible.

## 27.5 Procedures

### 27.5.1 Budget planning and compilation

Budget planning shall be performed by the respective Budget Supervisors in accordance with the procedures set forth in Section 27.5. Budget compilation at the University level shall be performed by the Vice President for Financial Management under the supervision of the Secretary General and determined by the President.

Budget Supervisors must submit budget plans with sufficient details. Operation expenses and capital expenditures must be itemized to be able to justify their budget request.

The budgeting of personnel salaries is complex because it includes indirect costs related to taxes and benefits. For that reason, even if personnel salaries are charged to their Budgetary Units, they are not directly managed by the Budget Supervisors at the time of the budget allocation. However, the Budget Supervisors are responsible for the management of the personnel whom they supervise and must plan for headcount and qualifications at section levels and for minimizing the amount of overtime, which is not budgeted.

### 27.5.2 Multi-annual planning

The University plans its budget and monitors its execution on an annual basis. Accounting rules applying to the main source of the University funding, subsidies for Operation from the Japanese Government (Hojokin) do not allow for multiannual budgeting, in principle.

When other sources of funding allow the University to make a multi-annual plan or when a project requires multi-annual budget planning, the Budget Supervisors and the Budget Section shall consider how to include such needs in the planning process. The Budget Supervisor requiring multi-annual budget planning is responsible for communicating its specific requirements to the Budget Section.

Please see the guidelines of multi-year contract and contract crossing the fiscal year end [\[link:\]](#).

### **27.5.3 Annual Budget Cycle for Government subsidies**

Each Budget Supervisor shall draft his or her Division's budget request for the coming fiscal year and necessary materials in accordance with the budget request schedule presented by the Vice President for Financial Management. This draft is structured according to Budgetary Units and Budget categories confirmed by the Budget Section. After consolidation, the Vice President for Financial Management shall inform the Cabinet Office of the amount requested for Subsidies for Operations and Subsidies for Construction, under the supervision of the Secretary General. There are several iterations between the University and Cabinet Office before the budget request is finalized. During such process, the Cabinet Office might request us to provide additional explanatory materials that are necessary for the budget request, in which case the Budget Supervisor for the relevant budget item shall be responsible for preparing the appropriate materials within the deadline. Advance notification on the Subsidies for Operation and for Construction for the coming fiscal year set forth in the government budget draft is usually given by the Cabinet Office at the end of December. However, the government budget draft is officially be approved by the Diet. Said approval is generally be granted at the end of March; however, it is subject to change to some extent.

### **27.5.4 Initial budget request by Budget Supervisors (PEREX, OPEX AND CAPEX)**

#### **27.5.4.1 Personnel plan and salaries budgeting**

Budget Supervisors must submit their personnel plan for the coming year at the time of the first budget compilation, after careful review of current internal situation and staff availability and expected workload for next fiscal year.

The estimate of corresponding salaries shall be made by the Gender Equality and Human Resource Development Division on the basis of this information.

After consolidation, in accordance with the same procedure applicable to the University budget in general, the Vice President for Human Resource shall conduct compilation and consult with the Vice President for Financial Management concerning the PEREX budget under the supervision of the Secretary General, with necessary adjustment being reviewed by the Secretary General and the Executives and with the final decision being made by the President.

#### 27.5.4.2 Capital expenditure (CAPEX) plan – Research equipment and software

The Provost shall collect and compile requests of faculty members and other persons concerned on the CAPEX plan for research equipment and software for research use purpose. The Vice President for Information Technology shall collect and compile requests of faculty members and other persons concerned on the CAPEX plan for IT and software for office use purpose. The Provost and the Vice President for Information Technology shall consult on the provision and management of software as necessary.

In order to avoid unnecessary duplication of research equipment/software and to maximize sharing, research equipment/software purchases and renewal plans shall be reviewed for equipment with purchasing costs of JPY 5M or more.

Equipment purchase requests must include the direct cost and other ancillary costs such as laboratory fitting cost, maintenance cost, additional personnel cost etc.

The CAPEX for those other than research equipment, IT and software shall be compiled by the Financial Management Division and incorporated into the budget compilation together with the CAPEX for research equipment, IT and software and adjusted by the Vice President for Financial Management under the supervision of the Secretary General and determined by the President.

### **27.5.5 Annual budget allocation of subsidies for operation (OPEX and CAPEX)**

#### **27.5.5.1 Annual budget allocation of subsidies for operation**

At the beginning of the budget compilation process, the President shall, based on advice from the Strategic Resource Allocation Committee (SRAC), make a first allocation of subsidies for operations (OPEX and CAPEX) and headcounts to each Budget Supervisor on the basis of preliminary assumptions (“top down allocation”).

The SRAC is responsible for making suggestions on the budget allocations at the times of initial budget allocation, Mid-term review and Year-end review. The Vice President for Financial Management shall make proposals on revisions of budget allocation and arbitration, after receiving suggestions from the SRAC. The members of the SRAC are the CEO/President, Vice-CEO/Senior Vice President, Provost, Secretary General and the chair of Faculty Assembly.

The Budget Supervisors are responsible for allocation of subsidies for operation between OPEX and CAPEX within their Divisions down to the Budget Breakdown Unit level. They are also required to confirm

their personnel plan (headcounts and qualifications). After consolidation, necessary adjustment shall be reviewed and subjected to approval by the Secretary General.

#### 27.5.5.2 Budget pre-allocation

For activities starting at the beginning of the new Fiscal Year such as annual contracts which must be tendered several weeks before actual start, events with fixed dates etc. it may be necessary to allocate a budget even before the start of the fiscal year (budget pre-allocation). Such pre-allocations are exceptional and must be requested to the Vice President for Financial Management.

It must be noted that the pre-allocation is for budget management convenience but is not a firm allocation. It cannot be contracted or encumbered before the actual budget has been confirmed on April 1<sup>st</sup> of the new fiscal year. It is the Budget Supervisor's responsibility to not encumber the amount pre-allocated before it is legally permitted.

#### 27.5.5.3 Contingency budget

The President may request the Vice President for Financial Management to set aside contingency funds in order to respond in a timely manner to unexpected events, including emergency actions for natural disasters. Contingency budgets cannot be set aside by the Budget Supervisors, but they may request that the Vice President for Financial Management set aside a specific contingency budget only if an appropriate justification exists.

#### 27.5.5.4 Unallocated Budget

The Vice President for Financial Management may, upon consultation with the President and the Secretary General, decide to not allocate a fraction of funds available at the time of the annual budget allocation when further studies are required before these funds can be budgeted with sufficient accuracy and reliability.

### **27.5.6 Allocation of overheads from external funding sources**

Overheads from external funding received by the University are consolidated in the budget of the President Office, regardless of the primary beneficiary of this external funding. The Vice President for Financial Management shall prepare a draft of allocation of these overhead costs in accordance with the needs of the University and the expenditure rules of the relevant funding organization before the Secretary General makes a decision on the allocation. Unless separately provided for by the relevant funding organization, the amount the University request for overheads shall be 30% of the total amount received.

The allocation of Indirect Cost of Competitive Grants shall be determined by the Secretary General in accordance with the University's Guidelines for Indirect Cost of Competitive Grants.

#### **27.5.7 Construction plan**

The Vice President for Building and Facilities Management is primarily responsible for the allocation of funds available for construction, in accordance with the categories of subsidies received (subsidies for operation and subsidies for construction), and he or she shall periodically consult with the Secretary General, the Vice President for Financial Management and the Associate Vice President in SG office regarding appropriate budgetary execution.

This allocation is consolidated into the general budget of the University by the Budget Section.

#### **27.5.8 Budget allocation in ERP system and ERP-HR**

The President shall allocate budgets to be supervised by each Budget Supervisor. The actual allocated amounts can be confirmed in the ERP system.

#### **27.5.9 Budget execution in ERP system**

All financial transactions have to be recorded in the ERP system.

##### **27.5.9.1 "Before the fact" ERP system entry**

Execution of budget, in principle, has to be recorded in the ERP system prior to the actual action of execution such as initiating a tender with an estimated price, signing a contract, making an order, arranging a business trip, planning an event that requires a payment of honorarium.

The University may not accept the delivery of goods, service and/nor be able to reimburse the cost if transactions are not recorded "before the fact."

This is necessary to allow an up to date and reliable projection of the University commitment towards its creditors.

#### **27.5.10 Budget execution monitoring and adjustments**

##### **27.5.10.1 Monitoring of budget execution**

The budget execution status of each Division is reviewed by the Vice President for Financial Management with the Budget Supervisors. Budget execution status reports are generated to serve as a reference. The budget execution monitoring report is structured according to Budgetary Unit levels.

#### 27.5.10.2 Revision of Budget

The budget established at the beginning of the fiscal year serves as a reference and cannot be modified. However, circumstances may impose a revision of the budget projection during the fiscal year. The Budget Section proceeds with an annual budget allocation re-estimate when it is necessary.

Decisions on these additional budget revisions are made by the Secretary General in consultation with the Vice President for Financial Management when it is apparent that one or more Divisions will overspend or underspend, thus requiring a revision of budget allocation and arbitration.

The revised budget and the redistributed budget (refer to Section 27.5.10.5) shall be registered in the ERP-Core system by the Budget Section and become the new reference against which the budget execution is monitored. The initial budget remains as a baseline reference.

#### 27.5.10.3 Over spending in a section within a Division

When over spending is anticipated in one Budgetary Unit, the Budget Supervisor of the Division to which this Unit belongs should first compensate this overspending with savings made in other sections under his/her responsibility.

In case the source of funding allows multi annual budget management the Budget Supervisor should take the necessary measures to correct the overspending in one year from savings made in the subsequent year(s).

#### 27.5.10.4 Under spending

When a Budget Supervisor anticipates that his/her Division will not use its entire budget, he/she should notify the Vice President for Financial Management as soon as possible in order to enable a corporate-wide budget redistribution aimed at efficient use of budgeted amounts. Once this notification is accepted, the budget registered in the ERP system will be revised accordingly as soon as possible by Budget Section.

#### 27.5.10.5 Redistribution of budget amount within and across main budget categories by Budget Supervisors

Budget redistribution within budget categories is possible as an acceptable way of adjusting allocation of resources to the actual environment and evolution of priorities.

The redistribution across budget categories cannot take place indiscriminately because they create different liabilities and have different impacts on the University's long-term use of its resources.

Redistribution across categories shall be adjusted and determined by the Vice President for Financial Management under the supervision of the Secretary General. For such purpose, the Budget Section must confirm that the aforementioned redistribution is compatible with the restrictions attached to sources of funding.

#### 27.5.10.6 Use of contingency funds

In case of emergency or unforeseeable events, the President for Financial Management may, upon the instruction of the President and under the supervision of the Secretary General, decide to use the contingency funds under his/her custody, specifying the purpose thereof. The use of contingency funds must comply, in principle, with the rules applying to the source of funds from which they are allocated (e.g. subsidies from operations). However, in case of extreme urgency, the Secretary General may decide to use these funds with the explicit approval of the Vice President for Financial Management.

The Secretary General may delegate the responsibility for using specified amounts of the contingency funds to Budget Supervisors when it is necessary.

The contingency funds should not be held until the end of the fiscal year and must be allocated gradually to normal operational usage as the probability of their necessity decreases.

#### 27.5.10.7 Budget carry-over

Carry-over of subsidy budgets to next fiscal year is allowed exceptionally and only in cases the following criteria are met.

- (1) Carry-over is allowed in the laws and rules of the source of funding
- (2) Approval of carry-over by the government or funding agency is obtained. (In case prior approval is required.)

A budget carry-over includes the expenditures and the resources corresponding to the expenditures being carried-over. It therefore neutral from a budget balance perspective.

#### 27.5.10.8 Reporting to other funding organizations

Reporting to funding agencies is usually done according to specific rules and forms. Budget Supervisors need to be aware that missing deadline or improper documentation may result in penalty such as disqualification for applying other funding or order to return the funds.

## **27.6 Prohibition of self-approval**

Budget execution in cases in which the requester and the approver are the

same person is not allowed under any circumstances in OIST. (Prohibition of self-approval)

## **27.7 Contacts**

### **27.7.1 Policy Owner**

Vice President for Financial Management

### **27.7.2 Other Contacts**

Budget Section

President Office

Office of the Secretary General

Procurement Section

## **27.8 Definitions**