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GUIDELINE NO 13/2024

CODE ON CONTROL OF THE VUT

CONTENTS

PART ONE INTRODUCTORY PROVISIONS	2
Article 1 Course and purpose of the regulation	2
PART TWO ELEMENTS OF THE INTERNAL CONTROL SYSTEM	3
Article 2 Basic elements of the ICS	3
Article 3 Control activities of senior employees	3
Article 4 Control and coordination activities of the IACD	4
Article 5 Audit activities of the IACD	5
Article 6 Control activities of the Bursar	5
PART THREE MANAGEMENT CONTROL AT THE BUT.....	5
Article 7 Definition of management control	5
Article 8 Management control	6
Article 9 Implementation of management control	6
Article 10 Financial management control	7
Article 11 Management control in terms of time	7
PART FOUR GENERAL TERMS AND SETTINGS.....	8
PART FIVE TRANSITIONAL AND FINAL PROVISIONS.....	9

PART ONE
INTRODUCTORY PROVISIONS

Article 1

Course and purpose of the regulation

1. The Code is based on the provisions of Act No. 320/2001 Coll., on Financial Control in Public Administration, as amended (hereinafter referred to as "the Financial Control Act"), and Decree No. 416/2004 Coll., which implements this Act (hereinafter referred to as "the Decree"), Act No. 262/2006 Coll. (the Labour Code), as amended, and other generally binding legislative provisions.
2. This Guideline sets out the rules for the internal control system (management control activities, internal audit and internal control at Brno University of Technology (hereinafter referred to as "BUT"). According to this Code, the principles, rules and procedures for the performance of control activities can be defined as an integral part of the management system of BUT at all its levels.
3. The internal control system of the BUT (hereinafter referred to as the "ICS") is one of the basic elements of the established Compliance Management System comprising organized, formalized and permanent tools and measures. In this context, the following are included in the ICS:
 - a) the control mechanisms that are implemented within the BUT by its employees within the scope of their competence and delegated powers.
 - b) the sum of all the activities used to determine whether the results achieved are consistent with those planned.
 - c) A whole composed of parts that interact and between which information and data flows. It is the setting up of all the individual elements of management and control so as to achieve an efficient, cost-effective and effective whole.
4. The purpose of the ICS is to set effective and efficient control mechanisms that lead to:
 - a) verification and evaluation of the set processes and activities carried out at the BUT
 - b) Ensuring the achievement of the set objectives while complying with the 3E principle
 - c) ensuring the protection of assets and the proper use of resources (material, human, intellectual, financial, information)
 - d) avoiding conflicts of interest in decision-making and management activities,
 - e) Ensuring compliance with legal regulations and internal legislation,
 - f) preventing errors.
5. The aim of the established ICS is to grant authority to the BUT and to the units:
 - a) independent feedback on the status of the evaluation's audited settings, systems, processes and activities, as well as on the use of resources,
 - b) reasonable assurance that the operations to be authorised comply with legislation and internal rules,
 - c) effective support in the event of external controls,
6. The activities carried out within the framework of the ICS at the BUT are mainly aimed at:
 - a) early detection of gaps between the actual and desired state of the evaluation's set-up, processes and implementation of activities,
 - b) Identifying risks arising in connection with the activities carried out and formulating appropriate measures to prevent, eliminate and/or mitigate their impact,
 - c) evaluating the performance of activities and decision-making at all levels of management in terms of their objectivity and usefulness for the BUT,

- d) evaluating the economy, efficiency and effectiveness of the set-up of individual processes and activities and evaluating the application of the principles of good housekeeping and professional due diligence,
- e) verifying the reliability, accuracy and credibility of the information contained in the internal information system.

PART TWO ELEMENTS OF THE INTERNAL CONTROL SYSTEM

Article 2 Basic elements of the ICS

1. Management control and internal audit are the basic elements of the ICS.
2. Control and audit activities within the framework of the ICS is ensured at the BUT:
 - a) control activities of senior employees within the framework of management control - carried out by all senior employees of the BUT at all levels of management as an integral part of the management of the evaluation areas or units entrusted to them,
 - b) control and audit activities of the Internal Audit and Control Department of the Rector's Office of the BUT (hereinafter referred to as IACD)
 - c) control activities of the BUT Bursar - control and coordination activities provided by the BUT Bursar in connection with the performance of management control and methodological activities in the field of management and internal administration with university-wide competence performed by individual divisions/departments of the Rector's Office (hereinafter RE),
 - d) the control activities of the Academic Senate of the BUT and the Academic Senates of the Faculties in accordance with and within the scope defined by the relevant provisions of Act No. 111/1998 Coll., on Higher Education, as amended.

Article 3 Control activities of senior staff

1. The status and authority of individual managers is determined by the internal regulations of the BUT and job descriptions.
2. The activities of senior staff in relation to control activities are defined by the following settings:
 - a) all senior employees at all levels of management and within their competence are obliged to exercise management control over the operations they provide, the set objectives and goals of the managed evaluation unit and to check compliance with applicable legal regulations, internal standards and BUT methodologies,
 - b) senior staff are responsible for the currency of methodological settings and their linkage to the issued internal ordinances in the evaluation units and areas of their management authority and are obliged to regularly check their compliance.

Heads of economic units heads of Departments of the Rector's Office are obliged to plan and evaluate their control activities:

 - They shall submit the plans of control activities to the IACD no later than 28 February of the year in question,

- It shall submit an evaluation of the results of the audit activity for the calendar year against the adopted plan to the IACD by 31 March of the following year at the latest.
- c) Heads of Units of BUT and Heads of Departments are obliged to carry out an analysis of the deficiencies detected by the control and, on the basis of this analysis, to take specific measures to eliminate the deficiencies and prevent their recurrence,
- d) senior staff are required to cooperate and provide assistance to the IACD in carrying out their control and audit activities,
- e) serious findings from the inspections carried out are immediately reported by the inspecting employees to their direct supervisor, who immediately informs the Rector of the BUT. A serious finding is always:
 - establishing the facts in which the so-called major damage¹ occurred, i.e. damage exceeding CZK 100,000,
 - the discovery of facts indicating that a crime has been committed,
 - the discovery of the unauthorised use, retention, loss or damage of public funds or of facts giving rise to a suspicion of such a threat to public funds.

Article 4

Control and coordination activities of the IACD

It focuses on:

1. coordination and evaluation of management control at all levels and in all areas of BUT activities,
2. granting authority for methodological assistance to senior staff at all levels of BUT management in the area of management control,
3. coordinating, granting and ensuring assistance to external audits and providing related support to audited entities at the BUT:
 - a) coordinating the reception of external audits, including their evaluation and administrative arrangements, except for the audits referred to in Article 4(f) and (g),
 - b) coordination of the preparation and compilation of documentation subject to control in cooperation with the audited BUT entity,
 - c) keeping a central record of external audits and their documentation,
 - d) coordination of arguments and communication with external audits and inspection authorities, including coordination of the granting of opinions, comments and objections,
 - e) Evaluating findings and proposing measures to treat and correct negative findings of external audits.
4. performance of its own planned thematic audit activities and extraordinary audits on the basis of the Rector's Office mandate in all areas of the BUT's activities,
5. dealing with complaints, petitions and submissions from citizens (within the meaning of generally binding legislation), including keeping a central register (see separate Guideline),
6. receiving and investigating notifications in accordance with Guideline (EU) 2019/1937 of the European Parliament and of the Council

¹ According to Section 138 of the Criminal Code, not insignificant damage means damage amounting to at least CZK 10,000, not insignificant damage means damage amounting to at least CZK 50,000, greater damage means damage amounting to at least CZK 100,000, significant damage means damage amounting to at least CZK 1,000,000, and damage of a large scale means damage amounting to at least CZK 10,000,000.

Article 5
Audit activities of the IACD

It focuses on:

1. independent determination of the integrity, coherence, effectiveness, efficiency and economy of the management system,
2. coordinating and managing the risk management system and maintaining comprehensive risk documentation,
3. verifying the functionality, effectiveness and efficiency of the internal control system
4. conducting internal audits according to the annual plan and extraordinary internal audits on the basis of the Rector's mandate in all areas of the BUT's activities,
5. conducting a cyber security audit in accordance with Decree No. 82/2018 Coll. on cyber security.

Article 6
Control activities of the Bursar

1. The control activities of the Bursar are carried out in the area of economic management and internal administration within the scope of delegation by the Rector of the BUT.
2. The control activities of the Bursar include in particular:
 - a) verifying compliance with applicable internal standards in the area of management and internal administration,
 - b) Verification of the financial control system according to Financial Control Act and the related circulation and approval of documents authorising financial operations,
 - c) Verification of the activities of the BUT refund committee,
 - d) coordinating the activities of the external auditor in the field of accounting and taxation,
 - e) carrying out exceptional management and internal governance checks in connection with the emergence and occurrence of risks,
 - f) coordination of controls by the tax office,
 - g) coordination of inspections by the Office for the Protection of Competition (OPC).

PART THREE
MANAGEMENT CONTROL AT THE BUT

Article 7
Definition of management control

1. **Management control** is a continuous, systematic, systematic and coordinated activity carried out by all senior staff to ensure the timely identification of risks, the assessment of risks and the submission of design and recommendations for corrective, elimination or mitigation measures.
2. The course of management control is in particular:
 - a) verifying compliance with evaluation, system and methodological settings and management acts within the scope of the manager's management responsibility and at subordinate management levels,

- b) systematic, timely identification and evaluation of risks (technical, personnel, economic, operational, legal, operational and other risks, threats to property and rights, wasteful use of resources, breaches of information security, etc.),
- c) verifying the application of the principles of efficiency, effectiveness and economy, as well as the principles of good housekeeping and professional due diligence, within its management remit and at subordinate management levels,
- d) Verification of the set-up and mechanism to ensure the protection of assets and the proper use of resources (physical, human, intellectual, financial, information),
- e) investigating the emergence and occurrence of conflicts of interest and proposing measures to eliminate them,
- f) recommending and taking action to correct, eliminate or mitigate risks and proposing systemic and immediate measures to address identified deficiencies and gaps between reality and the desired state.

3. Control activities at the BUT are divided into:

- a) managerial control,
- b) financial management control according to the Financial Control Act

Article 8

Management control

1. The objective of management control is to verify:
 - a) fulfilling the objectives of the managed evaluation unit, which are defined in strategic documents
 - b) the fulfilment of the purpose, objectives and results of a specific selected activity or process,
 - c) whether the individual activities are carried out in a procedurally correct manner and in accordance with internal rules and applicable law.
2. All senior staff are required to plan their audit work in advance for the following calendar year.
3. The individual evaluation units of the BUT ensure the planning of audit activities independently. The audit plan (recommended model in annex 1) for the whole Faculty/Unit for the following year is approved by the head of the relevant evaluation unit (Dean/Director) and submitted to the IACD by 28 February of the given year at the latest.
4. The IACD prepares its own plan of audit and control activities always in advance for the following calendar year. The plan for the following year shall be submitted by the head of the IACD to the Rector for approval by the end of the year.
5. The Head of the IACD informs the Rector about the preparation of control plans at individual Faculties and Units of the BUT by 30 April of the relevant year.

Article 9

Implementation of management control

1. All senior staff are responsible for exercising management control.
2. In exercising managerial control, managers apply the following control procedures:
 - a) approval - which ensure the examination of the documents underlying the operations being prepared and which suspend these operations in cases where deficiencies are found until they are corrected,

- b) operational - ensuring that operations are complete and accurate until final settlement and clearing,
 - c) evaluation - which ensure the assessment of data on operations stored in the information systems of the BUT and contained in accountant and other financial and statistical statements, reports and reports and evaluation of the overall management.
3. The output of each inspection is a brief report (recommended model annex 2), which must include:
- a) defining (defining) the area to be audited (what areas of activity or what types of documents will be audited),
 - b) the audited organisational unit (person),
 - c) the timing of the audit (from when to when the audit took place),
 - d) the names of the persons who carried out the inspection,
 - e) the findings of the audit and the measures taken to systematically correct the identified deficiencies.
4. The detailed setting of rules for the implementation of planned inspections is fully the responsibility of the heads of individual BUT units.
5. All senior staff are required to evaluate the implementation of the audit plan and any findings resulting from the audits carried out. The individual organisational units of the BUT shall evaluate the implementation of the audit plan for the relevant calendar year and submit this evaluation to the IACD by 31 March of the following year.
6. If deficiencies and risks have been identified by the audit activity, the evaluation of the audit activity includes a list of corrective measures taken.

Article 10

Financial management control

1. **The financial management control** according to Financial Control Act is the control of the effectiveness and efficiency of the approval processes and circulation of documents according to the conditions set by the above mentioned law aimed at:
- a) assessing and confirming the regularity and legality of financial and property transactions in terms of the use of funds or property in accordance with their intended purpose and the purpose for which they were granted or acquired,
 - b) Compliance with and application of the Financial Control Act settings, the principles of good housekeeping and due professional care in the approval of financial and property transactions.
2. The financial management control according to Financial Control Act is regulated by a separate internal standard in terms of content and process.

Article 11

Management control in terms of time

1. **Preliminary control**, i.e. carried out before the actual execution of the activities or the approval of the relevant operations with the objective:
- a) assess the intention of the operation, i.e. whether it is in line with the objectives and aims of the BUT, complies with legal regulations, approved budgets, programmes, concluded contracts and other resolutions, etc,

- b) assess the readiness to carry out operations and set up adequate, correct, unambiguous, legible and secure approval procedures in accordance with external and internal legislation and the rules and conditions set by the granting authorities,
- 2. **interim control**, i.e. carried out during the course of activities or operations until their final settlement or clearing, in order to verify,
 - a) whether these are carried out in accordance with predefined and established requirements,
 - b) whether the BUT adapts the conduct of operations to new risks as economic, legal, operational and other conditions change
- 3. **ex-post control**, i.e. carried out after completion of the operations concerned in order to
 - a) assess the results achieved and the soundness of management,
 - b) verify that the activities carried out or the operations of the activity have been carried out in accordance with external and internal legislation, rules and conditions laid down by the granting authorities,
 - c) verify that transactions are supported by accurate and conclusive supporting documents that sufficiently capture the audit trail of the authorisation.
 - d) Verify that actions taken by the BUT, including measures to eliminate, mitigate or prevent risks, are being implemented.

The ex-post control may not be carried out by the principal of the operation who was involved in the approval of the transactions to be verified which are subject to the ex-post control.

PART FOUR GENERAL CONDITIONS AND SETTINGS

Article 12

1. The Rector of the BUT is responsible for the setup, implementation, administration and maintenance of the ICS.
2. Responsibility for the performance of control activities is an integral part of the management activities of each senior employee in the evaluation units and in the areas of delegated management authority.
3. The IACD is directly subordinated to the Rector of the BUT and is evaluation-wise separated from other organizational units of the BUT.
4. The activities of the IACD, including a detailed description of the process of performing control and audit activities and the authorisations to perform them, as well as the obligations of both controlling and audited entities, are described in detail in separate internal standards on the performance of control and audit activities
5. The IACD submits to the Rector of the BUT, no later than 30 April of the relevant calendar year, a summary report on the VKS for the past calendar year, which includes:
 - Report on the results of planned and exceptional controls and audits carried out by the IACD,
 - Report on management controls carried out at individual units of the BUT,
 - Report on external controls and audits,
 - Report on complaints, suggestions and proposals received,
 - Report on the risk management system.
 - A financial control report within the meaning of Financial Control Act.

6. The Bursar of the BUT submits to the Rector of the BUT no later than 30 April for individual areas of management and internal administration:
 - a) Plan of methodology and control activities for the relevant calendar year,
 - b) Report on the implementation of the plan of control and methodology activities for the past calendar year,
 - c) Report on planned and extraordinary management controls,
 - d) A report on the work of the Reimbursement Committee (including an evaluation of the status of implementation of its conclusions),
 - e) Report on the audit of the financial statements by the external auditor and related documentation.

PART FIVE TRANSITIONAL AND FINAL PROVISIONS

Article 13

1. This Code repeals Code No. 1/2017 and Guideline No. 64/2017 on control activities at the BUT
2. The following internal Ordinances are linked to these Code:
 - ensuring management financial control at the BUT,
 - on internal audit at the BUT,
 - receiving and handling complaints and submissions;
 - Receiving and investigating whistleblowing in a timely manner in accordance with Guideline (EU) 2019/1937 of the European Parliament and of the Council (whistleblowing) at the BUT,
 - on external audits at the BUT,
 - risk management at BUT.
3. This Guideline shall enter into force on the date set out at the head of this Guideline.
4. Deans of faculties and directors of university institutes and other units shall ensure that the provisions of these Code/Rules are incorporated into their management procedures and internal standards by 28 February 2025 at the latest and that they are implemented by 1 March 2025 at the latest.

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