

RELATIONSHIP OF THE PROPERTY MANAGEMENT SYSTEM AND PROPERTY MANAGEMENT CONTROLS WITHIN THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC

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***Abstract:** The national property management system within the Ministry of Defence of the Czech Republic is characterized by its extensiveness from the viewpoint of the number of processes, necessarily involved from the viewpoint of time and interrelations as well as irreplaceableness from the viewpoint of its uniqueness under conditions within the Ministry of Defence in the Czech Republic. National property management controls are one of the processes within the framework of the national property management system.*

***Keywords:** Control, special control, internal control, lawful (statutory) inspection, stocktaking, property control, account auditing, property control.*

1. INTRODUCTION

The property management system within the Ministry of Defence of the Czech Republic (MoD CR) which includes many processes and activities plays a decisive role when logistic support of troops of the Army of the Czech Republic (ACR) is realized.

The implementation of logistic requirements to the extent that the property is available in the right place, in the prescribed time, in the correct quantity, the required quality and within reasonable expenditure is a primary objective. Within the MoD CR, control instruments are used in conformity with NATO standards to determine the conditions of the management of national property (i.e. that of the state) as well as the management of non-national property¹.

The property management system is the top priority of the ACR for the reason

of observing Alliance commitments, compatibility with NATO countries and the unification of standards for providing ACR units for multinational operations.

These problems fall within the competence of ACR logistics that operates the property management system within the logistic support of troops.

2. PROPERTY MANAGEMENT WITHIN THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC

Managerial personnel of units (commanders, chiefs, and directors) are authorized to use property to accomplish tasks and to act in legal relationships, to incur liabilities and take legal actions when managing property on behalf of the Czech Republic – the MoD.

Included in national property management are its acquisition, accounting and recording, use, maintenance, **protection** and handling including handling of surplus national property [1].

Property management embraces many activities, the aim of which is to provide the following:

¹ Non-national property is property which the MoD is not the owner. This property may be hired, borrowed, left in trust with a military unit, stocks accepted for manufacturing, procured from NATO common financial assets that are the property of a designated agency, possibly any NATO member country, which is transferred to the CR to use.

- Storage, maintenance and repairs of property based on current standards and regulations;
- **Protection** of property against improper use, unauthorized use, misappropriation, fire and deterioration;
- Maintaining auxiliary material records;
- Prescribed *examinations* and *controls* of property; and
- Removal of property through authorized disposal [2].

To secure the **protection** of national property within the MoD commanders (chiefs, directors) are obliged to use all legal remedies within the scope of their authority and responsibilities, especially as follows:

- To prevent damage to national property using timely and systematic **controls**;
- To support application of the rules of service life and property consumption through proper maintenance;
- To preclude the premature wear or depreciation of administered property by purposeful organizing technical and metrological support, possibly to diminish the extent and intensity of depreciation through repairs;
- To exercise the right of compensation for damages against infringements from those who are responsible for such events and those who inflicted damages negligently or intentionally by failing to take action to avoid them;
- To develop and apply suitable punishment for unlawful appropriation, damage or improper use of property, that is not a criminal act, at the level of their disciplinary power; and
- To submit the matter for criminal prosecution through the Military Police when there is a suspicion of a criminal act.

Peculiarities and details of property management are arranged by special implementing regulations issued by MoD authorities in the scope of their established competencies.

Property class administrators issue special instructions and guidelines that complement regulations from the viewpoint of professional activities and specific characteristics of

individual types of property (property classes) [3].

3. NATIONAL PROPERTY MANAGEMENT CONTROLS WITHIN THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC

Controls of actions with property management within the MoD CR are an integral part of property care and the checking system that are promulgated by special internal normative acts (INA) [4]. Objectives, methods and procedures are determined in legal regulations and special INAs [5].

4. BASIC INFORMATION RE PROPERTY MANAGEMENT CONTROLS WITHIN THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC

Controls are organized by a senior employee of a MoD entity in the scope of his/her competence. Examinations and controls stated by military regulations [6] are organized by a unit senior employee and are executed by a property authority together with the unit commander. Results are recorded in the Book of Material Examinations and Controls, results of weapon examinations and controls are recorded in the Book of Weapon Inspections. The senior employee of an MoD entity announces the results of weapons and ammunition counts, records and security at least twice a year in his/her order [7].

Basic forms of property management controls are as follows:

- Periodic check of property management; and
- Stocktaking.

Periodic check of property management is a special type of control that does not correspond to the content scope of the principal control. It is a correctness and plausibility check of auxiliary property records, property application, property use and safety when used, the conditions of correctness, protection, maintenance and repairs, the conditions of property standards provision, its consumption and modifications,

the structure and system of provision, surplus property handling, organization, conditions and effectiveness of the internal control system in relation to property management.

The content and procedures of periodic checks are established using special INA [8]. They are executed by standing and ad-hoc control bodies of the *Logistic and Medical Support Directorate and the Operational Tactical Command. The Control Department of the Logistic and Medical Support Directorate* is a standing control body having the competence for supply classes in the entire MoD under the *Support Section* of the MoD and a coordinating specialist authority. *The Management Control Sector, checking departments and audit and control groups* stationed in bases of the *Logistic and Medical Support Directorate* are executive standing control bodies.

The *Property Management Control Plan* as a part of the *MoD Operation Plan for one year (the Operational Tactical Command Operation Plan for one year)* is a basic document for carrying out periodic checks.

Stocktaking and inventory control of liabilities within the MoD CR are carried out in compliance with special INAs [9], with the instructions of the Deputy Minister of Defence to carry out stocktaking and inventory controls of liabilities in the accounting unit of the MoD CR for a particular calendar year, with the directive of the Chief of General Staff of the ACR to carry out stocktaking for a particular calendar year and with the special guidelines of property class administrators. Senior employees of MoD entities are responsible for carrying out stocktaking in the scope of their competence.

Current stocktaking is performed with property in stock in supply bases and in repair bases of the Logistic and Medical Support Directorate with which it is accounted.

Extraordinary stocktaking and inventory control of liabilities are executed in the range and in cases determined by a special INA [10]. The results of stocktaking must be documented in compliance with the regulations of the INA.

The particularities of stocktaking execution of individual supply classes and the

stocktaking evaluation principles are stated in the INA [11].

Other forms of property management controls are as follows:

- Unplanned property management controls when there are suspicions of commission of a crime and danger of delay or other concerns;
- Internal audit of a state entity - MoD CR intended for the objective review and evaluation of selected financial and property operations and the internal control system;
- Complex and thematic controls carried out by ad-hoc control bodies including the field of logistics and national property management executed based on INA.

The property management controls within the MoD CR are especially aimed at revisions as follows:

- The removal of deficiencies found in the course of a previous control;
- The economic efficiency, effectiveness and purposefulness of budget spending, the observance of budgetary discipline, the detection and use of resources and reserves;
- The observance of legal regulations and INAs relating to property management;
- The correctness, completeness and conclusive evidence of accounting for property;
- The correctness when property is put into use;
- The correct use of property and the safety at its use;
- The conditions of administration, protection, maintenance and repairs of property;
- The conditions of providing property standards and norms, consumption of property and its modifications;
- The structure and system supply;
- The correctness of surplus property handling;
- The organization, conditions and effectiveness of the internal control activities in relation to property management [12].

5. CONDITIONS OF PROPERTY MANAGEMENT USING PROPERTY MANAGEMENT CONTROLS WITHIN THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC IN 2007

The facts mentioned below are based on the evaluation of periodic checks of property management that were carried out by the standing control bodies of the *Logistic and Medical Support Directorate and the Joint Force Headquarters* and the ad-hoc control bodies of the *Operation and Services Office* of the MoD CR in 2007.

The total review of evaluation of military units with which the periodic check of property management was executed is stated in Table 1 for 2006 and 2007.

Major and, at the same time, the most serious deficiencies found are as follows:

- The violation of the CR Government Decree No. 624/2001 - *The rules, principles and methods for the execution of controls of computer programs use and the violation of Guidelines for property management- supply class 6.2 within the MoD CR*;
- The non-observance of INA provision [12] in the course of stocktaking, incomplete and inconclusive documentation of stocktaking boards;
- No charging of stocktaking differences and no resolution of damages from a previous period;
- Unexecuted separated stocktaking of works of art and the property of the fund for social and cultural requirements;
- Partial reports unprocessed by stocktaking boards;
- Unsolved discrepancies recognized by stocktaking;
- Unpublished stocktaking findings in the commander's orders;
- Incomplete document closure of property stocktaking;
- The non-observance of INA provision [13] for solving damage to property;
- Defects in material accountability contracts;
- The infringement of budget discipline;

Table 1 Evaluation overview of the periodic check of propriety management in 2006 and 2007 [14]

| Evaluation | 2007 | | 2008 | |
|----------------|-----------------|--------------|-----------------|--------------|
| | Number of units | Portion in % | Number of units | Portion in % |
| Excellent | 19 | 22 | 2 | 3 |
| Good | 42 | 48 | 20 | 27 |
| Satisfactory | 14 | 16 | 25 | 34 |
| Unsatisfactory | 6 | 7 | 4 | 5 |
| Not evaluated | 7 | 8 | 22 | 30 |

- Defects recognized with property procurement using the decentralized method;
- The absence of a routine for safeguarding property against losses and theft, property storing and the routine for stowing keys;
- Unexecuted legal inspections of designated engineering facilities and discrepancies in report inspections;
- The incorrect execution of technical inspections of weapons and optical devices based on operation plans of units or military installations for a training year. Reports of weapons technical inspections are not developed and results are not published in orders;
- Incorrect presentation of accounting documents, accounting document journals, file records and file record registers in compliance with the INA [15];
- Incorrect incompleteness statements and reviews of evidence numbers;
- Irregular comparison of property accountancy of an accounting unit and a cost unit;
- Dubious presentation of records of pattern 16 relating to the consumption of ammunition and cartridges.

Major and, at the same time, the most serious causes of deficiencies recognized in the course of the periodic check of property management are as follows:

- No execution of checking in compliance with the INA;
- Ignorance of legal regulations and the INA by the authorities responsible for property management;
- Non-observance of record-keeping and property-accounting principles;

- Inconsistent meeting of obligations by competent bodies of military units when managing property;
- Slow circulation of accounting documents;
- No evaluation and generalization of deficiencies from the periodic check of property management in command and technical competency.

6. CONCLUSION

Property management controls within the MoD CR are inseparably components of the property management system within the MoD CR.

Property management within the MoD CR is not an issue dealt with by logistics functionaries only. Every employee of the MoD shares in the property management system irrespective whether a civilian employee or a professional soldier.

Property management controls within the MoD CR are an instrument of commanders (chiefs, directors, etc.) to detect the state of the property and systems they are responsible for. The identification of unsatisfactory conditions surveyed using property management control must result in removal of these conditions and initialization of instruments for their rectification up to the required standards².

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² Standard is a model of behaviour or required conditions that result from legal regulations, INAs, technical standards, internal guidelines, instructions, contracts, agreements and individual administrative acts issued based on the law, but also from logical and moral principles and codes of behaviour.