

SOP: Budget Preparation and Expense Tracking

This SOP details the process of **budget preparation and expense tracking**, encompassing the formulation of accurate financial plans, allocation of funds, monitoring of expenditures, and reconciliation of accounts. It ensures systematic financial management by defining roles, timelines, and methods for tracking budget adherence and financial performance, thereby supporting effective decision-making and fiscal responsibility within the organization.

1. Purpose

To outline the standardized procedures for preparing budgets and tracking expenses to ensure efficient allocation, monitoring, and management of financial resources.

2. Scope

This SOP applies to all departments and personnel involved in the financial planning, budget management, and expense tracking processes within the organization.

3. Roles and Responsibilities

| Role | Responsibility |
|------------------|---|
| Finance Manager | Oversee budget preparation, approve final budgets, monitor overall spending, and conduct reconciliations. |
| Department Heads | Prepare departmental budget proposals, review expenses, and ensure adherence to budgets. |
| Accountant | Track and record expenses, generate reports, assist in reconciliations, and flag discrepancies. |
| All Employees | Submit expense claims and follow approved budgetary procedures. |

4. Procedures

4.1 Budget Preparation

- Department heads review historical financial data and upcoming needs.
- Draft departmental budget proposals and submit to Finance Manager by **designated deadline**.
- Finance Manager consolidates departmental proposals into the organizational budget.
- Senior management reviews, adjusts, and approves the final budget.
- Communicate approved budgets to all relevant stakeholders.

4.2 Expense Tracking

- All expenses must be documented with valid receipts/invoices.
- Accountant records expenses in the financial system under appropriate budget codes within **5 working days** of transaction.
- Department heads receive monthly expense reports to review adherence to allocated budgets.
- Finance Manager reviews organization-wide expenditures monthly and identifies variances.
- Corrective action is initiated in case of overspending or irregularities.

4.3 Reconciliation

- Monthly, the Accountant reconciles recorded expenses against bank statements and budget allocations.
- Discrepancies are reported to the Finance Manager for timely resolution.
- Quarterly, a summary report is prepared and presented to senior management.

5. Documentation & Records

- Budget proposals and approvals
- Expense reports and supporting documents
- Bank statements and reconciliation reports

- Variance analyses and corrective action logs

6. Timelines

- Budget preparation: Annually by **30th November**
- Expense recording: Within **5 working days** of expense
- Monthly expense review: By **10th of each month**
- Quarterly reconciliation and reporting: Within **15 days** after quarter end

7. Monitoring and Review

Finance Manager reviews adherence to this SOP annually and updates it as necessary to reflect best practices and organizational changes.