Standard Operating Procedure (SOP) Budget Preparation and Financial Approval Process

This SOP details the **budget preparation and financial approval process**, covering steps for budget planning, formulation, review, and approval. It includes guidelines for financial forecasting, allocation of resources, cost control, and expenditure monitoring. The procedure ensures alignment with organizational goals, regulatory compliance, and efficient use of funds through systematic evaluation and authorization by designated financial authorities.

1. Purpose

To outline standardized procedures for the preparation, review, and approval of budgets to ensure effective management and stewardship of organizational resources.

2. Scope

This procedure applies to all departments and personnel involved in budget planning, submission, review, and authorization within the organization.

3. Responsibilities

- **Department Heads:** Initiate budget planning and submit proposals.
- **Finance Department:** Coordinate, consolidate, and review budget proposals; provide forecasting data.
- **Executive Management:** Final review and approval authority.
- **All Employees:** Adhere to approved budget and expense policies.

4. Procedure

1. **Budget Planning**
   - Department heads review prior expenditures, strategic priorities, and resource needs.
   - Prepare preliminary budget forecasts based on historical data and anticipated activity.
2. **Budget Formulation**
   - Departments submit detailed budget proposals, including justifications and supporting documentation.
   - Finance Department consolidates all submissions into a draft organizational budget.
3. **Review and Revision**
   - Finance Department reviews for accuracy, compliance, and alignment with organizational goals.
   - Conduct meetings with departments to discuss revisions or reallocations as needed.
4. **Approval**
   - Submit finalized draft to Executive Management for review.
   - Upon approval, communicate the approved budget to all stakeholders.
5. **Implementation and Monitoring**
   - Departments manage resources per the approved budget.
   - Finance Department monitors expenditures, analyzes variances, and reports findings regularly.
   - Request approvals for any proposed budget amendments following established authority levels.

5. Financial Forecasting and Cost Control Guidelines

- Use reliable data sources and historical analysis in all forecasts.
- Include contingency allocations for unplanned expenditures.
- Regularly track actual vs. budgeted expenditures and investigate variances.
- Adhere to cost control policies with periodic audits and reviews.

6. Approval Authority Matrix

Budget Amount (USD)	Approval Level
< 10,000	Department Head
10,001 - 50,000	Finance Manager
50,001 - 250,000	Finance Director
> 250,000	Executive Management

7. Record Keeping

- Maintain all budget proposals, approvals, amendments, and monitoring reports for at least 7 years.
- Store records securely, both physically and digitally, as per organizational policy.

8. Compliance and Review

- Ensure adherence to applicable laws, accounting standards, and organizational policies.
- Review and update this SOP annually or as required to reflect changes in regulations or organizational structure.

9. References

- Organizational Finance Policy
- Accounting Standards and Procedures Manual
- Records Management Policy

10. Revision History

Version	Date	Description
1.0	2024-06-14	Initial SOP template creation.