

## **EXTERNAL BUDGET CONTROL**

The governing board of an institution must control the institution's budget which is the expression of the institution's plans in financial terms. Unless the governing board has control of the budget, it cannot complete its planning function or ensure the implementation of its plans.

When an institution depends for its support on an external agency -- state, church, or other public or private agency -- the external agency will determine the amount of support it will provide and may appropriately indicate in broad terms the categories for which support is provided and the amounts. The external agency should not, through line item control or other means, determine in detail how the funds are to be spent. This is a function of the governing board and the institution's officers.

Once funds have been allocated, the normal expectation should be that the amount of funds will not be reduced in a given fiscal year. If subsequent developments necessitate reduction of the allocation, the governing board and the institution's officers should determine how and where the reductions are to be made.

If an external agency has a responsibility for pre-auditing or post-auditing, it should check only on such matters as arithmetic accuracy, authenticity of signatures, consistency with the provisions of the budget, and legality; it should not question the appropriateness of a particular expenditure.