Standard Operating Procedure (SOP): Budget Allocation and Expense Approval Process

This SOP details the **budget allocation and expense approval process**, covering the steps for preparing and distributing budget funds, establishing expense approval workflows, monitoring spending against allocated budgets, ensuring compliance with financial policies, and documenting all approvals and transactions. The objective is to maintain financial control, optimize resource use, and ensure accountability and transparency in organizational spending.

1. Purpose

To define the standard process for allocating budgets, approving expenses, monitoring spending, and documenting financial transactions to ensure efficient and compliant use of organizational funds.

2. Scope

This SOP applies to all **departments, budget holders, managers, and staff** involved in budget planning, spending, and expense approvals.

3. Responsibilities

- **Finance Department:** Prepare budgets, monitor expenditures, ensure compliance, and maintain financial records.
- **Budget Holders/Managers:** Submit budget requests, approve expenses, and review spending against budget allocations.
- **Employees:** Submit expense requests and ensure adherence to financial policies.

4. Process Overview

1. **Budget Preparation and Allocation**
   - Collect departmental budget requests.
   - Review and consolidate requests into overall organizational budget.
   - Obtain management approval for the final budget.
   - Allocate approved budgets to departments/units.
2. **Expense Approval Workflow**
   - Employee submits expense or purchase request using prescribed form/system.
   - Budget holder/manager reviews request for necessity, funding availability, and policy compliance.
   - Based on approval thresholds, escalate as necessary (e.g., large expenses to senior management or finance).
   - Approve or reject request; notify employee of decision.
3. **Monitoring and Reporting**
   - Regularly track expenditures against allocated budgets using accounting/ERP systems.
   - Generate periodic (monthly/quarterly) budget reports for management review.
   - Investigate variances and address budget overruns promptly.
4. **Compliance and Documentation**
   - Ensure all expenses comply with organizational financial policies and approval matrix.
   - Maintain a record of all approvals and related documentation in a centralized repository.

5. Approval Matrix Example

Expense Amount	Required Approval
Up to $1,000	Department Manager
$1,001 - $5,000	Division Head
Above $5,000	Senior Management / CFO

6. Supporting Documents

- Budget Request Form
- Expense Approval Form
- Financial Policy Manual

- Periodic Budget Reports
- Approval Matrix Chart

7. Recordkeeping

- Store all budget allocations, expense requests, approvals, and related correspondence for a minimum of **five years** or as required by policy or regulation.

8. Compliance & Audit

- Finance department conducts periodic audits to ensure adherence to SOP and policies.
- Non-compliance is subject to investigation and corrective action.

9. Revision History

Version	Date	Remarks
1.0	2024-06-24	Initial SOP issuance

For questions regarding this SOP, contact the Finance Department.