

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.

Budget allocation is made by the President upon delegation from the BOG which has the ultimate authority and responsibility for the management and operation of the Corporation. The President sub-delegates his responsibility for budget planning and execution to the Vice President or equivalent (see 2.4.5 [\[link: 2.4.5\]](#)) who are 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

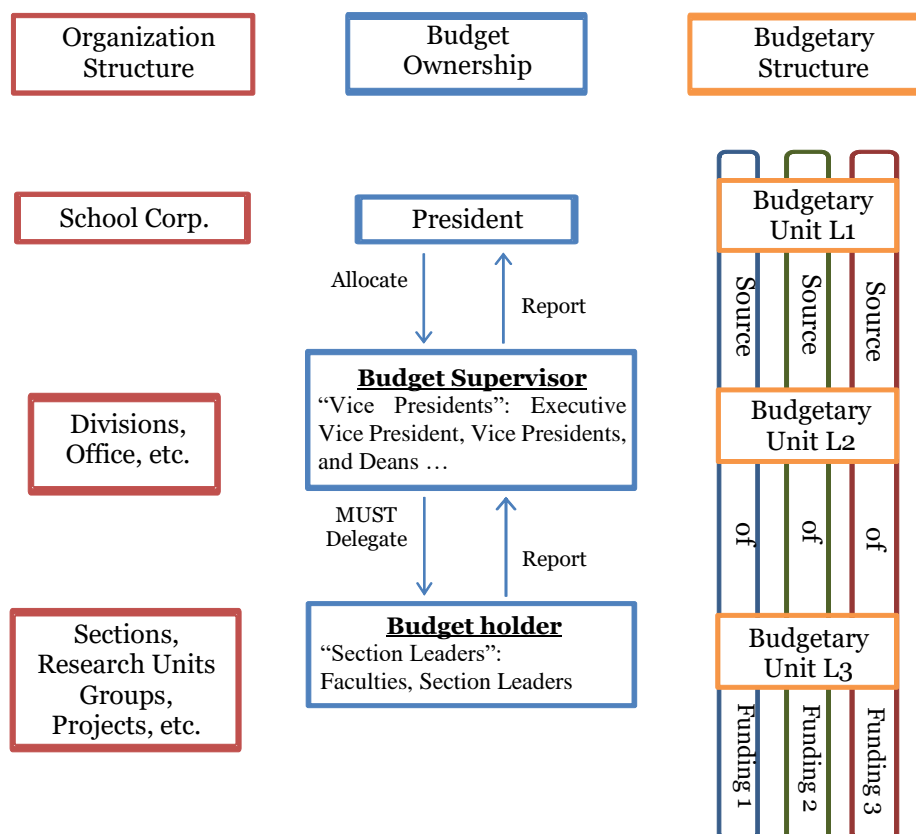
The budget term of the University is April 1st to March 31st.

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

Division/Office etc.	Budget Supervisor's title
Office of the Board of Governors	Person designated by the chair of the BOG (VP or above)
Office of the President	President
Technology Development and Innovation Center for the Self-Sustaining Development of Okinawa	Executive Vice President for Technology Development and Innovation
Office of Dean of Graduate School	Dean of the Graduate School
Office of Dean of Research (excluding Scientific Computing & Data Analysis Section and Information Services Section)	Dean of Research
Scientific Computing & Data Analysis Section and Information Services Section	Chief Information Officer (CIO)
Office of Dean of the Faculty Affairs	Dean of the Faculty Affairs
Division of Gender Equality and Human Resource Development	Vice President for Gender Equality and Human Resource Development
Division of Administrative compliance	Vice President for Administrative Compliance
Division of Financial Management	Vice President for Financial Management
Division of Communication and Public Relations	Vice President for Communication and Public Relations
Division of Buildings and Facilities Management	Vice President for Buildings and Facilities Management
Office of Auditors	Auditors

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 President will appoint a proxy with formal delegation of budgetary authority till the position is 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 budget supervisor and of the relevant sections leaders under his/her supervision¹ 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 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

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

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 [\[link: 27.5\]](#)).

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

27.3.6 Budget planning and compilation

Budget planning is done by Budget supervisors according to a procedure described in 27.5[[link: 27.5](#)] below. Compilation at the University level is done by the President with the Budget Section.

Budget supervisors must prepare their budget with enough details and operating expenses and capital expenditure should be itemized to be able to justify their budget request.

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

27.3.7 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 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 will consider how to include these 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:](#)].

27.3.8 Prohibition of self-approval

Under any circumstances, budget executions which the requester and the approver is a same person are not allowed in OIST. (Prohibition of self-approval)

27.4 Authorities & Responsibilities

27.4.1 Board of Governors (BOG)

The BOG oversees the budget execution of the Corporation and decides of its allocation. (Article 3, Paragraph 1, item 10 of the Rules for the operation of the BOG [[link: http://iwww.oist.jp/document/prp-aux/99_BOGRule.pdf](http://iwww.oist.jp/document/prp-aux/99_BOGRule.pdf)])

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:](#)

https://groups.oist.jp/sites/default/files/imce/u113/oistsc_bylaws.pdf])

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 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 plan by the BOG, the President informs the University staff in order to enhance transparency and accountability about the next year 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 confirm budget execution results of each Budgetary Unit for the month and submit the Budget execution status report to the Budget supervisors, the President and the BOG every month.

The Vice President for Financial Management shall review 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

Budget Section has a responsibility to monitor 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 for executing and monitoring its budget, the ERP-Core system. 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 task.

27.5 Procedures

27.5.1 Annual Budget Cycle for Government subsidies

The Budget Supervisors draft their Division's budget request for the coming FY. This draft is structured according to Budgetary Units and Budget categories confirmed by the Budget Section.

After consolidation, the President informs the Cabinet Office on the amount requested for Subsidies for Operations and Subsidies for Construction. There are several iterations between the University and Cabinet Office before the budget request is finalized.

The Subsidies for Operation and for Construction are pre-notified at the end of December for the coming FY, allowing for budget planning. However, the official confirmation does not come before the beginning of the New Fiscal Year at which time the budget can be finalized.

27.5.2 Initial budget request by Budget supervisors (PEREX, OPEX AND CAPEX)

27.5.2.1 Personnel plan and salaries budgeting

Budget supervisors must submit their personnel plan for the coming year (headcounts and qualification) 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 will be made by the Budget and HR Management Sections on the basis of this information.

After consolidation, necessary adjustment will be reviewed by the President and the Executives and decided by the President according to the same procedure applicable to the University budget in general.

27.5.2.2 Capital expenditure (CAPEX) plan – Scientific equipment and software

In order to avoid unnecessary duplication of research equipment/software and to maximize sharing, research equipment/software purchase and renewal plan are reviewed for equipment with purchasing value JPY 3m 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.

CAPEX other than research Equipment are compiled by the Budget Section and reviewed directly by the President.

27.5.2.3 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 1st of the new fiscal year. It is the Budget Supervisor's responsibility to not encumber the amount pre-allocated before it is legally permitted.

27.5.2.4 Contingency budget

The President may set aside contingency funds in order to respond in timely manner to unexpected events including emergency actions for natural disaster. Contingency budgets cannot be set aside by Budget supervisors, but they may ask a specific contingency budget earmarked to the President with appropriate justification.

27.5.2.5 Unallocated Budget

The President may 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 enough accuracy and reliability.

27.5.2.6 Construction plan

Vice President for Building and Facilities Management is primarily responsible for the allocation of funds available for construction, according to

the categories of subsidies received (subsidies for operation and subsidies for construction).

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

27.5.3 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 allocation of these overheads is determined by the President in accordance with the needs of the University and the disbursement rules established by the External funding Institutions. Allocation of Indirect Cost of Competitive Grants shall be based on Guidelines for Indirect Cost of Competitive Grants [\[link:\]](#)

27.5.4 Annual budget allocation of subsidies for operation (OPEX and CAPEX)

At the beginning of the budget compilation process, the President makes a first allocation of subsidies for operations (OPEX and CAPEX) and Head counts to each Budget Supervisors on the basis of preliminary assumptions (“top down allocation”).

A Resource Allocation Committee (RAC) is responsible for advising the President through the Executive Committee on all aspects of the budget allocations. The Terms of Reference and the membership of the RAC are stipulated separately by the President/CEO.

Budget supervisors are responsible for distributing the allocation of subsidies for operation between OPEX and CAPEX within their Division down to the Budget Breakdown Units level. They are also required to confirm their personnel plan (headcount and qualification). After consolidation, necessary adjustment will be reviewed by the President and the Executives and decided by the President. Budget allocation at Division level is presented to the BOG in February.

27.5.5 Budget allocation in ERP system and ERP-HR

The President delegates to each Budget supervisor the responsibility to manage approved budget for his/her Division. Such announcement will be communicated to each budget supervisors. Actual allocated amount can be confirmed in the ERP system.

27.5.6 Budget execution in ERP system

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

27.5.6.1 “Before the fact” ERP system entry

Execution of budget always 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.

27.5.6.2 Use of Contingency funds

In case of emergency or unforeseeable event, President can decide to use the contingency funds under his/her custody, specifying the purpose. 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 President may decide to use these funds with the explicit approval of the Vice President for Administrative Compliance and the Vice President for Financial Management.

President can delegate the responsibility of using a specified amount of the contingency funds to Budget supervisors when it is necessary.

The contingency funds should not be held till the end of the fiscal year and must be allocated gradually to normal operation usage as the probability of needing it decreases.

27.5.7 **Budget execution monitoring and adjustments**

27.5.7.1 Monitoring of budget execution

The Budget execution status of each Division is reviewed by the President with 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.

27.5.7.2 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.

These additional budget revisions are decided by the President in consultation with the Vice President for Financial Management when it is apparent that one or more Divisions will over or under spend, therefore requiring a revision of the budget allocation and arbitration by the President.

The revised budget is registered in the ERP-Core system by the Budget Section and becomes the new reference against which the budget execution is monitored. The initial budget remains a base line reference. The President issues new delegation of budgetary responsibilities to the Budget Supervisors.

27.5.7.3 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).

27.5.7.4 Under spending

When a Budget supervisor anticipates under spending of his/her Division budget, he/she should inform the President and notify the Vice President for Financial Management as soon as possible in order to enable a corporate wide redistribution of budget for the purpose of efficient use of budget. Once this notification is accepted, the budget registered in the ERP system will be revised accordingly as soon as possible by Budget Section.

27.5.7.5 Redistribution of budget amount within and across main budget categories by Budget supervisors

The budget of the University is planned and monitored under three major budget categories: Personnel cost, Operating expenses, Capital expenditures (See 27.3.4 [\[link: 27.3.4\]](#)).

Redistribution of budget within these 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 be made indiscriminately because they create different liabilities and have different impact of the University's long term use of its resources.

Redistribution across categories must be approved by the President who must confirm with the Budget Section that this redistribution is compatible with the restrictions attached to sources of funding.

27.5.7.6 Budget carry-over

Carry-over of budget 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.)
- (3) Approval of the President is obtained

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.

27.5.7.7 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 Contacts

27.6.1 Policy Owner

Vice President for Financial Management

27.6.2 Other Contacts

Budget Section

President Office

Vice President for Administrative Compliance

Procurement Section

27.7 Definitions