

Financial policy of RTU (summary)

The financial policy of RTU (hereinafter - the Policy) has been approved by the Council of RTU on 29.08.2023. decision "On the approval and implementation of RTU's financial policy" (No. 01000-21.2.2-e/2).

According to the decision of the Council of Riga Technical University (hereinafter - RTU), the Policy is valid from 01.01.2024.

The Council of RTU, by approving the Policy, has determined the right to approve internal regulations (both financial management and accounting) to the rector or to the vice-rector of Development and Finance of RTU with the powers granted to him.

The purpose of the policy is to establish principles and methodology that ensure transparent, reliable and segregated financial accounting and analysis for the achievement of strategic goals, management reporting needs, service cost calculations and pricing, as well as to meet the financial management control requirements of the research organization. The policy makes transparent the basic principles of financial management accounting used in the execution of projects employees, auditors, external funders and other interested parties, including also informing partners about the manner and forms of fulfilling the obligations of the research organization RTU - compliance with commercial activity support control norms, accounting of long-term assets (infrastructure) purchased with EU funds, etc. If the accounting of a specific transaction or event is not specified in the Policy, the accounting is done in such a way that it complies with the Policy basic principles according to the economic nature of transactions, events.

The policy is based, organized and executed in daily work, following three principles of sound financial management:

- frugality;
- utility;
- efficiency.

Conducting financial management, organization and preparation of reports is ensured in accordance with the requirements of the respective applicable laws and regulations, which regulate the specific issues. Financial management principles are determined by methodologies and procedures, as well as other separately approved internal regulatory acts, which determine financial management issues and principles based on economic justification.

In the event that amendments to the regulatory enactments come into force, which determine a different procedure from the one specified in the Policy, the latest requirements of the regulatory enactments shall apply.

The policy is supplemented and updated after changes in internal and external regulatory acts or in accordance with the proposals of the Vice-Rector for Development and Finance. The policy is approved by the RTU Council.

Basic principles of accounting policy

Information provided by accounting must be true, comparable, timely, relevant, understandable and complete. Accounting must ensure the delimitation of revenues and expenses by reporting periods.

Bookkeeping is determined by:

- description of basic accounting principles of RTU;
- Documents of the RTU accounting organization.

The description of RTU's accounting principles is one of the components of the annual report, which lists the basic accounting principles, the use of estimates, materiality and a summary of the most important accounting principles.

Bookkeeping is additionally regulated by a set of documents of the separate accounting organization, which determine the principles, methods and rules of accounting, evaluation and indication of the relevant economic transactions, facts, events and financial items, which are used for the preparation of the financial report, for example, RTU's internal procedures, instructions, orders , process diagrams, etc.

In the event that changes in regulatory enactments come into effect, which determine a different procedure from that established by the RTU, the latest requirements of regulatory enactments are applicable.

Budget

A budget is a plan of income and expenditure for a specific period of time, work, event or function. The budget is the main document that determines the work plan of RTU for the relevant reporting period, including information on the financing of important activities during the reporting period.

The reporting period (budget year) corresponds to the calendar year, it is from January 1 to December 31 of the current year.

Project execution, including revenue recognition, takes place in accordance with the procedures and periods specified in project financing agreements, etc. related documents. For the purposes of budget development, project managers and administrative managers provide the necessary information on project cash flow according to the reporting period.

Revenues and expenses are managed in accordance with the Policy, as well as principles approved by the Rector or determined by the Vice-Rector for Development and Finance with the powers granted to him.

RTU revenues consist of:

- state budget financing in accordance with the regulations;
- paid services and other own revenues;
- project financing, incl. transfers and foreign financial assistance;
- donations.

The budget and its amendments, if necessary, are approved by the RTU council in accordance with the draft budget submitted by the rector.

When approving the annual budget, the RTU Council simultaneously approves the principles that determine the need to develop budget amendments when operational results change,

for example, a rapid, previously unforeseeable increase in expenses or redistribution of additional revenues.

If the budget is not approved by the beginning of the budget year, then in the period from January 1 until the approval of the budget for the relevant reporting period, the budget of the previous reporting period (technical budget) is valid with corrections related to changes in regulatory acts (for example, an increase in the minimum wage), taking into account that there is no it is possible to start a new investment project, unless the RTU council has made a separate decision on it.

The vice-rector of Development and Finance is responsible for drafting the budget and its amendments, including approving the draft budgets of structural units during the drafting of the budget, as well as including the activities provided for in the Investment Plan approved by the RTU Council in the draft budget.

Funding for structural units is allocated for the budget year in accordance with the academic work funding distribution procedure approved by the rector, or in certain cases (for example, funding for the implementation of paid services other than paid studies and projects) also immediately after receiving the funding.

The procedure for distributing funding for academic work applies to all types of core activity funding (or it does not apply to project funding and donations).

Description of the financial management system

The financial management system ensures the separation of revenues and costs by types of core activity and other activities, separating economic activities from non-economic ones, thereby ensuring that economic activities are not additionally financed by the state, the EU or other funds intended for the study process or research.

RTU organizes accounting in such a way that it is possible to obtain data from information systems on assets (for example, fixed assets, debtors and cash), liabilities (equity, savings and payables), revenues and expenses (including the next period) of each financial flow.

The unbundling of financial flows serves as the basic proof that no illegal commercial support in the form of cross-subsidies is provided. The financial management system ensures the separation of revenues and direct costs by types of assets, structural units, projects (including separating indirect attributable costs from direct attributable cost accounting centers (hereinafter - UC)), for individual services and activities, additional accounting accounts and EKK using the structural unit and accounting center or UC dimensions and additional features.

A UC is the smallest unit of account to which costs for any activity can be attributed and aggregated. The UC structure is designed in such a way that it is possible to identify the funding, type of activity and nature of each activity. These dimensions are given by listing EU structural funds, other support projects, grants, contract work and any service for which costs are attributed as a separate unit, thus creating an opportunity to separate economic and non-economic activities, their costs and financing.

Financial accounting is done in a computer environment, using accounting and financial management systems, in addition to the above-mentioned systems, according to the Vice-Rector for Development and Finance other additional information systems can be used for recommendation and rector's approval.

In determining the cost price and realization price of services, RTU uses the cost method, that is, all cost-forming items related to the service are included, their actual and planned costs that arise or will arise when providing the service, including indirect costs and reserve costs related to the provision of the service.

In addition, RTU is used, incl. combine both the income and the market method, while not allowing support for commercial activity, cross-subsidization.

Management of financial resources

Considering the size of RTU's assets, incl. the amount of available financial resources, following the correct principles of financial management, it is essential to use them efficiently, which means without creating significant risks for the continuity of RTU's operation, use various financial services, including both deposits and loans.

In the management of financial resources, the financial indicators specified in the RTU strategy are taken into account, additionally observing the requirements specified in other regulatory acts and documents (including loan agreements).

Lending services (short-term or long-term loans with or without collateral) the use is approved by the RTU council, according to the rector's recommendation. The choice of service provider is based on the FP.

The rector is authorized to approve financial services related to lending services, which create credit obligations and are necessary to ensure operational activity, for example, receiving a bank guarantee for participation in procurement.

Financial risk management

Financial risk management is ensured in accordance with RTU's Risk Management Policy, providing a uniform approach to the risk management process.

The description of financial risk management is a part of RTU's annual report.