

## The Management of Process of the Budget Area: Universidad Técnica de Manabí



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### Abstract

The budget area, of the Technical University of Manabí, has an organizational structure that is not coupled with the planning, because it has an organizational complexity according to its technical-administrative dimension, although it complies with all the organizational processes that involve the execution of the institutional budget taking into account the importance of human, material and technological resources, there are links in the budget execution program that are still weak. The research deals with the need to manage the budgetary processes, according to the activities that are planned within the Budget Area, with the objective of fulfilling the institution's priorities and strategies through the amounts assigned to its income and expenses, knowing that the budget planning and execution process is a fundamental tool to fulfill the mission and vision of Higher Education Institutions. The objective of the research is to look for alternatives that allow to solve the insufficiencies that exist in the management of the budgetary processes that affect the development of the activity, difficulties that appear both in income and in expenses; having as a result of these problems: rejections in the budgetary modifications, delays in the execution of the payment processes, actions that are fundamental for the execution of the institutional budget, which may affect the vision of the university.

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### 1. Introduction

The Technical University of Manabí (UTM), is a Higher Education Institution (IES). It is offering its educational services since 1952, now it is located as a category "B" university and daily carries out procedures that involve academic, investigative and linking activities with society, which are financed with the budget assigned by the central government. A public budget is a fundamental tool for decision making of all territorial governments;

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it is through which programs like education can be carried out, hence the need to have knowledge and mastery of the subject with its management in the public sector [1].

The budget is a financial, forecasting and control instrument, as well as a management tool so that companies and public and private institutions can plan their actions in a given period [2]. For budget discipline to be an effective management tool, it must start with a thorough review of all the needs and with the assignment of resources to the budgeted activities and the continuous examination of the congruence between the carrying out of the activities and the plans. Approved operations; and this is called process management.

A process can be defined as any repetitive sequence of activities that one or more people (intervening parties) develop to get output to a recipient from some resources that are used (depreciable resources that need to be used by the participants) or are consumed (inputs to the process) [3]. The process offers a horizontal vision of the organization and responds to a complete cycle, from when the contact with the client takes place until the product or service is received satisfactorily [4]. The scientific administration is developed by Frederick Winslow Taylor, born in the Philadelphia United States, considered with a neoclassical or traditional approach to administration; this is concerned with increasing the efficiency of the industry through the rationalization of the work of the worker. The basic concern was to increase the productivity of the company by increasing the efficiency at the operational level (level of the workers). From there, the analysis of the division of labor begins, since the tasks of the position and of the person who performs constitute the fundamental unit of the organization [5].

Several types of processes can be identified within an organization, among them those processes that are linked to the scope of management responsibilities, mainly long-term ones, and are mainly related to planning processes and others considered to be strategic. Linked to key or strategic factors. According to the NC 9004: 2009, the processes can be specific to an organization and vary depending on the type, size, and level of maturity of the same [6]. Each process is composed of a set of activities that should be determined and adapted to the size and distinctive characteristics of the organization. The proactive management of all the processes of an organization contributes decisively to the achievement of its effectiveness and efficiency [7].

The keys are those that are directly linked to the realization of the product and service, are the line processes. The support is those that support the organization and are usually referred to processes related to resources [8]. The process management consists of providing the organization with a horizontal structure following the interfunctional processes and with a clear vision of orientation to the final client, these must be perfectly defined and documented, indicating the responsibilities of each member, and a team of assigned people [9]. The application methodology of process-based management is an adequate management tool for the present time, constituting a successful alternative for obtaining better and better results [10].

The objective of this research is to analyze the management of the processes in the budget area of the Universidad Técnica de Manabí (UTM), based on the fact that the activities within the organization can follow the sequences so that the expected activities are fulfilled the recipients of the same and in addition they are improved applying the management and improvement of processes, achieving with it the continuous improvement in the budgetary management through small improvements in the processes.

## 2. Research Methods

The research was developed using the case study methodology, which is also applied research, to verify that these have been developed in the facilities of the UTM, in the budget area, considering it as a field investigation. The analyzes carried out have been based on real processes that are developed to manage the resources assigned to the university, to achieve compliance with the objectives set. To comply with the proposed objectives, bibliographic research related to management and budget was carried out, being necessary to study different rules, regulations, public finance planning code and collect all the necessary information to achieve the desired result.

The techniques and instruments used to collect the information were the interviews and the observation. The interview was applied to the personnel that works within the budget area, related to the management of the processes to be carried out for the execution of the budget; in addition to a particular interview with Budget Analyst 3 (Area Manager); all with questions related to the activities that are carried out. The observation technique was also implemented, directly showing the management of the budgetary processes that allowed verifying the truth of the statements in the interviews. The instruments used were questionnaires for interviews and reality observation forms for the budgetary management of the university

### 3. Analysis of current processes

To process the information of the interviews, tables were developed that help to understand the process management of the studied area easily. Process diagrams were developed to better detail the problems that arise in them. Diagrams were developed with a clearer vision of the problem, being able to detail at each moment each of the budgeting stages and the management that is carried out. Achieving with it knowing what the problems presented in the management of budget processes are; in addition to making corrections to the difficulties encountered and thus strengthening the existing weaknesses in the six budget stages.

#### 3.1 Analysis of current processes

The budget area currently works on six budget stages that are shown in the scheme of Figure 1.

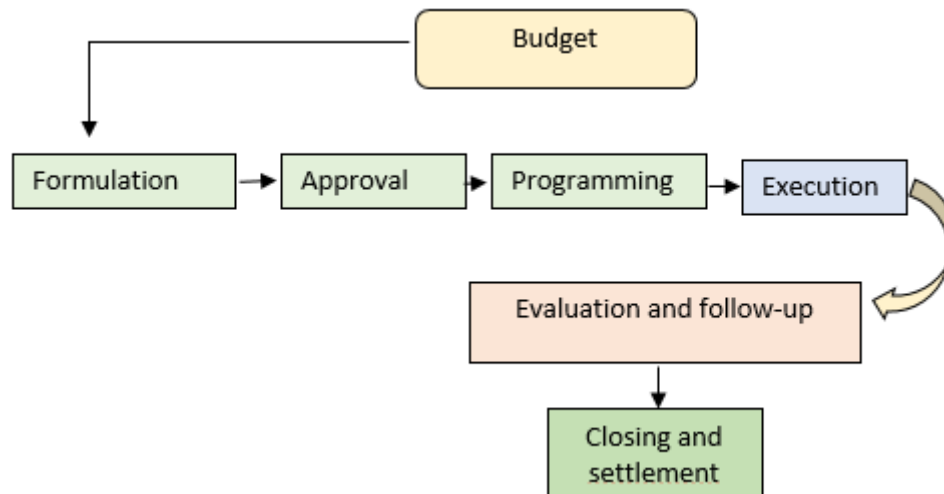


Figure 1. Stages for process compliance

These stages comprise the entire budget process, the final result of which is the total execution of the budget; so we analyzed the processes and the management that is done to get to meet each of the stages

#### 3.2 Formulation, approval and budget programming

The formulation, is the activity indicates the elaboration (income/operation) of the annual budgetary proforma, having a management process. It is presented as difficulty: not having the annual expenditure schedule of the different administrative and academic units for the correct distribution of the budget; nevertheless, the necessary projections are made closer to the institutional needs based on budget execution in previous years. The approval is executed by the Ministry of Finance of Ecuador, where the annual budgetary proforma for the institution is approved.

The programming has a management process similar to that of the budgetary proforma, where expenditures are programmed monthly and quarterly by expense groups and budgetary items. The difficulty in this process is similar to the same as when entering the budget proforma where there is no annual spending schedule of the different administrative and academic units; nevertheless, the necessary projections are made closer to the institutional needs based on budget execution in previous years. These are the first three stages of Budgeting, which the university uses, based on the provisions of the Ministry of Finance of Ecuador; but it does not have a budget management model of the institution itself. Figure 2 (A) shows the map of how the process should be developed, in (B) the concepts of the symbols used

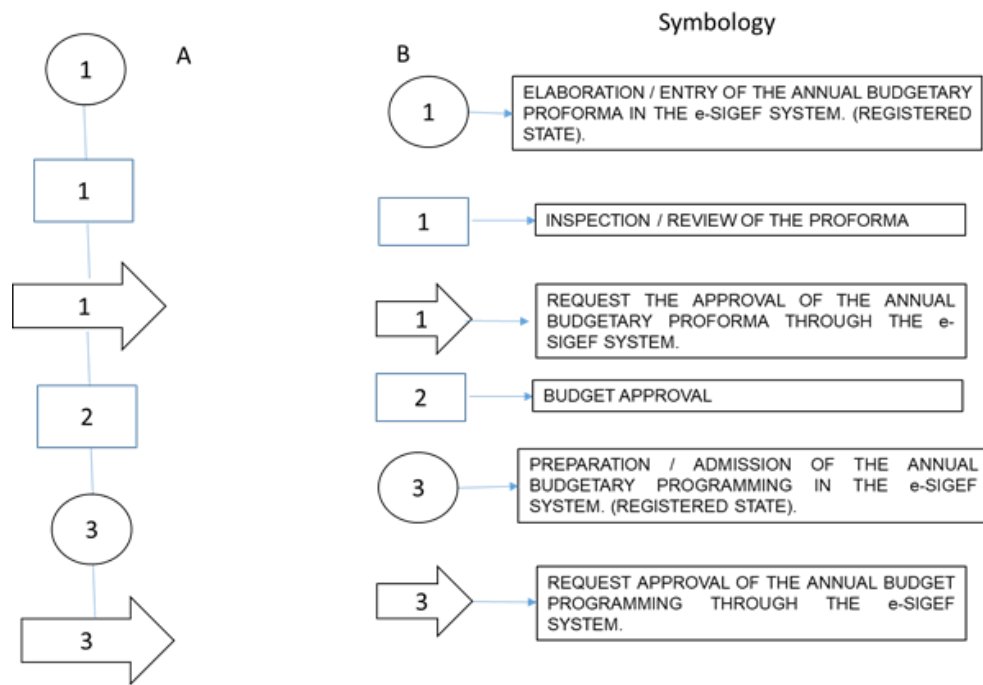


Figure 2. Process map (A) and symbology (B)

Within the execution, three sub-processes of interest are carried out to achieve compliance with the budget, these are: budget modifications, budget execution and budgetary reprogramming as shown in figure 3.

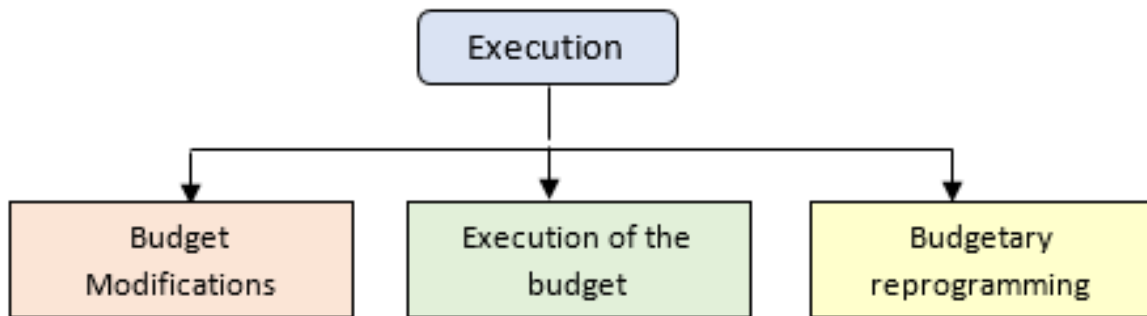


Figure 3. Stages of support for budget execution

In the case of the budgetary modification, four stages are applied as shown in the scheme of figure 4

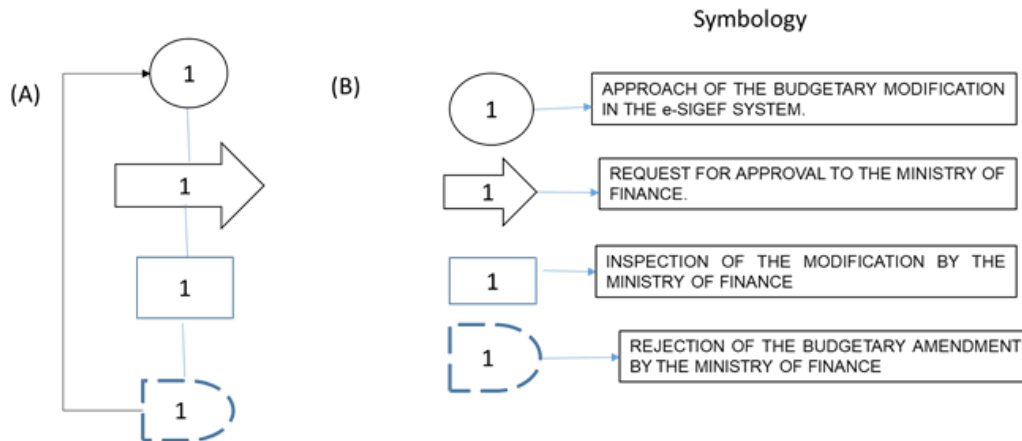


Figure 4. Budget modification (A) and symbology in (B)

Budgetary modifications: There are two types, those that affect the total institutional budget and those that affect only budgetary items without modifying the total institutional budget

**3.3 Modifications affecting the total institutional budget**

As seen in (A) the stage of budgetary modification, AMP and DIS (expenses) AMPLI and DISMI (income). They are used for the expansion or decrease of the institutional budget ceiling; these stages are executed continuously until reaching the rejection stage where the new approach of the new modification is made with the observations and suggestions issued by the Ministry of Finance

*Modifications affecting budget items*

The INTRA1 - INTRA2 (internal modification) that serve to expand the amounts allocated in the items of the budget groups, are developed continuously without alterations to the total institutional budget as shown in figure 5.

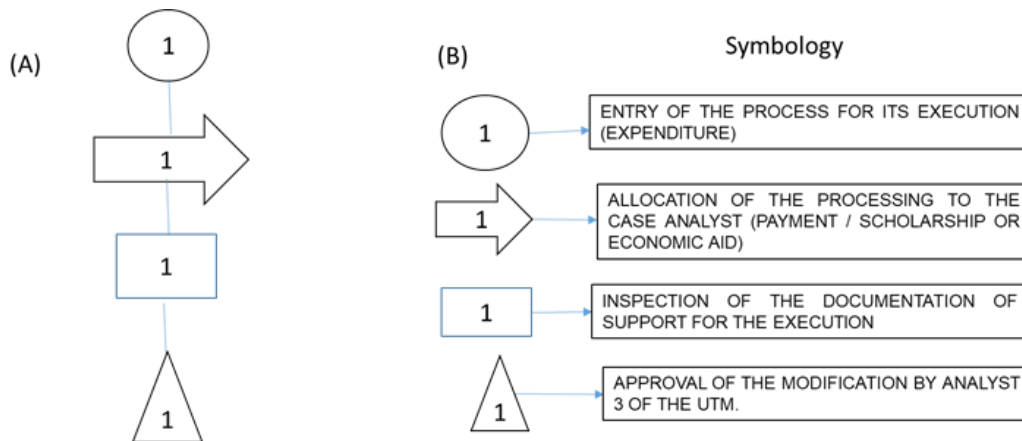


Figure 5. Budget modification (A) and symbology in (B)

*Execution of the Budget*

Figure 6 shows the management of budgetary execution in expenses, involves the management of payments to the suppliers of the institution, who sell their products and services to meet the needs of the IES and meet the requirements of their customers; the scholarships to students, the financial aid to the academic and administrative personnel, who are carrying out their studies or training in favor of the scientific development of the Institution. The sub-process starts at the entry of the procedure to be settled, then it is assigned to the Budget Analyst who values the documentation; when observing that it does not meet the necessary requirements, return the task with the pertinent justifications.

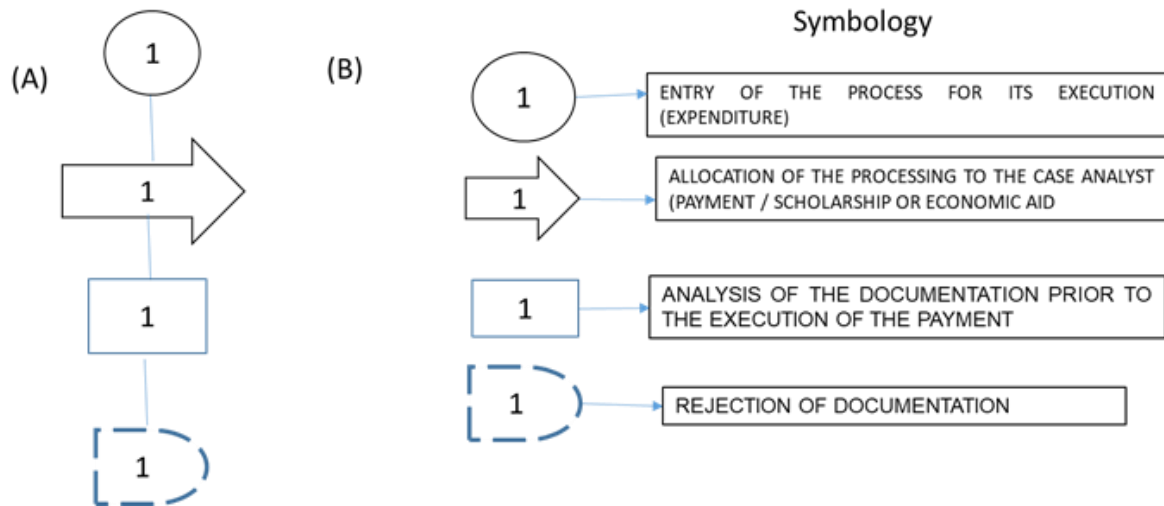


Figure 6. Budget execution process

*Budget reprogramming*

The budgetary reprogramming is applied to the groups of expenses that have been modified for a better execution of the budget. This operation is carried out without any inconvenience, but it is a repetitive activity, which causes delays when not having a planning and orientation of the expense prior to the entry stage of the budget proforma. Figure 7 shows the reprogramming process

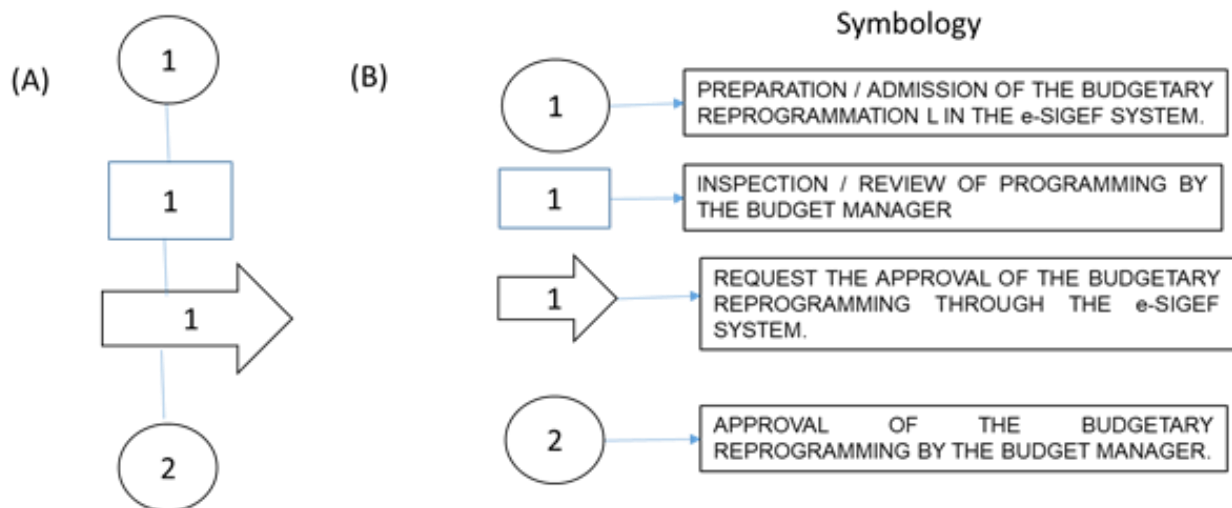


Figure 7. Budget reprogramming process

*Budget monitoring and evaluation*

This budgetary management process is carried out normally following the guidelines issued by the governing body of public finances in the established time and with the format that is applied for the web platforms, in figure 8 the process is observed in detail

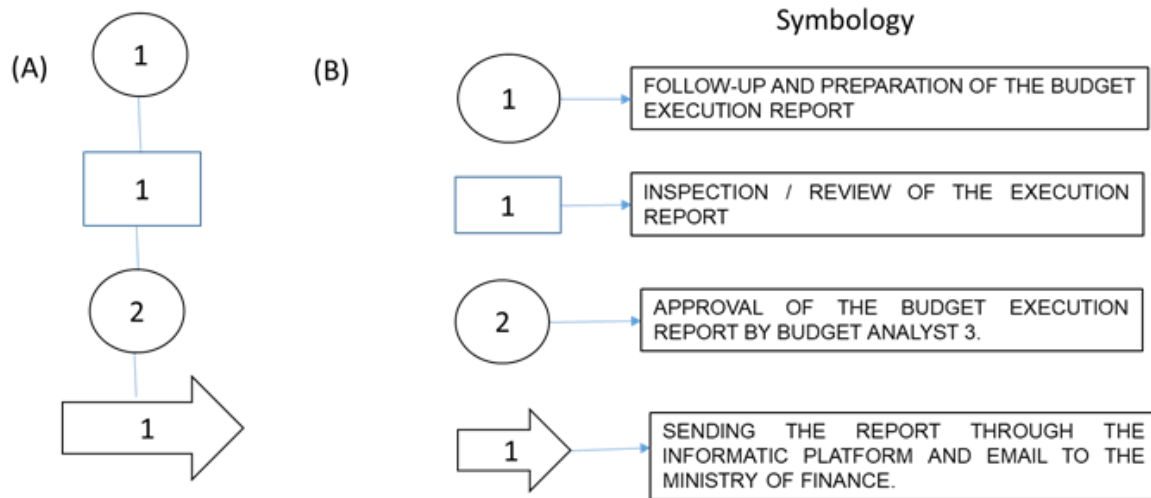


Figure 8. Evaluation and budget follow-up

*Closure and budget settlement*

This process is the last to be carried out in the financial period; which is carried out without any interruption since it is executed with the year-end guidelines issued by the Ministry of Finance of Ecuador. But there is no activity or planning record designed to perform this task for control purposes before applying the closing guidelines. In the research work all the processes have been designed independently, showing each step to be taken in the budget process, meeting the objectives set that were designed to design the links that in some of them. There were difficulties that can be amended with the processes that have been shown, being able in the future to realize the complete process diagram of the budgetary system of the institution

**4. Conclusion**

In the research developed, the different stages of budget analysis are shown, from planning in the HEI until the report is sent, through the computer platform and email to the Ministry of Finance and the highest authorities for their knowledge. In the analysis of the process, different steps were detected that can not be fulfilled, but that have allowed a corrective study of the process that can be introduced in the next years in the IES.

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