

CLASSIFICATION RESTRICTED
SECURITY INFORMATION
CENTRAL INTELLIGENCE AGENCY
INFORMATION FROM
FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT
CD NO.

[Redacted]

STAT

COUNTRY Czechoslovakia
SUBJECT Economic - Planning
HOW PUBLISHED Book
WHERE PUBLISHED Probably Prague
DATE PUBLISHED Not given
LANGUAGE Czech

DATE OF INFORMATION Probably 1950

DATE DIST. 23 Aug 1952

NO. OF PAGES 21

SUPPLEMENT TO REPORT NO.

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DIRECTIVES FOR CONTROL OF CZECHOSLOVAK PLAN FULFILLMENT

The following information was taken from a Czech-language book on control of plan fulfillment. The title page to the book is missing, thus preventing identification of the title, issuing authority, and year of publication.

Forms referred to are illustrated in the original, available in CIA.

I. PURPOSES FOR CONTROL OF PLAN FULFILLMENT

The main purposes for the control of plan fulfillment are:

1. To ascertain how the plan is being carried out in accordance with assignments and indexes.
2. To determine causes of nonfulfillment of the plan and factors which led to exceeding the plan, and to study the effects on the economy.
3. To conduct political and economic analyses of these factors and causes.
4. To suggest measures which would lead to the removal of causes of nonfulfillment of the plan, to better utilization of labor reserves, manufacturing capacity, and raw materials, and to better organization of work.
5. To promulgate measures for the improvement and perfection of operational plans on the basis of experience acquired, and to transmit the experience of the best enterprises and workers to other enterprises and workers.

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Control of plan fulfillment in the planning unit is carried out by (a) the chief of the planning unit and leading officials at all levels within the planning unit (production manager, shop foremen, and others); (b) workers within the planning unit; (c) planning organs; and the plan control organ

Currency Control and "Chozraschot"

The purpose of currency control is to follow up on the fulfillment of the economic plan, to discover deficiencies, and to facilitate their removal.

It consists of checking fulfillment of planned assignments and economy measures as employed by each unit and shown by the turnover of liquid assets in their accounts.

"Chozraschot" [from the Russian "Khozraschet," self-sufficiency] is a socialist method of planned management, under which an enterprise must not expend any more funds than are necessary for the fulfillment of the plan. The workers become interested in lowering costs. They continually bend their efforts toward making the enterprise more profitable and providing the state with a monetary surplus with which production can be expanded, while, at the same time, they fulfill all assignments of the plan and exceed them where necessary. Since costs of supplies, products, wages, etc., are fixed, an enterprise can become more profitable only by boosting output, increasing productivity, reducing its own expenses, and speeding up turnover.

If, at the same time, the enterprise has only such funds at its disposal as correspond exactly to the results of its activities, it is possible to achieve financial control by means of the crown, and thus to supervise the course of plan fulfillment.

In chozraschot, therefore, bank control is set up so that a direct relationship can be maintained between the value of production and the funds received to carry it out. The course of fulfillment of the plan is thus reflected by the turnover, by the state of the financial assets of an enterprise, by the amount of taxes paid, and by the enterprise's accumulated funds.

Control by means of the crown is based on the fact that the whole process of expansion of socialist production (i.e., the whole course of fulfillment of the plan) can be expressed in money and that the control can be carried out as follows:

1. In an enterprise (enterprise currency control), through an accounting system which provides the basis for supervision of the fulfillment of the enterprise's budget and thus acts also as a control of the actual fulfillment of the enterprise's production plan.
2. In a financial institution (bank currency control), where the turnover in accounts shows the fulfillment of the planned assignments (receipts, supervision over delivery and sales contracts) and also the fulfillment of the financial plan as, for example, the payment of taxes (general and profits taxes), profits, amortizations, etc.
3. In the financial relationship with the state and with the Fund of the Nationalized Economy, that is, through receipts of the national budget and of the Nationalized Economy Fund.

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The method of financing enterprises, that is, the manner of providing the means required for the fulfillment of planned assignments, is organized according to the requirements of currency control and chozaschot. This method of financing makes it possible to control the fulfillment of the plan in individual enterprises as well as in the whole economy.

The financial control of enterprises is carried out by monetary institutes which represent nearly the entire external financial contact of the enterprise. Enterprises are not allowed to settle their mutual business directly but must do so through the proper establishment by means of transfers on their accounts. The basic purpose of currency control is to limit the amount of money at the disposal of enterprises to only the exact amount necessary to fulfill the assigned tasks.

Operating expenses of enterprises are returned in the form of profits. If profits fail to compensate operating expenditures and planned accumulation of the enterprise, owing to nonfulfillment of any part of the plan, the enterprise runs into financial difficulties which must be corrected. An easy loan at this point would defeat the aim of control.

The quality and extent of fulfillment of the plan are expressed especially by (1) receipts and their relation to expenditures; (2) deductions (payment of taxes, interest, and amortizations) from actually earned surpluses, excluding loans; and (3) prompt payment of invoices and other financial obligations, penalties, and fines for the nonfulfillment of erroneous fulfillment of delivery or purchase contracts.

If the financial plan is not being fulfilled, it is a sign that the production and requirements plan is also lagging. It is the task of monetary control to draw attention to these failures and to cause necessary steps to be taken to correct them.

So that the financial fulfillment of the plan may properly reflect the actual progress of the production and requirements plan, it is necessary that credit be used only in accordance with norms and only for uses established in the financial plan itself.

Analysis

All facts and figures established from supervision of the plan and continuous checking of its execution should be evaluated and brought into perspective by analysis of plan fulfillment.

In factory and enterprise, the planner works out the analysis of the fulfillment of the plan in cooperation with the other components; in the central (or oblast) directorate, the planning section makes its analysis in conjunction with the control division (or section), and in the pertinent ministry (commission in Slovakia), planning groups work out the analysis of the fulfillment of the plan in cooperation with the plan control department and other groups of the ministry or commission.

The final analysis of these planning units is then presented by the planning group of the Slovak Commission to the corresponding ministry and the SPU (Slovensky Planovaci Urad, Slovak Planning Office), and by the planning group of the ministry to the SUP (Statni Urad Planovaci, State Planning Office).

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Agencies for Supervision of Plan Fulfillment

Planning agencies follow the fulfillment of planned tasks, both in the planning unit and in individual units (shops, work sites, etc.), on the basis of reports and economic as well as accounting documents and records. They work out and compile reviews of the fulfillment of the plan and analyze the fulfillment of the plan.

The reciprocal relationship between agencies for control of plan fulfillment and the planning agencies is expressed by the requirement for such close cooperation that everything that stands in the way of completing the plan will be removed, and planning methods and the plan will be improved through experience acquired in supervising plan fulfillment.

Audit

Audit of plan fulfillment means that supervision will be carried out on the spot by a superior or a person empowered to do so by the appropriate agency.

The purpose of this audit is to check the correctness of planning and statistical figures, of the analysis of plan fulfillment, and of other pertinent facts relating to it, as well other circumstances which may affect plan fulfillment.

It is necessary to audit the activities of the managing, planning, and information agencies of the unit being investigated. Audits will take place systematically and whenever the need occurs.

Control sections prepare a working plan for each quarter of the year, with special attention to bottlenecks in the economic plan. In the working plan, it is particularly necessary to indicate which planning units are to be subjected to audit and to set time limits for these operations. At least a month before the beginning of each quarter, the central (oblast) directorates will forward the audit plan to the pertinent ministry (or commission), which will supplement it with kraj audits and self initiated audits. The commission sends the complete plan for Slovakia to the pertinent ministry 3 weeks before the beginning of the quarter. The ministry then draws up the plan for audits of units for the whole of Czechoslovakia. The ministry may be required to present this plan for approval to the SUP, should the need arise.

Should new conditions or new assignments arise, the audit plan will be supplemented or changed accordingly at the suggestion of lower organs or in accordance with the requirements of supervisory agencies.

Detailed audits are carried out whenever it is necessary to conduct a minute investigation of some extraordinary circumstance connected with the fulfillment of the plan, particularly if it endangers plan fulfillment.

Audits within planning units are carried out by: (1) the central (oblast) directorate within the lower planning units under its supervision; (2) the appropriate ministry (or commission, within the central (oblast) directorates and lower planning units under its jurisdiction; (3) the Ministry of Finance (Commission for Finance in Slovakia), as well as financial institutions under its jurisdiction; and (4) the SUP (SPU) at all levels.

Audit of planning units is conducted by authorized agencies, with the aid of specialists where necessary. Under no circumstances may it be conducted by an employee of the unit being audited. For more extensive and more thorough auditing, special commissions are being organized.

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Before an audit is begun, a working plan is worked out, listing the purpose of the operation, parts of the plan and sectors of activities to be audited, names of individuals who are to take part in the audit, questions to be clarified, and the beginning and ending dates of the audit. On completion, a report is to be prepared in which the following are to be noted: causes for nonfulfillment of the plan or of the parts of it which were investigated, faults and deficiencies in plan fulfillment, names of persons responsible for these deficiencies or who did not fulfill their assignments, and suggestions for the removal of established errors and deficiencies. For his own information, a report of the inspection is to be submitted to the leader of the unit which has been inspected.

Reports on audits conducted by the central (oblast) directorates are to be sent to the pertinent ministry (or commission). Reports on audits in the lower planning units conducted by the appropriate ministry (or commission) or the Ministry of Finance (or the Commission for Finance) are to be sent to the central (oblast) directorate for information. The commission in Slovakia sends all reports to the corresponding ministry. The control branch of the SUP may require that inspection reports be submitted to it at any stage. In the interest of assuring the assignments of individual enterprises in the kraj, and to secure the cooperation of persons acquainted with the situation in the kraj, the authorized representative of the SUP is to be informed of audits in his territory and is to receive one copy of the report.

Audits of kraj-planned units and, on occasion, of centrally planned units are also conducted by the KKF (Krajsky Narodni Vybor, Kraj National Committee) the plan is sent to the ministry (or commission) for intergration into the overall audit plan.

Workers' Councils

Once a month, the manager of the planning unit calls a meeting of the leading planners and control officials, as well as of union leaders and representatives of the party, to discuss the results attained in carrying out the plan, to decide where steps should be taken to ensure the completion of assignments (including the financial plan and the plan for production and requirements), and how to remove defects. Minutes of this conference are to be sent to the central (oblast) directorate on the fifth day following the end of the preceding planning period (month), as well as to the SUP kraj representative in whose area the enterprise is located. The director of the central (oblast) organ summons a monthly conference of enterprise managers, at which fulfillment of the plan is discussed, criticism and self-criticism of shortcomings are in order, and operational measures are adopted to eliminate such shortcomings as they appear in the individual enterprises. In Slovakia, the regional agency sends a copy of the minutes of this meeting to the pertinent commission, as well as to the Czechoslovak central directorate; it, in turn, sends its minutes, along with those of the oblast organ, to the pertinent ministry.

Plan Control Department of the SUP

The plan control department directs and coordinates control on a state-wide basis, setting up general principles for organization and methods of plan scrutiny. It correlates and checks reports of national importance on plan fulfillment and on its defects; these reports come from the SPU (plan control department), from kraj representatives, from individual departments of the SUP, and from the various ministries (or commissions). The department directs and coordinates activities of all officials of the SUP and issues periodic reports on plan fulfillment.

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On the principle that control should be carried out by the agency which sets up the plan in any given sector, the appropriate departments of the SUP carry out plan control in cooperation with the plan control department; on the basis of analyses of plan fulfillment by the pertinent ministry and branches of the SPU and with other available data, they analyze plan fulfillment in all centrally planned units.

The plan control department of the SUP calls and directs conferences of representatives from the ministries, SUP departments, and other offices, at which plan fulfillment is discussed, together with causes for nonfulfillment in individual branches, as well as suggestions for operational measures to remove faults and fulfill or possibly exceed the plan.

SUP Representatives

SUP representatives are agents of the Central Planning Service, under the direct supervision of the plan control department, and are independent of lower agencies of the planning service. Their main duty is to control fulfillment of assignments of general importance. In krajs they carry out control, especially in bottleneck and also where, in assignments of national importance, the actual deviation from the planned goals is markedly apparent and endangers the fulfillment of other assignments of national importance. Furthermore, they carry out control in special cases at the direction of the SUP plan control department. They must be provided with all necessary planning and statistical information about plan fulfillment, in addition to economic and technical data on the work of all the planning components, as well as directives, memoranda, and other material for the execution of their duties.

SUP representatives prepare regular monthly reports of their activities and, in important cases, submit special reports to the SUP plan control department. Where defects are found, they simultaneously recommend methods for their removal.

Where necessary, representatives of the SUP coordinate control, in the krajs so that no duplication will arise and so that no sectors will be without control.

All agencies, both departmental and oblast, are required to provide the SUP official with duplicate copies of the results of audits conducted in all sectors of the economy. SUP representatives are in contact with officials of the kraj's planning service and are to be provided, to the extent of their authority, with as much information and advice as is necessary and applicable in their work; wherever necessary, they may request the aid of KJV offices.

SUP officials supervise plan control in the directorates of enterprises in basic industry, assist them in their work, and give them instructions according to SUP plan control department directives.

Kraj Coordinating Commission

The special duty of the coordinating commissions for control of plan fulfillment is (1) current coordination of the control aspects of the plan in such a manner as to assure the systematic control of all parts and to eliminate duplication on an oblast scale; and (2) coordination of all activities for the fulfillment of the plan, so that any duplication, overlapping, or splitting of activities can be prevented and full effort concentrated on the main points of the plan and its bottlenecks.

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The kraj coordinating commission works from material furnished by the kraj statistical office and from findings made in following up plan fulfillment by kraj enterprises.

After analyzing the results of plan fulfillment, the kraj coordinating commission asks suggestions to the kraj agencies and sometimes requests the aid of the SUP plan control department, particularly when the suggestions reach beyond the bounds of the kraj office's jurisdiction. A report drawn up on the progress of proceedings and decisions made in the council of the kraj coordinating commission is sent to the SUP plan control department through the local SUP representative.

Kraj Control Agencies

The KHV carry out supervision by means of planning boards, kraj statistical offices, and audit commissions.

The objects of its control and audit are the units under the kraj plan and the local-economy sector.

The KHV takes part in the audit of the centrally planned units, along with central agencies and agencies of the ministry; or it can be instructed to do so by the kraj coordinating commission.

In centrally planned units where the KHV has compiled the kraj budget, its agencies also take part in controlling the fulfillment of plan requirements.

The directing authority in control conducted by organs of the KHV is the planning board of the KHV. For this purpose, it compiles a quarterly plan. The KHV planning board also compiles semiannual analyses, as well as a report on the fulfillment of the whole plan for the kraj and on conditions and developments of the economy within the kraj. This economic analysis includes both kraj and centrally planned units. It is sent to the kraj and oblast statistical offices.

Classification of Reports

All reports and analyses are classified confidential or secret. Where results of the plan in lower units are published, only percentage figures are given.

Penalties

According to law, everyone whose duty it is to present information for use in any part of the economic plan must do so accurately, truthfully, and within the prescribed time limit. Anyone failing in this duty is subject to a fine of up to 100,000 crowns or imprisonment for not more than 3 months. If by his actions, the person had endangered, retarded, or made difficult the progress or the execution of the whole economic plan in an especially important field, he is liable to a penalty of up to 250,000 crowns or imprisonment for up to 6 months.

Reports

Preliminary reports will be furnished the SUS (Statni Urad Statisticky, State Statistical Office) within 10 days after the end of the quarter.

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II. THE ENTERPRISE SECTOR

Time Limits

Reports on fulfillment of the financial plan must be presented, compiled, and transmitted within the exact time limits set. This principle applies also for the presentation of budgets.

In 1951, time limits will not be extended.

Only in quite exceptional and isolated cases may a bank permit an extension of a time limit, and then only on the suggestion of superior agencies, in accordance with the special instructions of the SUP.

If reports are not presented on time, the superior agencies should recommend legal prosecution to the appropriate national committee. If these steps are not taken by the superior agencies, the bank will take them.

The agencies superior to the enterprises (central directorates, kraj inspectors, monetary institutes, KVV) are required to present their reports within the time limits, even when a report is overdue from some enterprise or when an extension of time has been granted to an enterprise.

Examples and Forms

These directives contain sample forms for use of the pertinent ministries, in accordance with the requirements of enterprises under their control; after approval by the SUP, the proposed forms will be sent to the SUB, which will arrange for their printing and mailing.

Analysis

Analysis is an important part of monthly, quarterly, and annual reports on plan fulfillment. It must:

1. Evaluate reported results of plan fulfillment.
2. Point out shortcomings in plan fulfillment.
3. List the main factors which facilitated better fulfillment of the plan, and list specific causes of failures.
4. List measures taken by the planning unit or proposed by it in order to attain better results.
5. Suggest necessary measures which the planning unit cannot initiate for lack of authority.
6. Report whether and to what extent the fulfillment of the financial plan was affected by organizational changes, changes in the production program, and changes in prices and wages; and also provide a comparison between a report unaffected by such factors and the current results.
7. Compare fulfillment of the production plan with the requirements plan and fiscal plan.
8. Show the effect on the fulfillment of the financial plan made by efforts of workers to lower production costs by tightening of norms, competition, suggestions for improvements, and efforts toward a speedier turnover of funds, etc.

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Analysis of the report on stockpiles should show especially all factors causing nonmaintenance of the planned amounts of stockpiles, as well as all changes in such stocks. It is important to point out what measures were taken to expedite the turnover of supplies.

Analysis will reflect the amount of attention that was actually devoted to various assignments.

Preparatory Work for the 1952 Plan

In the interest of perfecting planning procedure for monetary circulation, the general managements of national industrial enterprises in the four ministries concerned will prepare the following by the end of February 1951:

1. A proposal for perfecting the procedure of planning monetary circulation and the circulation fund, to be sent to the respective ministries concerned, as well as the Ministry of Finance, the State Bank, and the financial department and materials-supply department of the SUP.
2. A list of seasonal supplies, to be sent to the respective ministry and to the State Bank.

Insurance Enterprises

Control in these enterprises is carried out on the basis of (1) control directives; and (2) analysis of plan fulfillment.

Control Directives

Planning units present their control directives in six copies (regional managements present theirs in a single copy only) to the central office of the Czechoslovak Insurance Enterprise, as follows:

Quarterly

A quarterly transfer of accumulated reserves to be deposited in the form of securities (Form K 8).

A quarterly breakdown of certain budgeted expenditures and receipts (Form K 9).

A quarterly comparison of financial indexes (on Form K 13-II).

Annually

An annual yearly budget listing the assets and liabilities, as well as income and outgo (Form K 10), and an annual comparative analysis sheet (Form K 11).

An annual budget for insurance reserves (Form K 12).

Annual financial indexes of plan fulfillment (Form K 13-I).

Analysis

In addition to the quarterly and annual directives, the planning units will attach a detailed analysis covering the following:

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A method of setting up norms for the amounts required to finance the agency, both its current expenses and capital investments; and a method of evaluating norms with respect to plan fulfillment.

Evaluation of the process of liquidation of assets and reserves.

An analysis of the causes for the fulfillment, nonfulfillment, or exceeding of the plan, which will classify these causes either as permanent, temporary, or accidental, stating at the same time how certain verified deviations from the production and requirements plans became evident.

Enumeration of important provisions which the planning unit has taken or which it should have taken within the limits of its authority; and the possibilities for the removal of such deviations as appear undesirable.

A proposal for necessary measures to be taken by a higher controlling agency.

An analysis of the fulfillment of the materials supply plan.

The verification of developmental trends, with caution in regard to possible difficulties to be encountered, and other factors bearing on the fulfillment of the plan.

During annual control of the financial plan, the amount of unused risk capital is shown, that is, the difference between expected and actual damages. Expected damages are calculated on a basis of indexes denoting the ratio of compensated damages to the total amount insured. These indexes play an integral part in guiding the insurance plan for 1951 (Form 3).

Control Duties of Financial Institutions

The mobilizing functions of the financial plan and currency control give rise to important duties for the managers of financial institutions and credit officials. These are the exposure of hidden reserves in the enterprise sector and the exertion of constant pressure by means of the credit system for mobilization and accelerating turnover capital to shorten the production cycle and reduce operational expenses.

This pressure must be shown in a better, more economical fulfillment of the plan (in the production and requirement, as well as the financial, phases of it) and in the reduction of operational loans.

The fulfillment of the assignments requires that credit officials not be satisfied merely with figures excerpted from bookkeeping and control reports, but that they also verify the necessary information for proper currency control by examining the accounts and documents of enterprises.

Execution of Control

To make monetary control of the plan possible, each planning unit is permitted to be in touch with only one operational finance institution and one investment institute. Where production and investment credit is provided by a people's financial institution, the planning unit is allowed to be in touch with only one such agency.

Control is carried out by the proper financial institutions on the basis of regular reports of the planning units with regard to plan fulfillment; an analysis of the turnover of planning units in comparison with the financial

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plan; and auditing and statistical reports of the financial status, drawn up by the enterprise or its supervising agencies, which may be requested for examination by the banking institution.

The Banking Institutions' Own Financial Plan

All banking institutions must present (in addition to special reports on activities toward fulfillment of the financial and investment plan): (1) a quarterly projection and budget statement; and (2) the annual analysis sheet for 1951, consisting of the annual budget and the annual operational statement.

All banking institutions must prepare and present to the SUE a comparative statement of totals of both quarterly and annual budgets, as well as operational statements.

Audit for Financial Purposes

Planned audits are conducted by the supervising agencies, as well as by the audit agencies of the Ministry of Finance and the national committees, or are conducted jointly. Bank officials of the people's banking institutions may also be called on to conduct these audits. The extent of audits may be decided according to the circumstances of the case. These audits are conducted by agencies superior to the enterprises to be inspected, as well as by control agencies of the Ministry of Finance and by banking institutions, or jointly by these agencies.

Control of Plan Fulfillment for Financing Operations

The operational goal of this control is to accelerate the turnover of liquid assets and, through constant effort by financial institutions, to encourage thrift so as to lower expenses and the cash requirements of enterprises.

This task is accomplished by (1) controlled fulfillment of the credit plan of the Czechoslovak State Bank; and (2) controlled fulfillment of the financing plan conducted by the financial institutions.

Basic Directives for Credit Control

In carrying out control and extending operational credit, the banking institutions are guided by the following basic directives:

1. They may provide operational credit only for planned activity, and only to those enterprises which fulfill their financial plans on time and repay loans without having used them to cover deficiencies arising from non-fulfillment of parts of the plan, from frozen assets such as excessive supplies, investments, inactive accounts of clients and suppliers, or from nonfulfillment of the accumulation plan.
2. They are to ensure that the plan of accumulation within the enterprise is fulfilled on time and that deposits to reserve accounts, taxes, and amortization be made promptly. This is to be done from actual accumulation (i.e., from the excess profits after deduction of operating costs) and without increasing the production credit.

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3. Banking institutions which do the financing are to verify that reports and records submitted actually reflect a true picture. This may be done through an examination of the records of wages and accounts of the enterprise, by a thorough documentation of invoice payments and collection orders, by ~~the~~ salary payments, and, if the need and occasion arise, by procuring copies of contracts and by assembling salaries (payrolls and wage budgets) and sales (by means of invoices).

4. Operational loans may be used only for planned activities. Their repayment at the proper time is ensured by the State Bank, which also supervises over-all accounting and finance in enterprises by use of legal sanctions in accordance with the directives of the Ministry of Finance. According to the circumstances of the case, the bank will make use of the following sanctions:

- a. Penalty percentage rates or fines.
- b. Refusal of further credit.
- c. Cancellation of outstanding loans.
- d. Cessation or curtailment of previously granted credit.
- e. Use of foreclosures on securities guaranteeing the loan and, if necessary, the sale of any goods used as collateral.

To strengthen lower credit limits and to be closely informed about the state of credits and reserves, the State Bank will establish the following practices:

1. Listing credit limitations.
2. Certifying financed enterprises and their affiliates.
3. Expediting reports of credit changes and instituting procedures for current follow-up of use of credit on supplies.

By the 15th of each month, a review of changes in the credit situation is to be presented by the State Bank to the Ministry of Finance and the SUP. By the 19th of the following month, an analysis of the credit situation is to be presented by the State Bank to the Ministry of Finance and the SUP.

State Bank Reports

On the basis of its own control and of reports by the financed enterprises and banking institutions, the State Bank is to compile a quarterly statement on the fulfillment of its credit plan (Form K 14) and present it to the SUP and the Ministry of Finance with a detailed analysis, as well as with statements of (1) credit extended (separating the operational from the investment credit (Form K 15); and (2) fulfillment of the financial plan of the people's banking institutions (on Form K 16). Both reports are also sent to the SUP.

Basic financial planning units which directly provide enterprises with operational credit will present reports to the State Bank through proper channels with a detailed analysis of the following:

1. How the goals of restrictive credit policy were met by the credit granted in the period covered by the report.
2. What important corrective measures were taken by the banking institution and what effect these had on reducing the amount of operational credit on current inventories, on the accounts of supplies, clients, etc.

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3. What serious instances of nonfulfillment of the plan, indicated by liquid assets or in some other manner, were reported to higher authorities, with proposals for concrete remedial measures.

Control of Fulfillment of Investment Plan

The goal of financial control of investment capital is to assure the greatest possible economy, as well as planning and financial discipline in making investments, i.e., to assure that: 1. Capital allotted in the financial plans for investment was actually used for that purpose, and that investments made with the enterprise's own surplus are made according to current regulations, i.e., construction investments are to be made within a month after the end of each planning month during construction, and investments not used for building purposes are to be made within a month after the end of the planning month during which the investment originated. 2. Financing of unplanned investments is made impossible in any form whatsoever. 3. Investments are completed at the least possible cost and within the planned time limit.

Agencies Reporting on Investment Control

The financial control of the investment plan is carried out by those agencies which finance the investments, either directly or through the intermediary of the FZH (Fond Znarodneho Hospodarstvi, Nationalized Economy Fund).

The people's banking institutions, where they are entrusted by valid decrees with the financing and control of investments, are guided by directives of the Investment Bank.

The Investment Bank presents quarterly reports on (1) the fulfillment of the collective plan for financing investments; and (2) the disposition of investment credits according to economic sectors and types of enterprise.

Methods of Control

The Investment Bank conducts financial control of fulfillment of the plan for investments financed both by itself and by the people's banking institutions as follows:

1. By a steady follow-up and analysis of payments from investment accounts. Accounts of the FZH are also considered as investment accounts, and public administration agencies are responsible for the amounts necessary to cover the investments.
2. By consistently demanding that procedure be rigidly followed, both as to the transfer of various types of investments and for individual payments.
3. On the basis of regular control reports presented by the planning units.
4. By reinspection of building sites and audits conducted by agents of the Investment Bank.

On the invoices of CSSEZ (Ceskoslovenske Stavebni Zavody, Czechoslovak Construction Enterprises) and communal construction enterprises, it must be stated whether the expenditure covers (1) maintenance; (2) construction investment (in which case, it is necessary to put the number of the investment account on the invoice) or (3) a nonconstruction investment such as bases for machinery, foundations, boiler insulation etc.

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The Investment Bank is responsible for the proper functioning of financial supervision of investments within the enterprise sectors and of construction investments throughout the nation and is guided by the following directives:

Payments for investments must come from the investment account maintained at a single financial institution as follows:

1. In national and communal enterprises, only from the investment account maintained in the Investment Bank or its branches.
2. In the case of all other investors of the enterprise sector, only from the investment account maintained at either the Investment Bank or the people's banking institutions.
3. In construction investments of the public administration, only from the investment account carried with the Investment Bank; and in the case of all other types of investments of the public administration, from minor accounts at the State Treasury.

Documentation of Investments

Banks handling investments shall require that (1) the investment expenditures included in the plan be in agreement with the expenses provided for by the budget of the enterprise; and (2) all approved changes in expenditures be reported to the bank.

In construction investments, these changes in the account will be made according to prescribed procedure.

The banks keep records of all investments made throughout the state, classifying them as construction and nonconstruction projects (planned and preparatory operations); these are further subdivided into property investments, according to size, as well as other nonconstruction investments, import investments, and special investments in agriculture and forestry projects; investments abroad and other irregular investments are classified according to the individual investors. The banks can maintain such records and carry out the task of classification of investments only if invoices are submitted; this is especially true in the case of nonconstruction investments within the country.

The banks will check on the ultimate use of the outlay deemed necessary for the work of construction according to plans submitted. It receives a quarterly report from construction investors, stating what portion of the allotted investment remains unclassified through incompleteness and what hindrances, if any, have arisen in the work.

Investors are required to notify the bank on completion of any construction project and are to list all labor and supplies applied thereto. Such notification must be sent by the end of the month in which the project was completed.

When making their quarterly reports, investors are also required to explain any discrepancies between various accounts of Class 0 (including investments in construction made by themselves and the amounts of the investment account used during that particular planning period). The bank may resort to legal sanctions in cases where investors have unduly delayed making investments.

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Each month, or as often as necessary, on the basis of the results of financial control, the bank notifies the SUP and the Ministries of Technology and Finance of any unfavorable developments which may have occurred and points out concrete situations which might endanger the fulfillment of the investment plan.

Construction Investments

Banks handling construction investments are permitted to finance only construction for which all the prescribed papers and documents have been presented to it by the investor, such as the following:

1. An investment statement or other planning documents which prove that the construction is an investment listed in the plan for construction investments, approved by the government for the planning year for that particular branch of the economy.
2. A project approval with a detailed list of construction and labor costs, preliminary calculations with a schedule of construction, supply agreements, and, in some cases, labor contracts. The Ministry of Finance, in agreement with the SUP, may allow exceptions to this.
3. Funds for construction investments are provided by the banks only on the basis of original invoices (or certified copies) or, where the investment is made from the enterprise's own capital, on the basis of interdepartmental invoices within the enterprise. Construction investments from the enterprise's own capital are activated monthly.
4. The banks conduct an examination on the basis of the operational accounting of the construction enterprises to ascertain whether or not the funds expended were used for planned construction work (i.e., for construction with an investment authorization) and to ascertain whether or not records of the operations of the construction enterprise are in agreement with the investment documents (yearly and quarterly budgets, records of building costs of each construction project, time schedules, quarterly production plans of construction, monthly reports on fulfillment of the plan, monthly reports of operational accounting made in each construction area, copies of records of construction work, and labor and production plans).

The banks issue installments according to the progress of the work, which progress is to be noted on the installment record. Construction enterprises are required to inform the Investment Bank of any additional undertaking on the day work is begun, with details as to whether it is maintenance work, new construction, or of a nonconstruction-investment nature. In reporting the beginning of a new project, the enterprise must indicate when the work was ordered and what probable and permissible exception comes under consideration; it must also be indicated if the construction was not ordered to be completed.

In these cases, the banks render payment, as approved by the investor, for labor, assembling, and other work, according to the prices given in the approved budgets and contract agreements.

The Investment Bank must determine (1) appropriate expenditures, according to the sectors of construction, comparing these with preliminary calculation; and (2) actual expenses in each of the sectors of construction. It will compare this operational accounting with payments made and other records.

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In nonconstruction investments, the banks determine the correctness of data contained in receipts of payments made according to agreements and issues payments only for those investments included in the investment plan. Investors are required to submit to the banks copies of all contracts made by them in conducting investments. In issuing payments on investment purchases, the banks are to receive the original invoices (purchase orders); where investments involve enterprise capital, it receives the enterprise's interdepartmental invoices.

Enforcement Rights of the Banks

According to circumstances, the banks may use legal means mentioned above and may order cessation of payments for financing investments.

In serious cases, where payments of investments have been stopped, the Investment Bank notifies the Ministry of Finance, any other ministry concerned, and the SUP in quarterly reports to those organizations.

Investment Sums

To facilitate control of the fulfillment of the plan, the Investment Bank has at its disposal the following.

1. The State Investment Plan.
2. Reports from the ministries, showing how the investment sums credited to them were allotted according to the listed central agencies and basic planning units, as well as to the KPV, so that the amounts invested are specified in detail as to individual investors (enterprises). At the same time, investors with investment allocations under the sum of 100,000 crowns (such as handicrafts, small cooperatives, private enterprise) are listed in round numbers. Also similarly listed are investors financed from the national budget.

3. Similar reports from the KHV, concerning investment sums designed for investments planned by the kraj and classified according to economic sectors and branches.

Should any changes be made in the division of allotted investment sums, the Investment Bank is to be notified.

Summary of Fulfillment of Investment Plan

In accordance with the reports of the Investment Bank on the fulfillment of the plan for financing investments, the Ministry of Finance is to compile a review of the nationwide financial fulfillment of the investment plan, with investments classified according to (1) projects (planning and preparatory operations); (2) construction work; (3) investments not used for actual construction; these are further subdivided as large property investments, other property investments, and other nonconstruction investments; (4) import investments; (5) special investments in agriculture and forestry; (6) investments abroad; and (7) irregular investments.

Control of Fulfillment of the Administration's Financial Plan

In controlling the fulfillment of the state financial plan, the following plans are to be studied:

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1. State budget (including national committees), especially as follows:
 - a. Budget for state administration and the national debt.
 - b. Budget for new establishments under the state administration.
2. Budget of the Central National Insurance Agency.
3. Financial plan (budget) for the FZH.
4. Financial plan (budget) for the Housing Administration Fund.
5. Budgets of other important state funds.
6. Financial plans of the krajs.

Control of the financial plans of enterprises (national, communal, cooperative, etc.) is obligatory wherever particular directives herein are applicable.

Suggestions Concerning Directives on Control

Directives are designed to assure control of the fulfillment of economic plans, which is assigned to the SUP; on the basis of these directives, suggestions to help control the fulfillment of the financial plan (budget) of the public administration are to be worked out.

Suggestions for control of execution of the budgets under the financial plans of the public administration are worked out as follows:

1. By the Ministry of Finance, in cooperation with the SUP, the Ministry of the Interior, and the Supreme Accounting Control Office, if the subject of control is as follows:
 - a. The state budget, including the budgets of the national committees, budgets for new establishments under the state administration (as well as under national committees), and the budgets of other important state funds not mentioned.
 - b. The financial plan (budget) of the FZH.
 - c. The financial plans of the krajs.
2. By the Ministry of Finance, in cooperation with the SUP, and the Ministry of Labor and Social Welfare, if the subject of control is as follows:
 - a. The budget of the Central National Insurance Agency.
 - b. The financial plan (budget) of the Housing Administration Fund.

Suggestions for the control of fulfillment of the above-mentioned financial plans (budgets) must be founded on the basic principles for control as contained in Part I of these directives. In drawing them up, it must be remembered that the administration's financial plans, especially the state budget, are among the most important means of securing the fulfillment of the economic plan and facilitating a reliable control, not only of the quantity but also of the quality of the fulfillment. This, of course, assumes the following:

1. Expenditure credits are to be used, as nearly as possible, for the purposes they were to cover under the budget, since they must correspond with production and requirement plans.

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2. With regard to expenditures, the proper and most economical use will be made of credits, so as to insure the qualitative and quantitative fulfillment of the plan.

3. Receipts will at least cover the totals presented in the budget.

To meet these requirements, the control agency, notice of unauthorized changes recorded in quarterly reports, must take immediate steps wherever necessary to prevent the belated accounting of deposits made to cover items on the budget for future quarters. As appropriate safeguards, it must do the following:

1. Impose the established penalties in the case of delayed statements or payments, especially on investments made not only in enterprises but also in the agencies of the public administration.

2. Limit credit advances.

3. In establishing credit limits, apply the amounts transferred from previous quarters to the amounts required in the current quarter; the amounts transferred must be properly accounted for and controlled.

Report on the Fulfillment of Financial Plans

Control of the Budget of the State Administration

To insure economy in the state budget for 1951, the following reports are to be compiled and sent to the SUP and to the SUE: (1) a report on the yield from public taxes and duties; and (2) a report on the results of national management in conformance with the budget.

The report on the yield from public duties and taxes is to be compiled monthly by the Ministry of Finance.

The report on the results of national management of the budget (payments) is to be arranged in the same manner as the budget itself; it is to be drawn up according to the following principles:

Each disbursing agency or kraj and okres national committee is to compile a monthly report on its management of the budget, to be sent directly to the Ministry of Finance, with a copy for the Supreme Accounting Control Agency.

Each local national committee is to compile a similar report of its own at the end of each quarter and submit it to the okres national committee. Local national committees, in obecs of less than 2,000 inhabitants are to compile simplified reports.

Okres national committees are to verify the reports of the local national committees and, on the basis of these, compile a summary report for the entire okres, concerning the management of the budgets of the local national committees for that quarter, as well as a report of their own management of the budget for the quarter. This is to be forwarded to the kraj national committee, and copies are also to be sent to the Ministry of Finance and the Supreme Accounting Control Agency.

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The kraj national committees will compile and examine these quarterly reports for its own kraj, adding the results of its own management of the budget, and submit the complete report to the Ministry of the Interior and to the SUS. After studying and arranging the data, they will forward it to the SUP finance department.

Reports on the management of the state administration (and of the national committees), and reports of the more important agencies (except the FZH and housing) are to be compiled and submitted each quarter.

In Slovakia, the procedure is similar; reports submitted by national committees to the central offices (the Ministry of Finance, Ministry of the Interior, etc.) are to be channeled through the appropriate Slovak agencies (the SFU, the Commission for Finance, the Commission for the Interior, etc.)

The Ministry of Finance will examine the reports received, combine them in a comprehensive report, and then return the various sections of the report to the central agencies concerned. A copy of the comprehensive report must be sent to the Supreme Accounting Control Office, the SUP finance department, and the SUS.

Control by means of such reports is particularly facilitated by comparisons of quarterly reports on expected receipts and expenditures, whose presentation, along with that of the complete reports of the central offices, is to be regulated by the budget law for 1951, which has a rider requiring the Ministry of Finance to compile a general report from the reports thus submitted and to send copies thereof to the SUP finance department and the SUS.

Control of the Budget of the Central National Insurance Agency

The Central National Insurance Agency is to compile and submit a report on the management of its budget for each quarter to the Ministry of Labor and Social Welfare, the Ministry of Finance, the SUP finance department, and the SUS. The Ministry of Finance will send its analysis of this report to the SUP. In addition to these reports, the Central National Insurance Agency will submit a closing account for the whole year to the Ministry of Labor and Social Welfare. The Ministry of Finance also receives two copies, one of which is forwarded to the SUP, along with an analysis.

Control of Budgets for FZH and Housing Administration Fund

The FZH and the Housing Administration Fund are to compile and submit reports on the management of their budgets (receipts and expenditures) for each quarter to the Ministry of Finance, the SUP finance department, and the SUS. The Ministry of Finance will send its analysis of the above reports to the SUP. Besides these reports, these two agencies are also to submit a closing account for the whole year; the required number of copies are sent to the Ministry of Finance which then forwards one (along with the analysis of it) to the SUP finance department and one to the SUS, without analysis.

Control of the Financial Plans of the Krajs

Reports which are to be submitted by enterprises included in the financial plan of each kraj are dealt with in Part II of these directives. The measures that are to be taken on the basis of these reports by kraj national committees, commissions, and ministries concerned are also listed.

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The control of the fulfillment of the state budget depends chiefly on the state's closing account, which is compiled by the Ministry of Finance. It is an important aid in the compilation of later state budgets and central financial plans; therefore, the Ministry of Finance sends one copy each to the SUP finance department and to the SUS.

Method of Carrying Out Control

The control of plan fulfillment is not limited merely to tracing and analyzing the above-mentioned reports.

The control of the fulfillment of budgets (financial plans) must also do the following:

1. Ascertain not only how assignments arising from the budgets (or the financial plans) are being fulfilled in regard to both time and materials; that is why the control not only traces the formal acts of expenditure (remitances from the proper credit account and within its control limits, etc.), but also determines whether the purpose of the expenditure is in keeping with the actual plan, and, finally, whether it is compatible with the aim of financial planning as regards its effect on the nature of the fulfillment of the plan (economical expenditures, maximum use of resources, increased productivity, etc.).
2. Remove the faults discovered or assure their removal by reporting them to the proper office.

While control is being carried out, it is important to make sure that the sums specified for investments are used wisely and in accordance with the plan.

Who Executes Control?

The control of the fulfillment of the state budget is carried out primarily by agencies which handle budget funds (disbursing agencies, national committees, etc.) within the area of their authority. Control is carried out especially by the accounting office.

The accounting office is required to (1) examine the data contained in all documents pertaining to state receipts and expenditures, not only for accuracy and formality, but also, where possible, for proper authorization of expenditure; and (2) refuse to render payment when objections occur; a notice should then be forwarded to the subordinate agency, accompanied by the documents submitted and a statement of the reason for rejection.

Following such rejection, settlement will be rendered only on presentation of a written order from the chairman of the disbursing agency (the chairman of the national committee). The matter must be entered on a special record and, in closing the account, the case must be reported (if a national committee is concerned, report is made through the intermediary of a financial board): (1) to the superior office of the disbursing agency or, (2) if the suspended account originated in a kraj national committee, to the ministry concerned or the Ministry of Finance; or, (3) if the suspended account originated in a central agency, to the Ministry of Finance and to the Supreme Accounting Control Office.

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Control of the remaining budgets or financial plans is carried out primarily by the agencies in charge of management according to the budget or the financial plan.

The accuracy of the controls thus carried out is always tested directly, usually by the supervisory agency (office) which is in charge of management of the financial plan or budget. The superior agencies to which control reports are submitted are not, of course, relieved of further responsibilities of conducting audit and adopting measures to ensure that the actual purpose of the controls is achieved.

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