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*Regulations on the Implementation of the  
Financial Management and Control System  
at Central University of Europe LLC*



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## **Article 1. General Provisions**

1. The Regulations on the Implementation of the Financial Management and Control System of the Central University of Europe (hereinafter "Regulations") define the procedures for the implementation of the financial management and control system and constitute the principal regulatory document governing financial processes within the University, serving the fulfilment of the mission of the University and the activities defined by its action plan.

2. The governing scope of the Regulations encompasses the proper planning of all internal financial management and control measures necessary to achieve the objectives defined by the action plan of the University, including the determination of the objectives of the University, budget development and execution, the definition of managerial accountability, the preparation of internal and external reports, and subsequent monitoring.

3. Responsibility for the proper functioning of the system of management and control of the approved budget rests with the Rector, who must ensure the correct distribution of relevant authorities and responsibilities within the University. The head of each structural unit of the University is accountable to a superior in accordance with the requirements of these Regulations and within the limits of their competence.

## **Article 2. Purpose of the Implementation of the Financial Management and Control System**

1. The purpose of the implementation of the financial management and control system is to improve the quality of the management of the finances and services of the University by meeting the following requirements:

- a) By strengthening the system of managerial accountability;
- b) By formulating clearly defined tasks for persons in leadership positions;
- c) By delegating authority to persons in leadership positions in such a manner that they are able to achieve the relevant tasks effectively and productively;
- d) By ensuring the timely and comprehensive provision to persons in leadership positions of all necessary financial and operational information so that they may make correct decisions;
- e) By having in place a system of accountability that obliges persons in leadership positions to ensure the achievement of objectives within the given budget, timeframe, and standards set for them by a superior, in full compliance with any internal financial and other regulations, including the requirements defined by these Regulations.

2. The head of each structural unit of the University is responsible for the implementation, documentation, and functioning of internal control mechanisms within the limits of their competence, which in turn ensures the alignment of the objectives of the University with the existing budget — objectives that are specific, measurable, achievable, realistic, and time-bound.

3. Each employee of the University is responsible for ensuring that their activities are in compliance with the control mechanisms in place at the University.

4. The conduct of a sound financial management policy within the framework of the approved budget is the responsibility of the Rector of the University and of the Financial Service.



### **Article 3. Components of the Financial Management and Control System**

1. The financial management and control system is based on recognised principles of internal control and consists of the following components:

a) Control environment — this encompasses the structure of the University, the supervisory measures implemented by senior management (the accountability system), the degree of delegation of authority, performance criteria, and the general culture of the University;

b) Risk management — this is the process of identifying, assessing, controlling, and monitoring possible events and situations, involving the implementation of measures necessary to reduce risk;

c) Control measures — these encompass financial controls and control measures that ensure the achievement of the objectives of the University;

d) Information and communication — the responsibility of the head of the University to ensure that the necessary and reliable information regarding both internal and external factors is available at various levels of management. Managers at lower levels must provide information to those at higher levels regarding factors that may influence the achievement of objectives by those managers. This means that effective communication must exist both top-down and bottom-up within the management chain, and transparency in the flow of information is of paramount importance;

e) Monitoring and evaluation — a process that ensures the effectiveness of governance and control measures as a whole.

### **Article 4. Managerial Accountability**

1. For the proper functioning of financial management and control, the University has in place a system of managerial accountability, meaning that the head of each structural unit of the University is responsible, within the limits of their competence, for the timely achievement of objectives within the given budget and in compliance with applicable legislation and the regulations of the University.

2. Managerial accountability involves the identification of responsible persons through the delegation of authorities and control mechanisms, which ensures the achievement of the objectives of the University through effective performance and productive management of existing resources, lawfully, economically, and efficiently. A responsible person is accountable to a superior within the limits of the responsibilities and authorities assigned to them.

3. Managerial accountability extends from the senior leadership of the University to each individual employee. The existing accountability system fully corresponds to the effective implementation of the strategy and objectives of the University, taking into account the purposefulness of the budget and the time factor.

4. Reporting measures are defined at each level. For the purpose of implementing the financial management and control system, reports on receipts and payments are prepared at regular intervals (monthly or quarterly), reflecting the comparison of the indicators provided for in the annual budget for the reporting period with actual/analogous parameters; in the event of a deviation, the reasons for the discrepancy are explained along with their anticipated impact on the achievement of planned objectives, and ways of remedying them are identified.



## **Article 5. Stages of Implementation of the Financial Management and Control System**

1. The implementation of the financial management and control system at the University is carried out in three stages:

- a) Financial control;
- b) Managerial control;
- c) Financial management.

2. The assessment of the correctness of the implementation process at each stage and its compliance with the requirements provided for in these Regulations is carried out across the University by the Financial Service.

## **Article 6. Implementation of Financial Control**

1. Financial control involves the improvement of existing financial control mechanisms, including financial regulations, and the implementation of managerial accountability.

2. Knowledge of the mission and action plan of the University contributes to the growth of the accountability of the relevant managers and their involvement in matters of management and control of the funds of the University, as well as to the enhancement of the financial awareness of various persons in leadership positions who are directly involved in decision-making processes across the University. As a result, the quality of budget planning and the financial control mechanisms within the University will improve, contributing to the economical, effective, and productive use of resources. It should also be noted that the delegation of managerial authority will contribute to the growth of the degree of involvement of accountable persons in the management of the activities of the University and to the effective management of the necessary financial and human resources.

3. The Rector of the University, together with the Vice-Rectors and heads of structural units, determines appropriate and adequate measures for the achievement of the established objectives.

4. The scheme of managerial accountability is structured as follows: the Rector of the University is responsible for the proper formation of the budget of the University and for monitoring the implementation of subsequent processes. The Rector of the University delegates authority to the Vice-Rectors and Deans of the University — in the case of a Vice-Rector, this is expressed in coordination over the processes of proper budget formation and the implementation of subsequent processes by the structural units under their supervision, and in the case of a Dean, in coordination over the proper formation of the faculty budget and the implementation of subsequent processes. The Financial Service carries out the calculation and analysis of financial risks, prepares financial reports, implements the financial management and control system, and carries out measures related to the effective management of financial resources.

5. The University has established its own financial management and control system, which is based on several important principles:

- a) The University has a decentralised budget in accordance with the policy, strategic plans, and action plans determined by management;



b) The budget is prepared by the Financial Service with the direct involvement of the Rector of the University, Vice-Rectors, and heads of various structural units, in accordance with the objectives and tasks defined by the strategy and action plan of the University;

c) Control over the performance of the activities of the University and budget indicators is carried out by the Financial Service. In the event of a possible failure to meet budget indicators and strategic objectives, the causes must be identified and analysed without delay. On a quarterly and annual basis, a budget execution monitoring report is submitted to the Governing Board for review;

d) The University annually engages a certified audit company, which carries out an audit of individual and consolidated financial statements and presents the relevant conclusions.

6. The financial control system ensures that:

a) Operations are carried out in accordance with the procedures defined by legislation and the internal regulatory documents of the University;

b) All operations and events are recorded in accordance with the established rules of accounting, at the correct amounts in the relevant accounts and in the relevant period, so that accurate financial statements may be prepared;

c) Recorded assets are periodically reconciled with existing assets and appropriate measures are taken in the event of any discrepancy being identified.

## **Article 7. Managerial Control of Finances**

1. The purpose of the managerial control of finances is the delegation of responsibilities and authorities to the stakeholders involved in the management process of the University, in compliance with the principles of effectiveness and productivity in achieving the objectives of the University. Persons in leadership positions holding such responsibilities and authorities must take into account the following in the process of managerial control:

- Risks that impede the achievement of objectives;
- Protection of the resources of the University from loss, damage, and misuse;
- Compliance with the principles of managerial accountability;
- The compliance of the operations of the University with applicable legislation and regulations.

3. Sound managerial control of financial resources enhances the effectiveness of the operational system of the University, as the rights and duties of each employee are clearly distributed and their work is continuously monitored by the Rector of the University.

## **Article 8. Financial Management**

1. The third stage of the implementation of the financial management and control system is the functioning of a sound financial management system. It represents the technically most complex and comprehensive stage, which ensures the effective use of financial resources.

2. Through the financial management system, the financial aspects of the activities of the University are directed towards achieving the objectives of the University with maximum effectiveness. This stage has the most significant influence on the improvement of the activities of the Financial Service and of the University as a whole.



3. Financial management is carried out by the Financial Service, whose primary duties are the coordination of the budget, participation in its planning, maintenance of accounting records, and control over the compliance of revenues and expenditures with the parameters provided for in the budget.

4. The Financial Service is structurally subordinate to the Rector of the University, who administers the funds provided for in the budget for the purpose of achieving the objectives of the University and is responsible for the achievement of the mission. The Rector, together with the Financial Service, ensures that the activities of the University are in compliance with the existing budget and are specific, measurable, achievable, realistic, and time-bound.

5. Within the framework of financial management, the following are carried out: supervision over the execution of the budget, management of revenues and expenditures, and financial analysis.

6. Financial management includes the following procedures:

a) Preparation, review, and approval of data reconciliation reports;

b) Verification of the accuracy of financial records — this control procedure encompasses the verification of aggregate figures on purchase invoices and the calculation of VAT shown on purchase invoices;

c) Preparation and review (verification) of control accounts and trial balances — control accounts include the control accounts of the registers of receivables and payables, bank balance reconciliation statements, and fixed asset registers;

d) Reconciliation of the results of the inventory of cash, investments, and inventories with accounting documentation.

7. A prerequisite of financial management is coordinated work with various structural units: the Financial Service actively cooperates with the faculties and various structural units of the University.

8. For the purpose of executing the approved budget, it is important to develop a financial management and control system and to implement the relevant procedures. To this end, financial results are periodically compared with the budgetary data of the University and analysed.

9. In accordance with the budgeting policy of the University, monitoring is conducted and, where necessary, budget adjustments are made.

10. For the purpose of regular control over planned and actual revenues and expenditures, the Financial Service conducts a quarterly budget analysis and prepares a report on the compliance of both receivable revenues and payable and incurred expenditures over the course of the quarter, as well as on the allocated and incurred expenditures within the limits of the expenditure part. The Financial Service submits the report to the Rector of the University, who, together with the Vice-Rectors, makes a decision on the need for budget adjustment (no more than 3 adjustments should be made during the year). The final decision on the introduction of changes to the budget is approved by the President of the Central University of Europe LLC.

11. The existing financial management system ensures accurate recording of revenues and expenditures; it primarily concerns matters of income, salary, property, procurement, cash, and bank accounts.

12. The revenue management process is carried out in accordance with the sources of planned revenues: the principal sources include tuition fees received from private funding, as well as targeted funding received from the state budget and revenues from other additional economic activities



obtained for the purpose of the commercialisation of human and material resources (from scientific and other targeted grants). These revenues are reflected by the Financial Service in the financial statements for the relevant period in the manner established by legislation.

13. For the purpose of receiving planned revenues, the Financial Service, on the basis of information analysis and in permanent agreement with the Rector of the University, implements administrative measures:

a) It provides the Deans of the faculties with information on student debts for the purpose of taking measures provided for by legislation;

b) For the purpose of managing accounts receivable, it also conducts an inventory of financial claims and obligations;

c) Where necessary, it identifies monetary resources arising from the execution of budget lines.

14. The Financial Service regularly monitors bank accounts to ensure that the amounts held in bank accounts correspond to the data in the accounting books of the University.

15. In the process of managing the expenditure part, the issue of payroll control is of significant importance, since the salaries of employees constitute approximately 40–45% of the revenue part of the budget of the University. Accordingly, an effective salary control system exists, which monitors the financial capacity of the University to provide for its employees, the accuracy of the salaries of employees and their certification by the responsible person, and the accurate recording of payroll expenses in the accounting books.

16. The property of the University must be protected in accordance with security rules; the technical safety of buildings, the registration of land on the balance sheet, and its arrangement must be regularly verified. They must be periodically assessed by an independent auditor and recorded in the accounting books at correct values.

17. Financial management/control in the area of procurement — the University must ensure the transparency and effective organisation of the process, protecting the University from any fraudulent transactions and from both deliberate and negligent errors.

18. Prior to the execution of a procurement contract, the Financial Service processes the written request submitted by the relevant structural unit (an invoice justified on the basis of need), compares it with the type and amount of expenditure presented and provided for in the expenditure part, verifies the relevant budget line, and only thereafter carries out the procurement operation. In the event that the request of the head of a structural unit exceeds the volume of expenditure provided for in the budget, confirmation of the purpose and necessity on their part is required, followed by the adjustment of the budget line in accordance with the decision of the President of the institution.

## **Article 9. Final Provisions**

1. This document is approved by a legal act of the Rector.

2. Amendments and additions to this document are made in accordance with the applicable legislation of Georgia.