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Organization of budget accounting on the example of a public finance sector entity

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ABSTRACT

It is a legal obligation of legal persons and entities without legal personality to keep the accounts because of their functions: recording, controlling, settlement and providing information. Efficient accounting depends on good organization of work. The aim of this paper is to describe in a synthetic but comprehensive manner the basis of organization, the scope and procedures of budgetary accounting in the public finance sector units. The paper consists of three chapters. The first chapter presents some theoretical issues of accounting organization. It presents objectives, features, functions and scope of accounting. The specifics of accounting of public sector entities and the budget classification are presented there, too. The second chapter presents fundamental organizational components of accounting. Accounting policies, requirements and rules for documenting economic events are discussed. Organization of inventory and division of work in an accounting department are characterized. The third chapter presents an assessment of the way accounting is organized in a budget entity. A method of improvement of work was pointed out, involving computerization. Proper management was assessed in accounting policy. The author used reference literature from the field of accounting. The Internet was used as a source of knowledge. The text is based on the laws on accounting.

Keywords: accounts, finance, budget, laws on accounting

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1. THEORETICAL ISSUES OF ACCOUNTING ORGANIZATION

1. 1. The concept, subject and functions of organizing accounting

According to *Najnowsza Encyklopedia Powszechna A-Z* [A-Z Latest Universal Encyclopaedia] notion of **organization** is defined as “*ways to manage, coordinate and supervise productive factors and actions so that they that lead to optimum execution of an objective*”¹

The term ‘organization’ in accounting is understood as a set of methods facilitating linking different activities and services necessary for implementation of information processes in order to ensure proper operation of accounting. The basic tasks of organizing accounting include a combination of elements so that the accounting system functioned effectively.

The scope of organizing accounting covers the following areas:

- organizing information processes,
- organization of accounting department.

Organization of information processes consists of:

- a) accounting documentation,
- b) accounting records,
- c) the inventory and internal control,
- d) reporting.

Organization of the accounting department includes:

- a) location of the accounting department,
- b) division of work in the accounting department,
- c) technical equipment in the accounting department,
- d) selection and training of staff,
- e) internal structure of the accounting department.

Organizing accounting in the entities is part of an organizational system where each employee is assigned tasks to perform, for which such an employee is authorized and responsible. In addition, entities create their own internal regulations solely devoted to accounting.

These include, for example:

- a chart of accounts in an organization,
- instruction of circulation and control of accounting receipts,
- inventory instruction
- internal financial and accounting audit instructions.

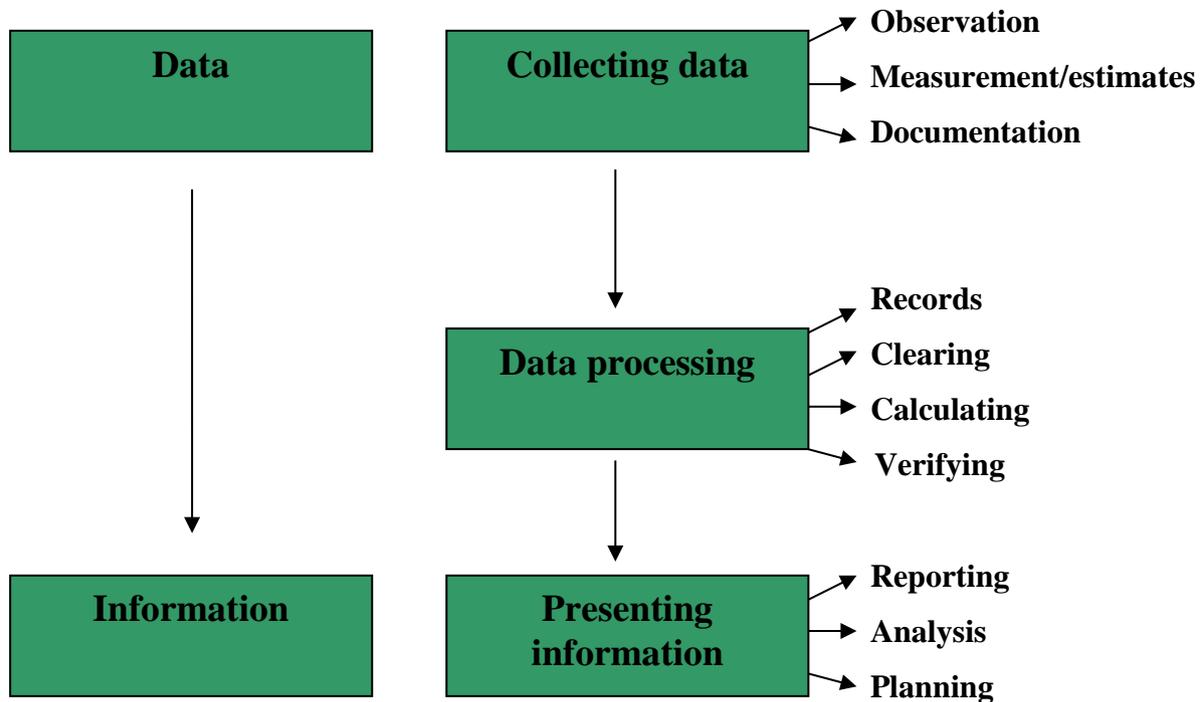
Instructions are any internal rules in accounting, and entities introduce such provisions with a clear need to discipline activities related to supervising documentation and business records.

¹ *Najnowsza Encyklopedia Powszechna A-Z*. [A-Z Latest Universal Encyclopedia] Zielona Sowa, Kraków 2006, p. 669

Accounting can be defined as a system of measurement, processing and transmission of information to those interested in financial standing and the results achieved by a company.

Information provided by accounting is generated as a result of information processes. The form information takes requires proper organization of the entire accounting system. The phases of information process are shown in Diagram 1.

Diagram 1. The accounting information process.



Reference: author's own diagram, based on an example from: T. Kiziukiewicz: Organizacja rachunkowości w przedsiębiorstwie, [Organizing accounting in an enterprise], Wydawnictwo PWE Warszawa 2002, p. 10.

In accordance with the Accounting Act, budget entities are required to fairly exhibit their assets and financial situation by means of a properly conducted accounting. To comply with statutory accounting obligations, a procedure is needed which aims to apply the best organizational solutions in all components of accounting.

1. 2. Specific character of organizing accounting in public sector entities

Public finance sector entities can be established in specific forms, and under separate acts as a state or local government legal persons or as a state organizational entities without legal personality.²

² Ustawa z 30 czerwca 2005 roku. o finansach publicznych, art.19, art. 24, art.26 (Dz. U z 2005r. nr 249 poz. 2104 z późn. zm) [The Act of 30 June 2005. Public Finance Act, Article 19, Article 24, Article 26 (Dz. U. 2005. No. 249, item. 2104, as amended.)]

The organizational entities of public finance sector are:

- **budgetary entities**

- **budgetary establishments** - do not have a legal personality, perform separate tasks for a fee and cover the costs of their activities from own revenues. The basis of financial management of budgetary entities is the annual financial plan, which includes revenues and expenses representing operating costs and current assets, and settlements with the budget. Budgetary entities can receive subsidies from the municipal budget, but it can not be higher than 50% of its expenses. Examples of such entities are kindergartens and schools offering part of their services for a fee.

- **an auxiliary enterprise** - a separate non-core or part of core operations budget entity, funded from the proceeds of this activity. An auxiliary enterprise of local government budgetary entity is established, transformed into another form of organization and liquidated by a budget entity manager, with the consent of the board of the local government. The auxiliary enterprise sells auxiliary services to their supervisory budget entity at own cost; no margin or other surcharge is added. Half of the profits of the auxiliary entity is directed for their own needs, and the other half is directed to the budget. The auxiliary enterprise has a separate bank account. Operations of auxiliary enterprises should be economical and profitable. An example of the auxiliary enterprise is a school workshop.

Budgetary entities³ are organizational entities of public finance sector covering their expenses directly from the budget, and their revenue goes, respectively, to the state budget account or local government budget. This method of financing is referred to the principle of **gross settlements**, that is, the revenues can not cover costs. The costs are always higher than revenues.

A budgetary entity operates under a statute defining, in particular, its name, seat and scope of activity, including the core business.

The basis of the budgetary entity's financial operations is a revenue and expenditure plan, called the financial plan of the budgetary entity. Financing of the budget entity is carried out with funds received from a higher level authority. These funds are transferred to the entity's current account, and are used for financing of the tasks envisaged in the financial year expenditure plan.

Included in the financial plan and not realized expenses expire at the end of the year. If the entity has not used budget funds received, that is, the funds have not been disbursed from the bank account, they should be returned to the higher authority from whom they had been received.

The following state budget expenditures do not expire at the end of the financial year:

- 1) where the proposed source of funding is the revenue from foreign loans,
- 2) for the financing of tasks, programs and projects implemented with funds from:
 - 1) the EU budget,
 - 2) from foreign sources, non-refundable,
 - 3) where the source of financing is own revenues of state budgetary entities,
- 4) monies accumulated in the accounts of incentive funds.

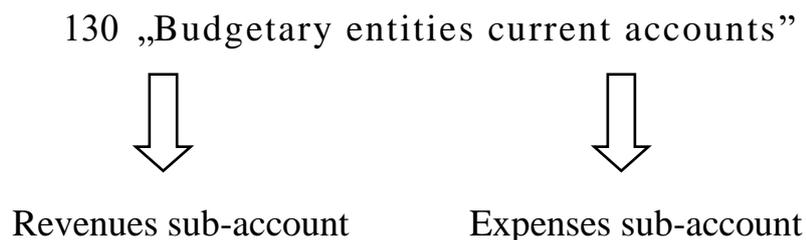
^{3,4} Ustawa z 30 czerwca 2005 roku. o finansach publicznych, art.20, art. 157(Dz. U z 2005, nr 249, poz. 2104 z późn. zm) [The Act of 30 June 2005. Public Finance Act, Article 20, art. 157 (Dz. U of 2005 No. 249, item. 2104 as amended.)]

In local government entity budgets this expenditure does not expire at the end of the year, whose source of financing is own revenues of budgetary entities.⁴

A budgetary entity has no legal personality. Managers of these entities take civil action on behalf of the Treasury, a municipality, commune, district or province.

Revenue and expenditure of a budget entity is recorded on **account 130: “Current account of budgetary entities”**. This account is used to record the amounts of money and budgetary entity turnover on the bank account, reflecting revenue expenditure covered by the financial plan.

Accounting of these cash flows runs on two sub-accounts.



The following payments from **revenues** are directed to budgetary entities current accounts⁵:

- 1) budgetary revenue of state budgetary entities,
- 2) surplus payments of state budgetary entities own monies,
- 3) payments of parts of profits of auxiliary enterprises and other state budget revenues generated by budgetary establishments and auxiliary enterprises,
- 4) proceeds from the reimbursement of expenses if the reimbursement date is later than the end of the financial year in which the expenditure was made.
- 5) proceeds from interest on funds deposited in the accounts of government auxiliary budgetary entities, unless specific provisions provide otherwise,
- 6) proceeds from the funds unused on time for non-expiring expenses.

The following payments are made from current income accounts of state budgetary entities:

- 1) refunds of overpayments and refunds of amounts wrongly received together with interest covered under separate regulations,
- 2) transfers of budget revenues to the appropriate revenue account of the state budget central account.

⁵ § 7 rozporządzenie Ministra Finansów z dnia 29 czerwca 2006 r. w sprawie rodzajów i trybu dokonywania operacji na rachunkach bankowych prowadzonych dla obsługi budżetu państwa oraz zakresu terminów udostępniania informacji o stanach środków na tych rachunkach, (Dz. U. z 2006 Nr 116, poz. 785)[§ 7 Decree of the Minister of Finance of 29 June 2006 on the types and procedure of carrying out operations on bank accounts maintained for the operating budget and the scope of the deadlines for states to share information on these accounts, (Dz. U. of 2006 No 116, item. 785)]

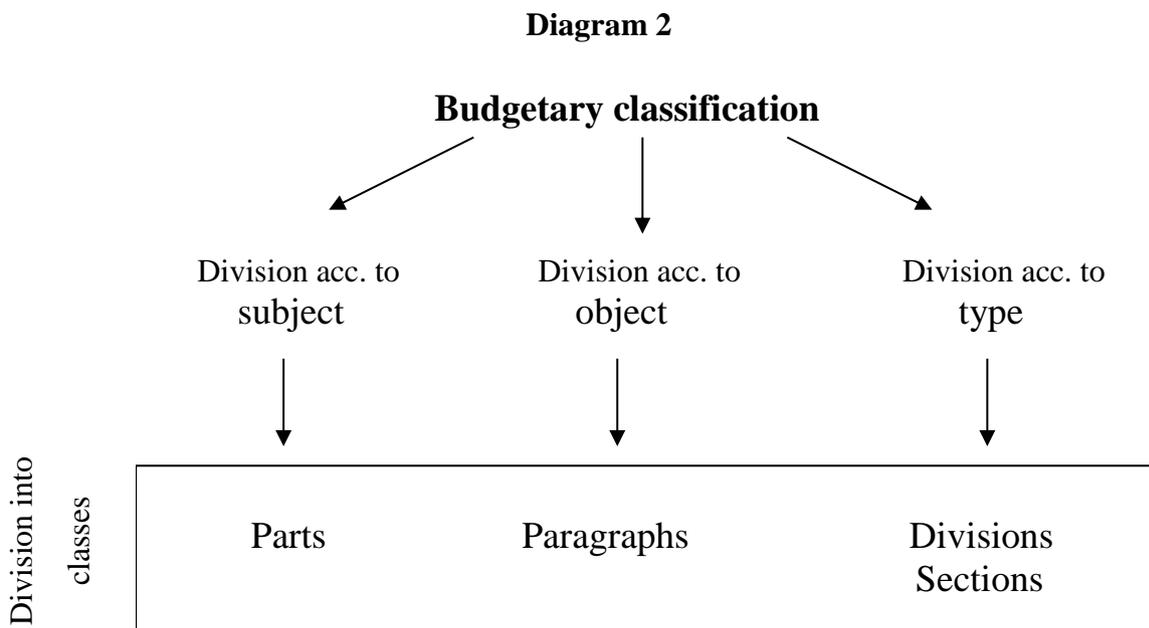
The following proceeds from **expenditures** are directed to budgetary entities current accounts:

- 1) cash proceeds from the authority of higher degree,
- 2) cash returns from current expense accounts from the lower level authority,
- 3) proceeds from the reimbursement of expenditure in the same year in which the expenses were incurred.

The following payments are made from current account expenditures of budgetary entities⁶:

- 1) current and investment expenditure,
- 2) transfers of grants and subsidies for local government entities,
- 3) transfers of other subsidies,
- 4) transfers of funds to lower-level authorities,
- 5) returns of funds unused during the financial year, paid to the current expenses account of a higher degree authority,
- 6) transfers of funds for budget entities domiciled outside the Republic of Poland, and for payment of contributions to international organizations.

1. 3. The role of budgetary classification in the budgetary accounting



Source: own

⁶ § 8 rozporządzenie Ministra Finansów z dnia 29 czerwca 2006 r. w sprawie rodzajów i trybu dokonywania operacji na rachunkach bankowych prowadzonych dla obsługi budżetu państwa oraz zakresu terminów udostępniania informacji o stanach środków na tych rachunkach, (Dz. U. z 2006 Nr 116, poz. 785)[§ 8 Decree of the Minister of Finance of 29 June 2006. on the types and procedure of carrying out operations on bank accounts maintained for the operating budget and the scope of the deadlines for states to share information on these accounts, (Dz. U. of 2006 No 116, item. 785)]

The division according to subject is related to the budget breakdown into parts of the budget which consist departmental classification. It is created only within the state budget, which consists of parts corresponding to⁷:

- bodies of state administration, control, law enforcement, courts and tribunals,
- bodies of government administration,
- departments of government administration.

In the division according to object, revenue and expenditure fall into the following categories:

- parts, corresponding to the main departments of the national economy,
- sections, corresponding to entities or types of operation.

Classification of parts, according to Polish Classification of Operations, is provided in Annex 1.

Each part should include budget revenues originating from a given department, and expenditure allocated to its financing.

Sections refer to specific type of entity and tasks performed by public finance sector entities.

An example of classification according to parts in Part 801 “Education and upbringing” is as follows⁸:

Part 801: Education and upbringing

- 80101 Primary Schools
- 80102 Special Primary Schools
- 80104 Nurseries
- 80105 Special Preschools
- 80110 Grammar schools
- 80111 Special grammar schools
- 80113 Transportation to schools
- 80114 Economic and administrative school service teams
- 80120 Secondary schools – general education
- 80121 Special Secondary schools – general education
- 80123 Profiled secondary schools
- 80124 Special profiled secondary schools
- 80130 Vocational schools
- 80132 Art Schools
- 80134 Special Vocational Schools
- 80135 Polish education abroad

⁷ A. Zysnarska: Rachunkowość jednostek budżetowych i gospodarki pozabudżetowej, [Accounting for budgetary units and non-budgetary economy]ODDK, Gdańsk 2006 p. 49

⁸ Rozporządzenie Ministra Finansów dnia 20 września 2004r w sprawie szczegółowej klasyfikacji dochodów, wydatków, przychodów i rozchodów oraz środków pochodzących ze źródeł zagranicznych. (Dz. U. z 2004, Nr 209, poz. 2132)[Regulation of the Minister of Finance of 20 September 2004 on detailed classification of incomes, expenses, revenues and expenditures and the funds originating from foreign sources. (Dz. U. 2004 No. 209, item. 2132)

- 80136 State Boards of Education
- 80140 Continuous and practical education centres and professional training centres
- 80141 Teacher training facilities
- 80142 Other training centres
- 80143 School education support entities
- 80144 Other forms of education unspecified separately
- 80145 Examination commissions
- 80146 Further training and teacher training
- 80147 Pedagogical libraries
- 80148 School canteens
- 80178 Removing the effects of natural disasters
- 80195 Other activities
- 80197 Auxiliary enterprises

A paragraph is the lowest division unit of budget classification. All types of income and expense are classified according to the generic division. All sources of income, revenue, types of budgetary and other expenditure are presented separately in detail.

Numbering of income paragraphs is three-digit, while numbering of expenses paragraphs is four-digit. Classification of income paragraphs defines the type of income.

Examples of income in Part 801 are presented in Table 1.

Table 1. Classification of income in Part 801

Part	Section	Paragraph	Content
801			Education and upbringing
	80120		Secondary Schools
	80120	690	Proceeds from different fees
	80120	750	Income from rent and lease of assets of the Treasury
	80120	920	Other interest
	80120	970	Proceeds from different types of income

Source: own compilation

The classification of paragraphs determines the structure of budget expenditures according to their economic nature. The entity carrying out the budget does not receive a fixed amount equal to the total expenditure. It has a very specific types of expenditure sorted out into individual paragraphs. An example of expenditure classification in Part 801 is presented in Table 2.

In the Budget Act, expenditure is classified into parts, sections and sub-sections. Including expenditure paragraphs into the Act would jeopardize its transparency.

Table 2. Classification of expenditure in Section 801.

Part	Section	Paragraph	Content
801			Education and upbringing
	80120		Secondary Schools
	80120	2540	Economic subsidy from the budget for a non-public entity
	80120	3020	Personal expenditure apart from remuneration
	80120	4010	Wages and salaries of employees
	80120	4040	Additional annual bonus
	80120	4110	Social security contributions
	80120	4120	Contributions to the Labour Fund
	80120	4140	Payments to the State Fund for Rehabilitation of Disabled Persons
	80120	4170	Non-personal remuneration
	80120	4210	Purchase of materials and equipment
	80120	4215	Purchase of materials and equipment
	80120	4240	Purchase of teaching aids, and books
	80120	4260	Purchase of electricity
	80120	4270	Purchase of repair services
	80120	4280	Purchase of health services
	80120	4300	Purchase of remaining services
	80120	4350	Internet Service Fees
	80120	4410	Local business trips
	80120	4425	Foreign business trips
	80120	4430	Other fees and contributions
	80120	4440	Impairment for losses towards the employee benefit fund
	80120	6050	Expenses for budgetary entities investment purchases

Source: own compilation

2. ELEMENTS OF ORGANIZING ACCOUNTING IN A PUBLIC FINANCE SECTOR ENTITY

2. 1. The directive on accounting policy

The Accounting Act of 29 September 1994 requires all entities that keep books to possess documentation specifying the principles adopted in the entity, called the accounting policy.

Accounting policy is a document tailored individually for each entity, and containing the solutions used by the entity, taking into account the specific nature of its organization. At the time of creation of the accounting policy, all economic events taking place within the entity must be analyzed, and on this basis appropriate accounting policies and related rules of recording must be introduced. It is also important that the accounting policy reflects the entity's information needs, in other words, provide necessary information for management purposes.

An entity should possess documentation in Polish, describing the accounting principles (policy) concerning, in particular⁹:

- 1) the determination of the financial year and its reporting periods,
- 2) the method of valuation of assets and liabilities and determining the financial result,
- 3) the method of bookkeeping, including at least:
 - a) the entity account plan, setting out a list of general ledger accounts, accepted principles of classification of events, principles of subsidiary ledger accounts and their links to general ledger accounts,
 - b) a list of accounting books, and with bookkeeping using a computer - a list of datasets creating accounting books on computer data carriers with an indication of their structure, interrelations and their functions within the organization of the whole accounting records and processes of data processing,
 - c) a description of the data processing system, and in case of keeping accounting books using the computer - description of the system, including a list of programs, procedures or functions, depending on the structure of software, together with a description of algorithms and parameters and software data protection rules, in particular methods of securing access to data and processing system, and also a determination of the software version and the date of commencement of its operation,
- 4) a system for data and file protection, including accounting documents, accounting books and other documents constituting the basis of records entered in the books.

Details of the data processing system, a list of datasets creating accounting books on computer storage media, data storage and archiving rules have been contained in the user documentation, which also specifies the version of the software.

The calendar year is the fiscal period for a budgetary entity.¹⁰ The books are closed on the last day of the fiscal year, which is the balance sheet day. They are kept on a computer, while software supports their operation. The computer program used in the budget entity provides links between sets constituting accounting books and records as a whole, reflecting

⁹ Ustawa z 29 września 1994 r. o rachunkowości, art.10 (Dz. U., Nr 121, poz. 591) [The Act of 29 September 1994 on Accounting, Article 10 (Dz. U. No. 121, item. 591)]

¹⁰ Own compilation on the basis of 'Polityka rachunkowości Zespołu Szkół Ponadgimnazjalnych'

the records ledger and the main ledger. The records ledger makes it possible to compare its recorded turnover with a turnover and balances recorded in the general ledger of accounts.

The main ledger accounting records are in keeping with the following principles:

- the principle of double-entry accounting,
- the principle of keeping systematic and chronological records on the main ledger accounts,
- the principle of providing a chronological log of events, numbered consecutively, continuity of counting sums of records, enabling an unequivocal link with proven and approved accounting evidence.

Accessory ledgers are records providing details for selected main ledger accounts. Recording on analytical accounts is made in accordance with the principle of a repeated record.

Main ledger turnover and balance is recorded at the end of each month. It includes:

- symbols and names of accounts
- account balances on the day of opening accounting books, turnover for the reporting period and cumulatively since the beginning of the year, and the balance at the end of the reporting period,
- sum of balances on the day of opening accounting books, summed up turnover for the reporting period and cumulatively since the beginning of the year and balances at the end of the reporting period.

The shortest reporting period is a month, when a budgetary entity prepares the ZUS National Insurance statements, individuals' income tax statements, and budget reports on the basis of the Regulation of the Minister of Finance of 19 August 2005 on Budget Reporting (Dz. U. No 170, item. 1426).

The reporting periods are as follows:

- The monthly reports are drawn up for each subsequent calendar month,
- The quarterly reports are drawn up for each quarter of the financial year,
- Semi-annual reports are drawn up for the first half of the financial year,
- Annual reports are drawn up for the financial year.

The principles of valuation of assets and liabilities used by budgetary entities arise from:

- 1) the Act of 29 September 1994 on Accounting
- 2) the Act of 30 June 2005 on Public Finance
- 3) the Regulation of the Minister of Finance dated 28 July 2006 on Specific Accounting Principles and Chart of Accounts for The State Budget, Local Government Budgets, and Certain Public Sector Entities

As to valuation principles when selling, unpaid transfer to another entity, donation and liquidation of used movable assets entrusted to the budget entity, they arise from the Council of Ministers of 11 August 2004 on the Manner and Procedure of Managing Movable Assets Entrusted to Budgetary Entities (Journal of Laws of 2004 No. 191, item. 1957).

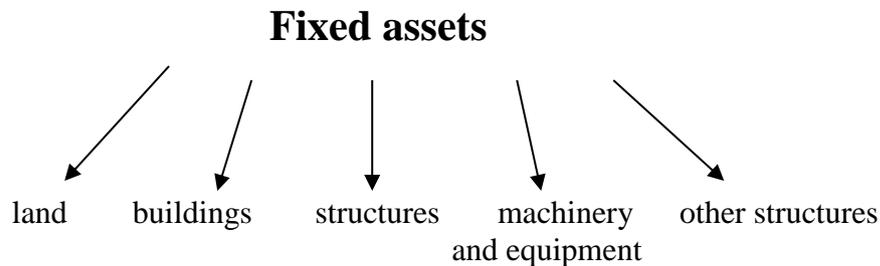
The assets and liabilities of the entity are valued according to the rules that are defined in the Accounting Act and the Act on Public Finances presented below.

Intangible assets¹¹ acquired with own funds introduced into the records at purchase price, and those obtained free of charge on the basis of decision of competent authorities at a specified value, and received in the form of a donation at its market value at the date of acquisition. The market value is determined on the basis of the prices used in the selling and buying of things of the same kind, considering their status and degree of wear.

Tangible fixed assets include:

- fixed assets
- other fixed assets
- library collections

Fixed assets include the following items:

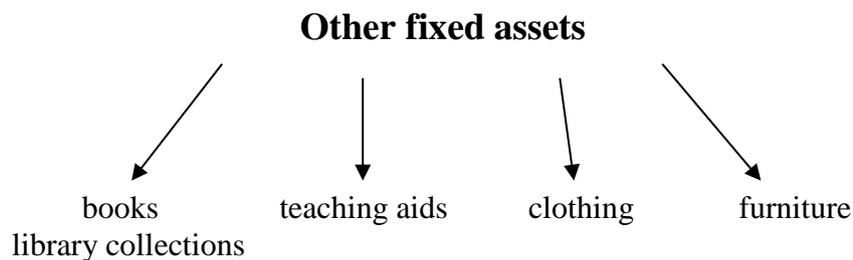


Fixed assets at the date of adoption for use are valued:

- in case of purchase – according to purchase price or price of acquisition if the purchase costs do not constitute a significant value
- in case of disclosure in the course of inventory – according to documents held, taking into account the wear, and in the absence of documents – the fair value
- in the event of gift received free of charge from the Treasury or a local government entity – the amount specified in the decision to transfer free of charge

Fixed assets other than land are valued at their net value for the balance sheet date.

Other fixed assets are capital assets, listed in § 5 par. 3 of the Regulation, which are financed from current expenses funds:



¹¹ Internet portal: www.prb.infor.pl

Other fixed assets are kept on quantitative-valuable records, at account 013 “Other fixed assets” and are redeemed in the month when they had been accepted for use, while the redemption is at account 072: “Redemption of the remaining fixed assets and intangible legal assets”.

Library collections are documents intended for distribution. The collections do not include materials meant for the entity’s employees, such as: catalogues, manuals, printed standards, official publications.

The purchased collections are valued at the purchase price. Disclosed and donated collections are valued at their estimated value. Expenditures are valued at their recorded value. The collections are redeemed according to value – in full – in a month they have been accepted for use.

Short-term receivables are receivables with a maturity of less than one year from the balance sheet date. They are valued at nominal value including VAT, and at the balance sheet date in the amount of the required payment along with required interest on the principle of prudence. In budgetary entities, short-term trade receivables from budget revenues, falling due for the current year, are accounted for on account 221: “Receivables from budget revenues”, but similar payments, with the date of payment in the following year, are accounted for on account 226: “Long-term budgetary receivables”.

Cash in hand and at bank is valued at nominal value.

Active Prepayments are costs already incurred, but related to future reporting periods. Their balance sheet valuation takes place at the level of the nominal value.

Active prepayments are:

- costs of energy paid in advance
- property tax

The financial result of budgetary entities is determined according to a variant of comparative profit and loss account on account 860: “Extraordinary gains and losses and profit or loss”.

Records of basic operating costs are carried out on a set of 4 of accounts, i.e., generically, and at the same time within budgetary classification of expenditure.

The net financial result consists of:

- result of the sale,
- result from other operating activities,
- result of financial operations,
- result of extraordinary operations,
- compulsory payments to the budget from the state entity’s special budget.

The budgetary entity keeps accounting books on the basis of a chart of accounts, which is developed on the basis of the Regulation of the Minister of Finance dated 28 July 2006 on Specific Accounting Principles and Chart of Accounts for the State Budget, Local Government Budgets, and Certain Public Sector Entities.

The main ledger of the chart of accounts of a budgetary entity includes the following accounts¹²:

¹² Rozporządzenie Ministra Finansów z dnia 28 lipca 2006r. w sprawie szczególnych zasad rachunkowości oraz planów kont dla budżetu państwa, budżetów jednostek samorządu terytorialnego oraz niektórych jednostek

Group 0 - Fixed assets

- 001 - Fixed assets
- 013 - Other fixed assets
- 014 - Library collections
- 015 - Property of liquidated entities
- 016 - Cultural heritage
- 017 - Depreciation of fixed assets and intangible assets
- 020 - Intangible assets
- 030 - Long-term financial assets
- 071 - Depreciation of fixed assets and intangible assets
- 072 - Depreciation of other fixed assets and intangible assets
- 073 - Impairment losses on long-term financial assets
- 077 - Redemption of weapons and military equipment
- 080 - Investment (construction in progress)

Group 1 - Cash and bank accounts

- 101 - Cash
- 130 - Current accounts of budgetary entities
- 131 - Current accounts
- 132 - Accounts of budgetary entities' own income
- 134 - Bank loans
- 135 - Special purpose funds accounts
- 137 - Assistance funds accounts
- 138 - Accounts for pre-financing funds
- 139 - Other accounts
- 140 - Short-term securities and other cash

Group 2 - Settlements and claims

- 201 - Settlements with receivers and suppliers
- 221 - Receivables from budget revenues
- 222 - Settlement of budget revenues
- 223 - Settlement of budget expenditures
- 224 - Settlement of budget grants
- 225 - Settlements with budgets
- 226 - Long-term budgetary receivables
- 227 - Settlements of income from assistance funds
- 228 - Settlement of expenditure from assistance funds
- 229 - Other public law settlements
- 231 - Remuneration settlements
- 234 - Other settlements with employees

sektora finansów publicznych. (Dz. U z 2006, Nr 142, poz. 1020) [Regulation of the Minister of Finance dated 28 July 2006 on Specific Accounting Principles and Chart of Accounts for the State Budget, Local Government Budgets, and Certain Public Sector Entities]

- 240 - Other settlements
- 257 - Receivables from pre-financing
- 268 - Liabilities for pre-financing
- 290 - Impairment losses on receivables

Group 3 - Materials and goods

- 300 - Settlement of purchase
- 310 - Materials
- 330 - Goods
- 340 - Deviations from registered prices of materials and goods

Group 4 - Costs by type and their settlement

- 400 - Costs by type
- 401 - Depreciation
- 490 - Settlement of costs

Group 5 - Costs by types of operations and their settlement

- 500 - Costs of core operations
- 530 - Costs of auxiliary operations
- 550 - Overheads
- 580 - Settlement of operating costs

Group of 6 – Products

- 600 - Finished and semi-finished products
- 620 - Deviations from registered prices of products
- 640 - Accrued expenses

Group 7 - Revenues and costs of generating revenues

- 700 - Sale of products and the cost of their manufacturing
- 730 - Sale of goods and the value of their purchase
- 740 - Grants and funding for investments
- 750 - Financial income and expenses
- 760 - Other income and expenses
- 761 - Coverage of depreciation

Group 8 - Funds, reserves and financial result

- 800 - The entity own fund
- 810 - Budgetary subsidies and funds from the budget for investments
- 820 - Settlement of financial result
- 840 - Provisions and deferred income

- 851 - Entity's Social Benefits Fund
- 853 - Extra-budgetary funds
- 855 - Liquidated entities assets fund
- 860 - Extraordinary gains and losses and the financial result
- 870 - and mandatory settlements with the budget influencing the financial result

Off-balance sheet accounts

- 980 - The financial plan of budget expenditures
- 981 - The financial plan of permanent expenses
- 995 - Involvement of budgetary auxiliary establishments monies
- 996 - Own revenues of budgetary entities
- 998 - Involvement of budgetary expenditure for the current year
- 999 - Involvement of budgetary expenditure for future years

Protection against unauthorized access is provided by proven security measures in premises where the accounting collections are kept. The additional protection for stored documents are adequate cabinets.

The following items are subject to special protection:

- computer equipment used in the accounting department,
- the accounting system,
- copies of accounting records,
- vouchers,
- inventory documentation,
- budgetary and financial statements,
- documentation describing accounting rules adopted by the entity.

Proper protection of accounting records envisages:

- making regular data backups,
- appropriate level of access to data,
- virus prevention,
- protection from outside attacks,
- adequate systems for secure data transmission,
- voltage support systems in case of power failure (UPS),
- complete accounts books are printed at the end of the financial year.

Financial statements and payroll records such as: payrolls, salary charts are stored for not less than 50 years. Making financial statements and budgetary and accounting documents, books of accounts and other accounting documents of the entity available takes place at the headquarters of the entity after obtaining the consent of the head of the entity.

2. 2. Inventory instructions and their role in a budgetary entity

Inventory is the basic form of financial control in each entity. It includes all activities aimed at determining the real status of the assets and liabilities of the entity on a certain day,

3. Dates of the inventory,
4. Manner of carrying out the inventory of individual assets and liabilities,
5. Final provisions.

The duties of the **head of the entity** include¹³:

- a) issuing internal regulations on the inventory (instructions, orders, schedules)
- b) setting up inventory committees,
- c) approval of post-inventory minutes, pre-approved by chief accountant,
- d) taking decisions related to the organization inventory work.

The duties of the **chief accountant** include:

- a) presenting - to the head of the entity - proposals regarding appointment of the inventory committee, partial or total cancellation of certain inventories from nature, ordering complementary or additional re-inventories,
- b) overall supervision over the whole inventory work,
- c) agreeing with the chairperson of the inventory committee the schedule of execution of various stages of inventory,
- d) ensuring the completion of an inventory of assets and liabilities not covered by the takings from nature, i.e. cash and settlements by agreeing balances,
- e) ensuring the completion of an inventory of assets and liabilities not covered by the takings from nature and confirmation of balances, i.e. other assets and liabilities in the way of verification of accounting documentation states,
- f) valuation of their census sheets,
- g) determining differences in inventories, and recording inventory results in the books,
- h) approving the commission's conclusions on the clearance of inventory differences.

Conducting inventory and inventory results must be documented and linked to accounting records. Disclosing the differences, in the course of the inventory, between current status and the status in the accounting books, should be explained and accounted for in the books of the financial year of the inventory¹⁴.

There are documents playing an important role during the inventory, including:

- physical inventory sheets,
- cash inspection records,
- confirmation of cash balances and loans from banks, and settlements from contractors,
- inventory records of settlements made following balance confirmations,
- inventory records of other assets and liabilities, whose confirmations have been made through comparison and verification of registration statuses,
- introductory and final statements of materially responsible persons.

¹³ M. Rypińska: Inwentaryzacja w jednostkach sektora finansów publicznych w praktyce, INFOR Warszawa 2007, s.62 [Inventory in the public finance sector entities in practice, Infor Warsaw 2007, p.62]

¹⁴ Ustawa z 29 września 1994 r. o rachunkowości, art.27 (Dz. U., Nr 121, poz. 591) [The Act of 29 September 1994 On Accounting, Article 27 (Dz. U. No. 121, item. 591)]

The first step in preparation of the inventory is issuing an internal order by the head of the entity. The chief accountant, together with the head of the entity, draw a plan and schedule of the inventory, which includes deadlines for carrying out certain actions. Physical inventory sheets are treated as strictly accountable forms, stamped, numbered and initialled by the chief accountant. When the census has been completed, the inventory committee draws up a post-inventory report, which is submitted to the chief accountant and head of the entity for approval. Collections of inventory documents are marked by stating name, type and symbol of the reporting period. The collections are kept for at least five years.

The Accounting Act obliges an entity to conduct an inventory on the last day of each fiscal year. For some assets, other dates for inventory are used, as specified in Table 3.

Table 3. Dates and frequencies of inventories.

Once a year	<ul style="list-style-type: none"> • stocks of goods and materials covered by recording valuables in retail outlets • inventories of timber in forestry
The last day of the financial year or on the closing date for a business entity	<ul style="list-style-type: none"> • monetary assets • securities • work in progress • materials and goods classified as expense after purchase • finished goods
Three months before the end of the financial year, but not later than on the 15th day of the following year	<ul style="list-style-type: none"> • assets (excluding those listed in Group I)
Once in two years	<ul style="list-style-type: none"> • materials • goods • finished goods • semi-finished goods (located in guarded storage and covered by quantity-value records)
Once in four years	<ul style="list-style-type: none"> • fixed assets • machinery and equipment included in fixed assets under construction

Source: Own compilation, on the basis of (Article 26 par. 3) of the Accounting Act of 29 September 1994, with later amendments.

Final provisions may relate to specific regulations, for example:

- a) the number of inventory committees and census teams,
- b) decisions on matters not covered by the instructions,
- c) the presence of a materially responsible person.

Some assets, due to their nature and character, are problematic in registering; the principles of their inventory are presented below.

In accordance with the Accounting Act, cash on hand is inventoried on the last day of the financial year. In budget entities, cash on hand is inspected more frequently due to specific character of these entities. The frequency of cash inventory is specified in the cash inventory instruction, and depends on the amount of stored and distributed cash.

A protocol is drawn up on the basis of a cash on hand inventory; its form is shown in Appendix 2. Cash is inventoried by census, in other words, by recording and counting banknotes, coins and other funds located in the till.

Physical inventory of cash in the till is done in various census fields by a specially appointed Inventory Commission, in accordance with the schedule attached to the internal inventory order, issued by the head of the entity, in the presence of people who are materially responsible.

The true status of census is determined by Inventory Committee members, in the presence of those materially responsible, by accurate counting inventoried components. After counting, the amount of inventoried components is entered as the next census sheet position by the census team members, in consultation with the person who is materially responsible.

Prior to commencement of censuses and inventories, a person materially responsible makes a statement to the effect that inventoried ingredients have been properly documented and handed over to the accounting. After completion of the inventory, persons materially responsible are required to submit final statements to the effect that, in connection with the census, they do not have any comments or doubts.

Physical inventory sheets are treated as strictly accountable forms and are handed over to the Committee after they have been, stamped, numbered and initialled by an authorized person from Accounting for subsequent settlement after the census.

One of the specific assets occurring in the public finance sector entities are library collections, recorded in account 014: "Library Collections". They are property of the entity. Their inventory is done on a different basis due to their special nature¹⁵.

All library collections must be inspected once a year by determining the value of the collection exhibited in the records as total or detailed - the inventory books - and compared with the amount recorded in the accounting records.

Scontrum - inspection of library collections, carried out on the basis of existing inventory, aiming to establish the factual status of the collection, and disclose the missing items (comparing a record in the inventory to the collection of books on the shelves). Depending on the size of the library, the scontrum can cover the whole collection (in smaller libraries) or a part of the collection (when the volume of the collection makes it impossible to inspect the entire collection). In a school library, it is also carried out when there is a change of a librarian responsible for the collections.

¹⁵ The Internet portal: www.prb.infor.pl

The frequency of scontrum depends on two factors:

- a way of making the collection available to the public,
- the amount of the collection.

During the inventory of a collection, particular attention should be paid to differences in inventory which, from the accounting viewpoint, are treated a little differently than the typical differences arising during the inventory of other assets of the entity.

Materials not found during the first scontrum, or not contained in the records are considered to be relative shortages which are not treated as shortage, and are not subject to recording in the accounts books (the value of the collection is not decreased in account 014 by relative shortages). Evidenced shortages are absolute shortages, recognized as such on the basis of the previous scontrum. Therefore, at first scontrum, a shortage of given library material is treated as relative and unreported shortage and if, at the next scontrum, given material has not been found, it is recognized as absolute shortage and recorded as missing.

A scontrum is carried out by a scontrum committee. The number and composition of the committee is set by a library manager, or head of the entity where the library is located.

The disclosed excess inventory in library collections is introduced in the records, at the value estimated by the committee. The regulation on library material accountancy says that the current, estimated value of acquisition is determined based on periodic valuations by the committee, and approved by the head of the library, in the case of public finance sector entities in which there is a library, it will be the head of the entity.

The inventory must not be omitted, it has a specific, set time, and it is the head of each entity who is responsible for conducting the procedure. The entire inventory procedure must be adapted to regulations in the sector. Thanks to the inventory instruction, which most entities have, the inventory process is efficient. A properly designed and observed instruction is a guarantee of fulfilling the obligations of the Accounting Act, as it prevents from omitting any of the components in the course of inventory activities.

2. 3. Division of work in Accounting

Organization of the Accounting Department is defined in the overall organizational structure of the entity. The principle of centralized accounting has been accepted in budgetary entities. It consists in the fact that all recording and computing work is done by the Accounting Department. The advantage of centralization is the fact that work is rationally divided among workstations in the department. Thanks to the expertise of employees, work is done efficiently, and working time is used effectively. It facilitates monitoring and evaluation of the implementation of business operations.

The organizational structure of budgetary entity is shown in Diagram 4, presenting the breakdown into levels and the relationships between them.

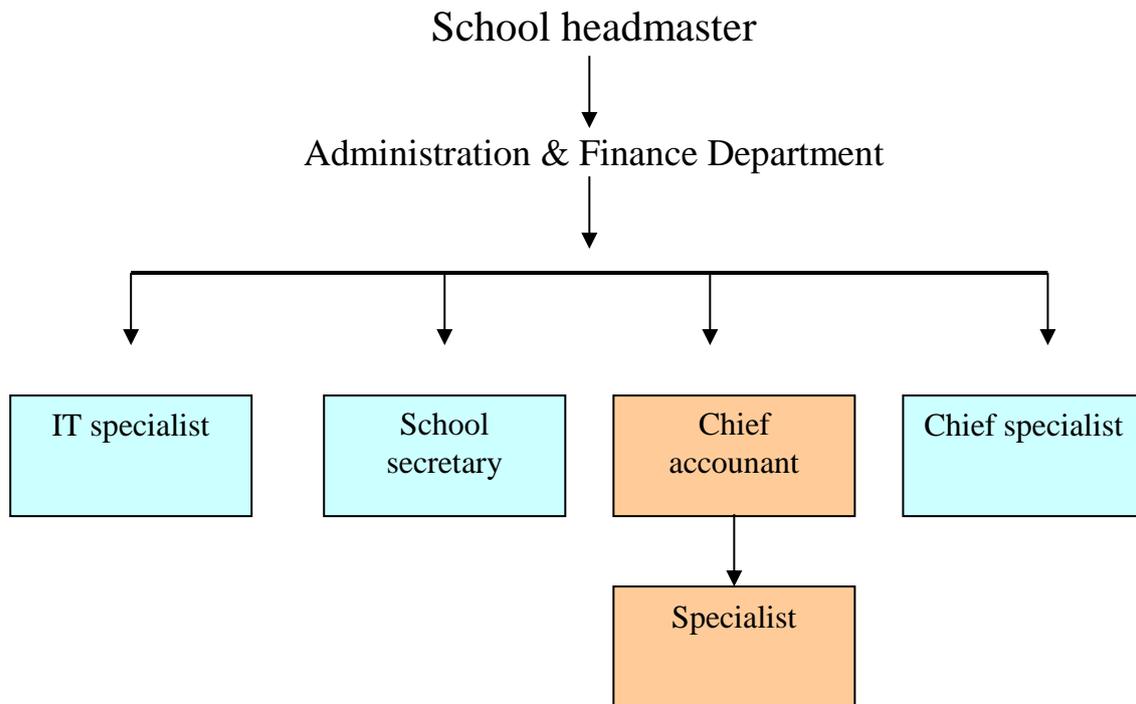
Organization of the Accounting Department should be adapted to the characteristics of the entity, and regulate the following issues¹⁶:

- separation of organizational work stations,

¹⁶ T. Kiziukiewicz Organizacja rachunkowości w przedsiębiorstwie, [Organizing accounting in an enterprise] Wydawnictwo PWE Warszawa 2002, p. 10

- defining employee responsibilities, taking into account the principles of cooperation with other stations,
- dividing work among the stations,
- appropriate equipment of the department
- coordination of work in time and space,
- motivational impact on staff.

Diagram 4
School organizational layout



Source: Own presentation, based on the organizational structure of a grammar school

It is advisable to develop organizational regulations which will specify the principles of division of work and responsibilities. The regulations should contain individual operating areas of workstations in the Accounting Department, which are part of employment contracts with individual employees.

The chief accountant is the head of the Accounting Department, having taken over responsibilities for the Department from the head of the entity.

The chief accountant of public sector entities, in accordance with Art. 45 paragraph 1 of the Act of 30 June 2005 on Public Finance, is the employee whom the head of the entity entrusted duties and responsibilities with regard to:

- 1) entity accounting

- 2) disposing of available cash,
- 3) making an initial inspection of compatibility of economic and financial operations with the financial plan,
- 4) making an initial inspection of the completeness and accuracy of documents relating to economic and financial operations.

The requirements for the chief accountant¹⁷:

Not anyone may be the chief accountant of a public finance sector entity. The Public Finance Act (art. 45, para. 2) specifies the requirements to be met in order to qualify for this position. Chief accountant may be a person who:

- 1) is a national of a Member State of the European Union or Member States of the European Free Trade Association (EFTA) - a party to the Agreement on the European Economic Area, unless separate regulations make the employment in the public finance sector entity dependent on having Polish citizenship,
- 2) has full capacity to act in the light of law, and enjoys all public rights,
- 3) has not been finally sentenced for the following crimes: crimes against property, against business, against the activities of state institutions and local government, against the credibility of documents or a treasury related criminal offense,
- 4) meets one of the following conditions:
 - a) is a graduate of MA course of studies, tertiary degree education in Economy, is a graduate or post-graduate of an extramural MA course in Economy, and has at least 3-year experience in accounting,
 - b) is a graduate of a secondary, post-secondary school of Economics, and has at least 6-year experience in accounting,
 - c) is entered in the register of statutory auditors on the basis of separate provisions,
 - d) has a qualification certificate entitling supervise accounting books, or has an accounting certificate, issued under separate provisions.

The chief accountant should possess characteristics arising from professional ethics¹⁸. A person working as a chief accountant should be diligent, systematic and loyal to the entity and its manager. Significant features are: integrity, sense of responsibility, as well as managerial and organizational abilities.

3. EVALUATION OF ORGANIZING ACCOUNTING IN PUBLIC FINANCE SECTOR ENTITIES

3. 1. Analysis of the correctness of accounting policy

According to Art. 10 (1) of the Act of 29 September 1994 on Accounting (Dz. U. of 2002 No. 76, item 694 as amended), an entity running accounts should have documentation in Polish describing the adopted accounting principles.

¹⁷ Ustawa z 30 czerwca 2005r. o finansach publicznych, art.45 (Dz. U z 2005r. nr 249 poz. 2104 z późn. zm) [The Act of 30 June 2005 on Public Finance, art.45 (Dz. U of 2005. No. 249, item 2104, as amended)]

¹⁸ S. Nisengole, W. Sasin: Vademecum finansisty i księgowego [Vademecum: financier and accountant], Agencja Wydawnicza „Interfart”, Łódź 1999, pp. 20-24

In the audited budget entity it can be found that the fiscal year and reporting periods have not been specified. The budgetary reporting principles are set out in the Regulation of the Minister of Finance dated 19 August 2005 on Budget Reporting (Dz. U. No 170, item 1426), which reads that in terms of local government entities budgets, it is managers of budgetary entities who are responsible for preparing and submitting entity reports, such as Rb-27S, R-28S, RB-50, R-Z, Rb-N (§ 4 section 2).

The methods of valuation of assets and liabilities, and determining the financial result have been indicated by the entity.

The status of internal regulations concerning financial management and accounting in a budgetary entity is shown in the implemented chart of accounts and instructions: circulation and control of documents memo, inventory and internal control memo. The analysis of the internal rules shows that the chart of accounts is correct. The chart of accounts is based on the list of accounts specified in the uniform chart of accounts for budgetary entities, contained in Annex 2 to the Regulation of the Minister of Finance dated 28 July 2006 on special accounting principles and uniform chart of accounts for the state budget, local government budgets, and some public finance sector entities (Dz. U. of 2006, No 142, item 1020). In the capital account plan only those have been omitted which are used to recognize business operations absent from the entity's operations.

The accounting principles documentation contains a list of accounting records, as required by Art. 10 para. 1 point 3 letter b) of the Act of 29 September 1994 on Accounting. The Accounting Department maintains its accounting records in a way that allows the presentation of data on revenue and expenditure, and separation of budgetary unit assets. The books of accounts are conducted in keeping with the requirements of Chapter 2 of the Accounting Act. According to the art. 13 para. 1 of the Act, books of accounts include collections of accounting entries, record turnover (sum of records) and balances which need to constitute, inter alia, the log book, the general ledger, subsidiary ledgers and reports of turnovers and balances of accounts of general ledger and subsidiary ledger. The log book, as a component of the accounting records, chronologically records events which occurred during the reporting period, and makes it possible to compare the recorded turnover with a turnover and balances in the general ledger. The log book entries are sequentially numbered, and the sum of the records (turnover) are calculated on a continuous basis. The manner of making entries in the log book allows making an unambiguous link with checked and approved accounting documents. According to the art. 15 of the Act, the main ledger accounts contain records of events, registered previously or simultaneously in the log book, in a systematic manner, while records in a particular account are also entered in a chronological order.

The basis of records in books of account are documents evidencing a business operation, i.e. source evidence: foreign exterior, own external and internal. The basis for recording is also collective accounting evidence, serving the purpose of collective recording of a set of source evidence, drawn up by the accounting, individually listed as collective evidence.

The books of account are kept, using FK financial and accounting software, licensed by ZETO, and Płace Optivum payroll software, licensed by VULCAN. Computer programs enable us to align sets of accounts as one whole, reflecting log book and the main ledger. According to the decision of the entity manager, the data protection principles, in particular the methods of securing access to the data processing system, are set out in the user manual.

Analyzing assets management, it can be said that fixed assets inventory books are kept out properly, they contain serial numbers which allow their closer identification. The inventory results are linked to the entries in the books of account, and the disclosed differences between the actual and reported status are accounted for in the books.

The head of the budgetary unit is responsible for the proper conduct of financial management. The manager, in accordance with the provisions of Art. 28a of the Public Finance Act, is responsible for all financial management, including financial control. Responsibility for the implementation of financial plans, being the foundation of financial management in the public finance sector, is borne by the head of the entity by virtue of the authorization to dispose of the funds specified in the plan. The financial and organizational responsibilities of a headmaster is also indicated in the provisions of Art. 39 para. 1 section 1 and 5 of the Education System Act (Dz. U. of 1996 No. 67, item 329 as amended). The school headmaster has funds, as defined in the financial plan, approved by the school council, and is responsible for the proper use of the funds. The manager of the entity is also responsible for proper accounting, including supervision in case of entrusting responsibilities to another person, with their consent.

The Chief Accountant was responsible for accounting, pursuant to the scope of activities and the provisions of Art. 35 of the Public Finances Act.

3. 2. Adaptation of organizing accounting to reporting tasks

Reports map the progress and results of implementation of an entity's financial plans. Proper management is not possible without numerical data characterizing the financial status of an entity. The basic part of this information is provided by accounting. Information created in accounting may have different purpose. First of all, they are needed and used to control business operations and, therefore, serve internal purposes. Much of this information is transferred outside, mainly to financial, tax, and statistical institutions. External information created in accounting can be presented in different forms. The most commonly used form are periodic financial reports.

A financial report is a structured, summarized information about financial position of an entity, its financial performance, and financial result.

A properly procured financial report must comply with certain formal requirements, such as:

- the date on which the accounts are drawn up,
- the name and address of the entity to which the report relates,
- the date of the report,
- signatures of those responsible for its procurement,
- it is drawn up in the Polish language and Polish currency,
- figures quoted are precise.

The statement is prepared on the day of closure of the accounts, using the appropriate valuation principles of assets, liabilities, and determination of financial results.

The financial report is prepared based on information contained in the accounting records and books kept by the entity. Depending on the periods covered by the report, reports are categorized as follows (Annexes 3-4):

- a) monthly reports are drawn up for each subsequent calendar month,

- b) quarterly reports are drawn up for each quarter of the financial year,
- c) semi-annual reports are drawn up for the first half of the financial year,
- d) the annual reports are drawn up for the financial year.

The deadlines for submitting reports and recipients of reports on local government budgets are presented in Table 4.

For reporting to be correct and effective, it is necessary to keep good order in the entity, functions, duties, responsibilities and powers should be properly defined; qualified staff should be selected; type of accounting should be suitably matched to the entity, and the chart of accounts should be properly developed. The reports must be drawn up legibly and indelibly. Entity managers should procure reports correctly in terms of content, form, and accounting standards, and forward them within the prescribed period to the relevant authorities.

Table 4. The deadlines for submitting reports and recipients of reports on local government budgets.

<i>Type of report</i>	<i>Entities handing over the reports</i>	<i>Entities receiving the report</i>	<i>The deadline for submitting a report at the end of the reporting period not later than</i>
1	2	3	4
A. Monthly Reports			
1) Rb-27S, Rb-28S	- budgetary entities	- managements of local government entities	10 days ^{*)}
B. Quarterly reports (for 1, 2, 3 quarters):			
1) Rb-Z, Rb-N	- budgetary entities	- managements of local government entities	10 days
C. Quarterly reports (for 2 quarters):			
1) Rb-34	- budgetary entities	- managements of	10 days

		local government entities	
D. Quarterly reports (for 4 quarters):			
1) Rb-34	- budgetary entities	- managements of local government entities	31 January
2) Rb-Z, Rb-N	- budgetary entities	- managements of local government entities	31 January
E. Semi-annual reports:			
1) Rb-31	- budgetary entity	- managements of local government entities	15 days
F. Annual reports:			
1) Rb-27S, Rb-28S	- budgetary entities	- managements of local government entities	31 January

*) Monthly reports for January and December - 8 days later.

Source: Own compilation based on Regulation of the Minister of Finance dated 19 August 2005 on budget reporting (Dz. U. No 170, item. 1426)

It is difficult today to imagine full professional control without the use of modern methods and computerization and computerization of accounting, facilitating reports in electronic form while retaining a copy of these reports on any electronic medium.

3. 3. Computerization of accounting as a factor amending the way accounting is organized

Computerization is implementation of computerized methods of data processing in management, controlling technological processes, and designing. A computer is just a tool, and procedures related to accounting, are included in financial and accounting software. Many entities computerize accounting departments. It usually is well planned, because in case of many repeated cyclical accounting and recording operations, a computer helps to do them

quickly, flawlessly and in a timely manner. Accounting using computer must meet specific requirements set out in the provisions of the Accounting Act (Dz. U. of 1994. No. 121 item 591 as amended). Computer accounting covers business operations, recognizing them as: complete, proper, in accordance with the period of economic events, arranged chronologically and systematically. The basis of accounting using a computer is up to date and complete documentation of the IT system.

Documentation of system contains, among other things:

- 1) principles of data input to a computer,
- 2) policies and procedures of document control and "input" and "output" data,
- 3) printouts and other forms of data output,
- 4) principles and methods of data processing,
- 5) way of dealing with errors
- 6) principles and methods of securing data,
- 7) principles of linking data with internal control,
- 8) information about computer programs and their updates,
- 9) statement of compliance of correctness of the chosen computer program compatibility of the procedures while maintaining credibility of data received from the computer.

Documentation defines clearly: the date of commencement of using the computer system and the field of change. In the IT environment, particular attention should be paid to specific features and characteristics of computer programs, protection against unauthorized access, protection against any changes or modifications after data accounting, data protection.

When choosing software, attention should be paid to such features as¹⁹:

- reliability,
- credibility
- efficiency,
- user-friendliness,
- formal correctness,
- flexibility, regarding subject and object,
- productive, task and time integrity,
- protection measures.

Protecting information contained in the machines before printing is of particular importance in accounting. Data protection may consist in: entering the same data in different places of memory twice, using IDs with persons having access to data collections, authenticating users, encrypting, cataloguing data collections.

The studied entity uses the following software:

- FK, Płace i Budżet - financial-accounting program under ZETO license
- Płace Optivum under "VULCAN" license,

The basic functions of **FK software** include:

- 1) accounting protected by automatic control of correctness of entered records,

¹⁹ „Organizacja rachunkowości”, [Organizing accounting], collective work, ed. by M. Dobia, Akademia Ekonomiczna, Kraków 1999, p. 208

- 2) automatic re-booking at closing the books,
- 3) accounting protected by automatic control of the correctness of the entered records,
- 4) automatic reposting at closing the books,
- 5) the automatic closure of the month and year (preliminary and final), with generation of the opening and closing balances,
- 6) automatic and manual compensation for accounting entries on clearing accounts.
- 7) importing data from other applications combined with the automatic accounting,
- 8) automatic procuring of purchases and sales register with the settlement of VAT, based on accounting records

The main features of **Place Optivum** software are:

- 1) generating monthly lists of payments, as well as any detailed lists (compensations, overtime, bonuses, jubilee awards and vacation benefits, service contracts, etc.),
- 2) making staff movement (changing terms of contracts and assessing the impact),
- 3) settlement of receivables for absence from work,
- 4) timely settlement of liabilities with the tax office and ZUS,
- 5) payment of fixed payments,
- 6) all liabilities to employees (bonuses, repayments of loans, voluntary insurance),
- 7) transfer of salaries to the personal bank accounts of employees,
- 8) procurement of statements, reports and other documents (e.g. PIT).

The use of computers in accounting has had a big impact on accounting data processing. A modern computer system is able to remember hundreds of millions of data in an easily accessible external memory, which allows access to more detailed accounting entries and combining data from different sources and different phases of the cycle of economic measures. In this way, integration of different types of records (operative, accounting, and statistical) is feasible, and reduced access time to computerized accounting data enables better and better adaptation of detail, frequency and forms of communication of economic and financial information from the accounting department to customers who need such data.

A budget entity, using two different computer systems or programs, significantly impedes the organization of work in the accounting department. The problem is a quite widespread lack of compatibility. Some data must be entered manually, since it is not possible to export them due to different specifications of each application. In order to work in the accounting department run smoothly, it is necessary to harmonize the financial and accounting programs at work stations. It would facilitate cooperation between employees in the accounting department. Work would be more effective and less time consuming.

The most serious problem with computerization of budgetary entities is the lack of professional approach. Applications that allow free exchange of data between workstations have always existed. However, ignorance, lack of interest and indifferent attitude to work prevent from taking steps towards better work organization. The basic principle, according to which "It is the man who should adapt to the computer, not the computer to the man" is not observed. Employees are not qualified enough, being accustomed to the old version of the application takes precedence; there is reluctance to developing new skills. It is not surprising, therefore, that with such an approach there is a variety of "clashes" between work stations, not to mention the difficulties in exchanging data between two organizational levels.

4. CONCLUSIONS

The aim of the study was to present and discuss organizing budgetary accounting in a public finance sector entity. The specific character of budgetary entity and the fundamental principles of accounting have been presented.

Proper accounting and budgetary reporting in a budgetary entity affect the openness and transparency of its finances, and constitute one of the essential conditions for exercising internal and external control over the process of implementing the budget.

The task of budgetary accounting is presenting figures relating to the implementation of the financial plans of state, and local government budgetary entities. This data is necessary for analysis, planning, control and making business decisions.

In conclusion, it should be noted that proper organization of accounting is needed because most of the work performed is timely work that can not be postponed, because the work not done on time may result in financial consequences to the entity. The Accounting Department should be organized in such a way and be able to divide the work among employees in such a way to enable them to do work by a deadline and error-free. An important element of the organization of accounting is a division of work among employees.

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2) of 30 June 2005 on Public Finances (Dz. U of 2005. No. 249, item 2104, as amended)

Directives:

- 1) Rady Ministrów z dnia 11 sierpnia 2004r. w sprawie sposobu i trybu gospodarowania składnikami majątku ruchomego powierzonego jednostkom budżetowym (Dziennik Ustaw z 2004, Nr 191, poz. 1957). [The Council of Ministers, dated 11 August 2004 on the manner and procedure for management of movable assets entrusted to budgetary entities (Dz. U. 2004 No. 191, item 1957)].
- 2) Ministra Finansów dnia 20 września 2004r w sprawie szczegółowej klasyfikacji dochodów, wydatków, przychodów i rozchodów oraz środków pochodzących ze źródeł zagranicznych. (Dz. U. z 2004, Nr 209, poz. 2132) [Regulation of the Minister of Finance of 20 September 2004 on detailed classification of incomes, expenses, revenues and expenditures and the funds originating from foreign sources. (Dz. U. 2004 No. 209, item 2132)]
- 3) Ministra Finansów z dnia 19 sierpnia 2005 r. w sprawie sprawozdawczości budżetowej (Dz. U. Nr 170, poz. 1426) [Regulation of the Minister of Finance dated 19 August 2005 on budget reporting (Dz. U. No 170, item 1426)]
- 4) Ministra Finansów z dnia 29 czerwca 2006 r. w sprawie rodzajów i trybu dokonywania operacji na rachunkach bankowych prowadzonych dla obsługi budżetu państwa oraz zakresu terminów udostępniania informacji o stanach środków na tych rachunkach, (Dz. U. z 2006 Nr 116, poz. 785) [Regulation of the Minister of Finance dated 29 June 2006 on the types and procedure of carrying out operations on bank

accounts maintained for the operating budget, and the scope of the deadlines to share information on these accounts, (Dz. U. of 2006 No 116, pos. 785)]

- 5) Ministra Finansów z dnia 28 lipca 2006r. w sprawie szczególnych zasad rachunkowości oraz planów kont dla budżetu państwa, budżetów jednostek samorządu terytorialnego oraz niektórych jednostek sektora finansów publicznych (Dz. U z 2006, Nr 142, poz. 1020) [Regulation of the Minister of Finance dated 28 July 2006 on Specific Accounting Principles and Chart of Accounts for the State Budget, Local Government Budgets, and Certain Public Sector Entities]

Website:

Internet portal: www.prb.infor.pl

LIST OF APPENDICES

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Annex 1

CLASSIFICATION OF SECTIONS

Symbols of classes

according to PKD

010 Agriculture and hunting
020 Forestry
050 Fishing and angling
100 Mining and quarrying
150 Manufacturing

400 Production and supply of electricity, gas and water supply
500 Commerce
550 Hotels and restaurants
600 Transport and communication
630 Tourism
700 Housing
710 Service activities
720 IT
730 Education
750 Public administration
751 Offices of the supreme organs of state power, control and protection of the law and the judiciary
752 National defence
753 Compulsory social security
754 Public safety and fire protection
755 Justice
756 Incomes from legal persons, from individuals and from other entities without legal personality
757 Public debt service
758 Different settlements
801 Education and upbringing
803 Higher education
851 Health Care
853 Social services
854 Educational Assistance
900 Public utilities and environmental protection
921 Culture and national heritage protection
925 Botanical and zoological gardens; natural areas and protected specimens of nature
926 Physical culture and sport

PROTOCOL
of the inventory on hand
.....

Census team composed of:

.....
.....
.....

Completed on (date) inventory on hand in the presence of
the person materially responsible

The purpose of the inventory was to determine the actual amount of cash on hand as of
.....

In the course of inventory it has been found that:

1. The actual amount of cash in hand

a) banknotes total

PLN 200

PLN 100.....

PLN 50

PLN 20

PLN 10

b) coins total

c) the total amount of cash on hand

d) the cash on hand according to the last cash report

- 2. Shortage
- 3. Surplus
- 3. The last documents proving income and expenses
 - a) KP (income).....
 - b) KW (expense)
 - c) Cheque
 - d) Invoice, receipts, business trip expenses
 - e) Other

This Protocol is drawn up in two identical copies, of which one remains on hand.

Census team composed of: Materially responsible person

.....
.....
.....