

Standard Operating Procedure - BUDGETING

(Extract from F&A Standard Operating Procedures)

A. ANNUAL BUDGET

Budgeting is the process to identify and define financial aspect of scope of work for a financial year (FY) based on the circumstances and resources as on date and during the period in focus. At IIHMR the Annual Budgeting process is managed and governed by the Vice President and Manager(FA&A) , IIHMR Society Office. Annual budgeting Process is executed in the following manner:

- 1. Planning:** The First step is to create a budget plan that outlines the objectives, assumptions, and constraints for the upcoming FY. The plan should be based on the organization's strategic goals and long-term plans. The finance & Accounts (F&A) department should work closely with faculties, other departments & management to gather input and ensure that the budget plan is aligned with the organization's overall objectives, and it is realistic and achievable.

Process:

- Faculties shall be given an Annual Activity Plan Format from F&A Department issued and duly shared by the Vice President. The format will define various activities to be undertaken by the faculties throughout the Financial Year. The data will be used to identify the impact of those activities on the revenue income and expenditure, capital expenditures and cashflow of the organization.
- Faculties shall be preparing their plans keeping in mind their ongoing occupancy as well as the future plans under the guidelines of the organization. They will also coordinate with their colleagues for information on planned collaborations, support during the budgeting period.
- Faculties shall submit these Plans to Deans of the respective activities/streams to review the plans and projections of their department. The faculties shall also

share the plans to Back Office Managers (Support department) for preparation of their department's budget for the FY & Director of the institute for their review.

- All Back-office managers shall be given a standardized annual activity plan for the respective department and budget format for the FY issued and duly approved by the Vice President, IIHMR and Manager (FA&A), IIHMR Society Office. The respective managers shall consider the historic data, the plans submitted by the faculties, the resources available and the existing and predicted circumstances for the FY to prepare budget for their respective department in a rational manner.

2. Preparation and Review: Once the budget plan has been developed, the F&A department shall start preparing the budget in consultation with Manager FA&A. This involves gathering faculty plans and departmental plans, comparison with current revenue and expense and rationalization and alignment with future prediction and organizational short-term goals. The Budget shall be reviewed and recommended by the F&A Committee and approved by the Management Board before implementation.

Process:

- A Budget format duly approved by the Manager(FA&A), IIHMR Society office shall be shared with the F&A departments of respective campuses which will include the list of revenue streams and the details of proportion of common expenses proposed to be allocated to each stream. Any changes in the line-items of the Budget format shall be duly approved by the Vice President and Manager (FA&A), IIHMR Society office .
- The F&A department shall compile the Activity data received from faculty members and back-office departments and rationalize the consolidated activity revenue and expenses in consultation with the Deans & Director of the institute in the format shared by Vice President and Manager(FA&A), IIHMR Society office.

- The Institute Budget as approved by the Director of the institute shall be discussed and reviewed with IIHMR Society office before presenting to the Trustee Secretary for their approval.
- The Manager (FA&A) and Vice President shall present the Budget in consultation with Trustee Secretary to the Finance & Audit committee for their comments/suggestions into the budget.
- The updated budget shall be presented for review and approval by the Management Board. The Management Board shall approve the budget with/without modifications as deemed necessary.
- The approved budget duly signed by the Trustee Secretary shall be shared with the Director and F&A Department of the respective institutes for implementation.
- The F&A department shall provide a copy of the respective departmental budgets duly signed by the director and finance head to the respective Dean & Departments heads for implementation and tracking.

3. Implementation & Tracking: After the budget has been approved, the respective Dean, HoD and F&A department should monitor the actual financial performance against the budget. This involves analysing financial data to identify any variances on a monthly basis and taking corrective action as necessary.

Process:

- The F&A department of the respective institutes shall define the budgets and cost centres to track in their financial records as per a pre-approved Chart of Accounts (COA).
- A monthly budget variance report shall be prepared by the F&A department to analyse the performance till date. The same shall be sent to IIHMR Society office for their reference, after being reviewed and approved by the director.
- The department shall also discuss the budget performance with Deans, HoD and Director on a quarterly basis.

- A quarterly review of the Financials shall be conducted by the Trustee Secretary with the Director, Vice President, and Manager FA&A. The director along with the Trustee Secretary shall review faculty performance with respective Deans with respect to their Annual Activity Plan analysing the performance till date and guidance about room for growth/improvement further.
- If any expense line-item in the budget for the year exceeds, the F&A department shall take a formal approval of the said expenditure along with justification for the same from the IIHMR Society office through director of the institute within 7 days from the end of the month in which such expenditure is incurred. It is recommended to foresight such expenses in advance and get them pre-approved from the IIHMR Society office.
- If any activity that will take place after the budgeting process or has not been included in the budget for any other reason, it will be processed in the following manner:
 - If the Activity is related to a revenue income line-item in the Budget, it will have to be approved by the Director of the institute and a copy of the intimation shall be sent along with the budget variance report to the IIHMR Society office within 7 days from the end of the month.
 - If the Activity is purely classified under a revenue expense line-item and is exceeding the budget by 10% of the budget for the line item or Rs 10 Lacs, whichever is less, the activity shall be sent to IIHMR Society office for approval.
 - If the Activity is related to a capital expense line-item and is exceeding the budget by 20% of the budget for the line item or Rs. 20 Lacs, whichever is less, then such activity shall be included in the budget through revision of Budget and the whole process of original annual budget approval by F&A committee and Management Board shall have to be carried out. **Such activity cannot be carried out in advance without the Management Board approval.**

- If any revenue or capital line-item is governed by the policies defined by the Vice President, IIHMR Society Office, then any activity related to such line-item cannot be carried out without the approval of IIHMR Society Office in advance.

4. Audit: It is imperative that the compliance of the Budgeting Process must be verified by the Internal & External auditors as per their terms of reference, to ensure the SOP is followed properly meeting its objectives and the organization is reaping rewards of the adherence to the SOP.

Process:

- The F&A Department will share the approved budget with the Auditors for the FY along with the activity & departmental budgets during their 1st quarter audit of the FY.
- The Auditors shall report variances in their audit report and discuss their findings and proposed potential corrective measures with the respective Dean, HoD and F&A department. Any non-compliance of the SOP shall be reported in the final audit report for the audit period.

B. ACTIVITY BUDGET

Activity Budget refers to budgeting for any individual event/activity. The Budgeting process includes planning the financials for resources utilization to execute the said activity, assignment of indirect costs and to establish key performance indicators to track progress and make necessary adjustments. This will help the organization to achieve the set-out objectives with optimum financial outcomes for the organization. With reference to IIHMR it includes following activities:

- Research and Consultancy Project
- Training Program/Certificate Program/Conference/Workshop
- Academic/Executive Program
- Renovation/Construction Program
- Plant & Machinery Purchase and installation.

Process:

1. Planning:

- The in-charge of the activity viz. PI/coordinator shall inform the respective activity dean, Admin and F&A departmental heads about the requisite resources required for the period of execution through ERP.
- The In-charge shall also discuss with Admin and F&A department about the nature, execution plan and financials of the activity to:
 - Make available the resources at minimum cost and maximum convenience to the organization,
 - To ensure the internal and statutory compliances are in order throughout the activity,
 - To ensure banking and financial legitimacy is maintained,
 - To ensure the Internal controls are in place for execution,
 - To generate optimum surplus/save maximum cost to the organization.

- The respective departments shall engage as and when required, with the activity in-charge with clearly defined roles and responsibilities. The faculty and research staff shall be deputed in consultation with the activity dean/HoD/ Director.

2. Preparation & Review:

- The activity In-charge shall make the Activity Budget two parts in case of an external revenue activity based on the inputs received from all the internal stakeholders mentioned above:
 - **External Budget-** It is prepared in accordance with the guidelines and requirements of the external agency awarding/funding the activity.
 - **Internal Budget-** It excludes the overheads to be charged by the organization but includes allocation/re-allocation of time and cost of the resources in the best possible manner.
- Both Budgets prepared shall be shared with the internal stakeholders for their comments to ensure that they are aligned with the Internal controls/policies/statutory compliances applicable. Any terms/references in the Budget shall not supersede the Policies of the organization unless special approval from the IIHMR Society Office is obtained beforehand.
- Final updated draft duly verified by the activity in-charge shall be shared with the director for his/her comments/suggestion and approval.

3. Implementation & Tracking:

- The Activity In-charge shall co-ordinate with the Internal Stakeholders and allocate human resources for execution of the activity in accordance with the Internal Budget.
- The F&A Department shall keep track of the variance from External Budget in their financial records and submit the report based on the requirement by the external agency in consultation with the Activity In-charge.

- Any Capital expenditure budgeted in any activity whether funded by an external agency or not, shall be in consultation with the respective departments, viz. Admin, IT, library and the team involved will collectively ensure the assets are actually needed either for the activity or for the organization in general.
- The F&A Department shall keep track of the variance from Internal Budget and shall keep the Internal Stakeholders posted including the Activity In-charge and respective Dean monthly and suggest measures to optimize the cost vs revenue for the activity in line with the Internal Budget. Any variance beyond the Internal Budget shall have to be approved by the Dean activity and the Director considering the justifications received from the activity in-charge.
- The Activity department shall keep track of the timelines planned during the budgeting and in case of a deviation shall inform the management in accordance with prescribed guidelines about the deviation and steps taken to optimize it monthly to the management.
- Any change in terms of the governing documents of the activity shall be followed by a review of the Budget in place along with a revision by the activity in-charge in consultation with the internal stakeholders involved, if deemed necessary. The same shall be mandatorily documented in accordance with the prescribed guidelines.
- The Final reports of budget variance shall be shared by the activity in-charge in consultation with the F&A department with Dean activity and the Director. The reports, once acknowledged by the Dean activity & the Director shall be incorporated by the F&A department in their final reporting data and shall be used for calculation of surplus/deficit as well as for further processing by the management, as per the policies of the organization.

4. Audit:

- It is imperative that the compliance of the Budgeting Process must be verified by the Internal & External auditors as per their terms of reference, to ensure the SOP

is followed properly meeting its objectives and the organization is reaping rewards of the adherence to the SOP.

- The F&A Department will share updated financial reports of activity budget variance with the Auditors as per their terms of reference and the Auditors shall report their findings, if any with the respective Dean/HOD. Any non-compliance of the SOP shall be reported in the final audit report for the audit period.