



## BUDGET MANAGEMENT POLICY

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**Finance Office**  
February 2016

## Table of Contents

Message from the Vice President for Finance .....	3
1. Definitions .....	4
2. Policy Statement and Purpose .....	6
2.1 General Authority and Responsibility .....	6
2.2 Purpose of the Policy .....	7
3. Budget Development Process .....	7
3.1 Types of budget .....	7
3.2 Principles .....	7
3.3 Budget Controls .....	8
3.4 Budget Process .....	8
4. Time-line for Budget Process .....	13
5. Budget Committee details .....	13

## Message from the Vice President for Finance

The Budget is the financial expression of strategic decisions made to achieve the Vision, Mission and Strategic objectives of the departments and hence the University as whole.

While a budget is an essential tool in meeting strategic objectives, the quality of the budget could determine the extent to which the objectives are met. The benefits of a quality budget include:

- The opportunity to step back and critically evaluate the application of scarce resources in the most effective way;
- Demands proactive management of the organization by prediction of the future;
- It serves as a tool for making decisions based on changing circumstances in the short-term;
- It provides a basis to measure performance at different levels within the organization;
- It provides managers with a spending authority for that financial year.

Budgets will be checked and compared with last year expenses and taking into account potential growth in activities due to larger population served or variety of activities and services provided.

The budget process is developed over time, with the purpose of making it more efficient and easier to deal with for budget managers. However in order to achieve that goal, it is also required from budget managers to meet quality and time requirements. It is understood that some of the budget managers may not have enough experience in financial matters; therefore members of the Finance Office will be available to provide support during the process, or feel free to call our budget focal point Mr. Jozeph Qumseya at ext.2239

To facilitate budget management and control of expenses, a monthly expenses report will continue to be provided to each budget manager.

Please feel free to provide feedback on any observations, since your feedback will certainly contribute to making improvements on the process.

**Youil Anastas**  
**Vice President for Finance**

## 1. Definitions

<b>Account</b>	A record of monetary transactions, either written into a book designed for the purpose or entered onto a computer file.
<b>Account code</b>	A code for a specific type of transaction. Transactions are given a code which describes what type of income or expenditure they are, e.g. 5050 Transport costs, 5600 Office supplies etc.
<b>Accounting period</b>	A specified period for recording and reporting financial activity for a given time, September 1 to August 31.
<b>Allocation</b>	Sharing of direct costs between two or more cost centers in proportion to actual or estimated use, e.g. the costs of using a shared vehicle for project work.
<b>Authorization</b>	This is the process of approval over transactions, normally the decision to purchase or commit expenditure. Authorization by a budget holder is a way of confirming that spending is in line with budget and is appropriate.
<b>Budget</b>	A best estimate of the amount of money that an organization plans to raise and spend for a set purpose over a given period of time.
<b>Budget holder / Budget manager</b>	The individual who holds the authority and has the responsibility for managing, a budget for a specified activity, project, program, department or organization.
<b>Capital expenditure</b>	Expenditure on equipment, property and other fixed assets which will be used to support activities over more than one accounting period.
<b>Chart of accounts</b>	A list of all the accounts codes and cost center codes that are used in an organization's accounting system, with a description of each.
<b>Cost center</b>	A way of distinguishing between different activities or projects to define where costs are incurred or income is 'earned'. Cost center are closely linked to the concept of budget-holders.
<b>Direct cost</b>	A cost which can be specifically allocated to an activity, department or project.
<b>Income &amp; Expenditure Account</b>	Summarizes income and expenditure transactions for the accounting period, adjusting for transactions that are not yet complete or took place in a different accounting period.
<b>Management accounting</b>	The provision of financial information to management for the purposes of planning, decision-making, and monitoring and controlling performance.
<b>Master budget</b>	It is a summarized set of all the lower level budgets produced by the different departments/units and the goal of the budgeting process. It includes budgeted financial statements for different projects as well as for the whole University.
<b>Procurement</b>	The process of purchasing goods and services. Steps in the process may include requesting, authorizing, selecting suppliers, ordering, receiving and paying.

<b>Signatories</b>	People who are authorized to sign budgets, internal purchase requests, cheques on behalf of the Department/Units or University.
<b>Supporting document</b>	The original documents that describe each transaction. These may include, receipts, invoices, delivery notes, sign sheets etc
<b>Variance</b>	The difference between the budget and the actual amount of income or expenditure.
<b>Variance report / Tracking report</b>	A short narrative report which highlights significant variances and/or areas for concern to accompany the management accounts.
<b>Zero-base budgeting</b>	A method of preparing budgets which involves calculating estimates from scratch, by considering each cost area afresh.

## 2. Policy Statement and Purpose

The policy statement outlines the responsibility of the relevant employees at Bethlehem University for preparing, submitting, monitoring and controlling, and revising their annual operating budgets.

The system is structured around three pillars designed to enhance performance and cooperation, to facilitate the implementation of the budgeting process, and maintain the monitoring and controlling procedure. The three pillars are:

1. Finance Office
2. Deans, Chairpersons, Department Heads and Directors; referred to as DCDs in this policy.
3. Vice Presidents and Senior Executives; referred to as VPs and SEs in this policy.

### 2.1 General Authority and Responsibility

The first pillar is the finance office:

- The Financial Analyst is the budget coordinator who prepares the budget pack and sends it to each Department/Unit.
- The cost estimate advisor plays the role of agent of service and assistance for the Department heads, deans, chairpersons, senior executives and VPs in providing related information for costs.
- The budget coordinator is also available during the year to facilitate the communication between the finance office and the related parties.

For the second and third pillars, Department and Unit Heads are responsible for preparing the budget according to the template provided by the finance office. In case there is something unclear in the policy/budget template, and/or there is any inquiry related to the mechanism of filling the template or any information needed upon going further in the process, the staff member; who is in charge of working on the budget, can contact the persons listed in the contact details section at the end of this policy to get it.

The responsibilities of the budgeting process are as follows:

- The Vice President for Finance Affairs has overall responsibility for guaranteeing that the University as a whole remains within the approved budget. Every Vice President and senior executive has the responsibility for monitoring and controlling the unit operating budgets related to the cost center which falls under their purview.
- The Financial Analyst has the **main responsibility** for **central monitoring and controlling** the budget. He/she leads the Departments' specific and University general budgeting process and monitors its execution. Furthermore, he/she supervises the day to day operation of the master budget, expense and revenue transactions in order to ensure smooth and efficient operation of each unit/Department in the University. He/she ensures proper communication of

regular monthly reporting of budget status to the concerned people at the different Departments.

- The DCDs may delegate the responsibility of preparing the budget to one of the staff member at that Department/Unit, and the latter has the eligibility to communicate with the budget committee at the finance office. Whereas the staff member has no authority to submit the draft budget directly to the finance office. The DCDs should review the draft budget for maintaining the accuracy and ensuring that the budget is reliable and adequate. They have the authority to submit the draft budget to the budget coordinator since they are the budget holders.

## 2.2 Purpose of the Policy

The purpose of this policy is to establish the principles and requirements for budgeting pertaining to financial management at Bethlehem University.

## 3. Budget Development Process

### 3.1 Types of budget

The bases of the budget are the plans for different activities for each Department/Unit in BU. There are three main budgets:

1. The Running Expenditures Budget
2. The Capital Expenditures Budget
3. The Cash-flow Projections (prepared by the Finance Office)

The running expenditures and capital expenditures budgets are discussed in this policy, while the cash-flow projections are not. The preparation of the last one is based on the master budget and budgets provided by the different Departments/Units.

### 3.2 Principles

The budget and the budgeting process need to adhere to principles that comply and are in line with the University's Vision and Mission, as well as with its obligations to all stakeholders.

The Bethlehem University's budget principles are:

- **Zero-based budgeting**: The budget for each income and expenditure item must be developed and motivated anew for the new budget period (accounting period). i.e. There is no forward transfer of balances (positive or negative).

- **Accountability and Ownership:** Accountability for and Ownership of the budgeting process and the budgets should be clear. The budget's Ownership should take into his/her account the following:
  - a) All department needs during the year.
  - b) New equipment, replacement of obsolete equipment, etc.

### 3.3 Budget Controls

- The Board of Regents has the authority to approve the master budget in the annual meeting. The budget should highlight all significant expenditures and expenses types and revenue sources.
- The Finance Office is in charge of keeping expenditure within the approved budget, and approving budget revisions as may be required.
- Travel expenditures related to air tickets; per diem and accommodation do not apply for faculty, as the faculty travel budget is under the budget of the Academic Vice President.
- All the Computer Equipment requests will be reviewed and subject to approval by the Computer Center. Please provide explanations for your requests in the remarks column of the Budget Form.

### 3.4 Budget Process

The annual budget will be prepared based on the three pillars' estimates, and should be approximate to the financial result expected in the annual financial statements. The actual expenditures and expenses will be monitored against the budget on an ongoing basis.

The process is divided into the following phases:

#### **3.4.1 Phase 1 - Preparation of the budget kit**

The budget coordinator prepares the budget form along with this policy and chart of accounts. The budget kit will be available through email to each concerned person at the beginning of the second week of February each year.

3.4.1.1 Budget Format

BUDGET 20XX-20XX		Department Budget Requests Form							
RETURN OF INFORMATION				Due Date					
Department:									
Contact Person:									
Ext #:									
Account #:									
For the University's departments use				For Finance Office Use Only		For the University's departments use			
Item #	Item details	Quantity	Unit	Unit Cost (US\$)	TOTAL Budgeted (Vol X Unit Cost)	Funds requested		Funds approved	REMARKS
		VOL				Amount	%	Amount	
<b>a) RUNNING EXPENDITURES</b> ( Estimated amount of technical assistance, travel expenses and other General expenditures excluding Staff Cost)									
<b>a) I. TECHNICAL ASSISTANCE</b> (professional services, trainers, consultants, etc..)									
1	Training			\$0	\$0		▲		
2	Specialist			\$0	\$0		▲		
<b>Subtotal</b>				<b>\$0</b>	<b>\$0</b>		▲	<b>\$0</b>	<b>Correct</b>
<b>a) II. TRAVEL and TRANSPORTATION</b> (travel expenses, per diem, rental cars)									
1	Local transportation			\$0	\$0		▲		
2	Per diem			\$0	\$0		▲		
3	Air ticket			\$0	\$0		▲		
<b>Subtotal</b>				<b>\$0</b>	<b>\$0</b>		▲	<b>\$0</b>	<b>Correct</b>
<b>a) III. Other General expenditures</b> (Supplies, Printing, Hospitality, Postage, Telephone and Fax, Memberships, Advertising, meeting expenses, etc)									
1	Office Supplies			\$0	\$0		▲		
2	Photocopying / Printing			\$0	\$0		▲		
3	Hospitality			\$0	\$0		▲		
4	Postage			\$0	\$0		▲		
5	Memberships and Subscriptions			\$0	\$0		▲		
6	Advertising			\$0	\$0		▲		
<b>Subtotal</b>				<b>\$0</b>	<b>\$0</b>		▲	<b>\$0</b>	<b>Correct</b>
<b>GRAND TOTAL- RUNNING EXPENDITURES</b>				<b>\$0</b>	<b>\$0</b>		▲	<b>\$0</b>	<b>Correct</b>

The budget form is prepared in excel format as shown above. The heading lines require inserting the name of the Department, contact person; who is responsible for the budget i.e. the Department or Unit Head or the delegated/ authorized person. As for the account number, it will be communicated by the Finance Office to each contact person. The account number will be required in order for the requisition and payment requests to be processed by the Finance Office.

The budget format includes line items for generic operational costs. However, if there are other items needed and do not fit in any of the generic lines, it is recommended to include a new row. The person in charge of working on the budget should pay attention when inserting new row to be included in the summation function.

The last column in the budget provides a space to include any explanations or comments that might be needed; **please make use of that column as it helps us better understand your needs.**

The remarks at the sub total line where it says either “Correct” or “Something Wrong” are functional results indicating whether cells are completed correctly or the latter in cases where some numbers are missing or formulas altered. These are meant to help filling the budget accurately. It is recommended **NOT** to delete these notes. It is prohibited to change the format or formulas in the budget or expense sheets. **If there is any difficulty in preparing the budget or filling in the numbers, please contact the Budget Coordinator at ext.2239.**

### 3.4.1.2 Budget Content

Three main categories constitute the Department/ Unit Budget. These include:

1. *Academic and Support Divisions/Units expenditures (Running Expenditures excluding Staff Costs)*

Academic & Support Division Expenditures refer to expenditures required for the day-to-day running of the academic and support Departments.

It includes amongst others:

- Technical assistance (professional services, trainers, academic and legal consultants, specialized labor etc.)
- Travel & Convention, Hotel Accommodation, and Transportation (local transportation, per Diem, air ticket, etc.)
- Travel & Transportation (for consultants and visitors from abroad)
- Stationary & Supplies
- Photocopies, Xerox & Printings
- Hospitality
- Telephone, Fax & Post
- Memberships & Subscriptions
- Advertisement
- Special Events
- Food & Beverage
- Lab Materials
- Periodicals
- Bindings
- Bethlehem University Journal
- Maintenance (Buildings, Equipment, and Ground)
- Car expenses
- Insurance for Students
- Translation & Editing
- Gifts
- Nursing Expenses (Uniforms, Blood Samples, Patient Care Cost)
- Accreditation fees
- Tests and Evaluation
- Promotional Material
- Promotional Activities
- Workshops, Activities & Events
- Conferences

It excludes Staff Costs, and Capital Expenditures. Refer to category “A” of the file “Form-Department Budget.xls”, please note as mentioned before that travel expenditures related to air tickets, per diem and accommodation do not apply for faculty, as the faculty travel budget is under the budget of the Academic Vice President.

## 2. Capital Expenditures (Library Books, Furniture, Equipment and Computer Equipment)

Furniture, Books, Equipment and Computer Equipment specifically relate to all capital items that are used specifically in to facilitate teaching and learning and for general use. While furniture and books are self-explanatory, equipment and computer equipment include a wide range of items, amongst others:

- Laboratory equipment
- Workshop Machinery
- Shredders and Binding Machines
- Tele-machines
- Kitchen Appliances
- Computer Equipment (include applications for upgrade computers, new desktop and laptop computers, printers/Multi-function Printers, monitors and related IT equipment).
- Data and Overhead Projectors
- Teaching and Scientific Equipment
- Heavy-duty staplers, punches and related equipment – should be budgeted under stationery
- Video and Electronic Equipment
- Photographic Equipment
- License renewals of teaching programs

Refer to category “B” of the file “Form-Department Budget.xls”, please note that all the Computer Equipment requests will be reviewed and subject to approval by the Instructional Technology Support Unit. Replacement of other equipment is also subject to approval by the Maintenance Department as appropriate. It is recommended to provide explanations for such requests in the remarks column of the Budget Form.

## 3. Staff Costs

The Estimate Cost of new positions (Not replacement staff) will be filled by the Budget managers after consulting with the Finance Office and Human Resources Office regarding the scale and cost. All staffing requests for accounting period should be done in line with the procedure outlined in the HR Office request. This refers to category “C” of the file “Form Department Budget.xls”

All purchases and expenditures should follow the guidelines identified in the procurement policy, and make sure to accompany the supporting documents along with the signatories for each direct cost identified in the budget.

### 3.4.2 Phase 2 – Preparing the budget

The DCDs, VPs, and SEs are considered as budget managers, and can assign one of their staff to prepare the Department/Unit budget. It is recommended to consult colleagues, supervisors and subordinates, who may have valuable practical input staff at each Department/Unit for getting involved in the budget preparation. By doing so, this will avoid unnecessary future amendments or revisions. The budget

managers play the lead role and prepare the budget using their knowledge about their own area. Then, it is submitted according to the time-line of the budget process for the finance office.

The budget figures should be in US Dollars. All prices and quantities filled in the budget should be based, to the extent possible, on the Department/Unit accurate forecasted needs and programmed activities per line item.

On one hand, short-term staff needs, e.g. in cases of special assignments, maternity replacement, prolonged sick leaves or other emergencies, will be considered and approved case by case based on the availability of the pending funds . On the other hand, long-term staff positions should go through the regular approval channel, i.e. with the immediate supervisor and the concerned Vice President, before including them in the proposed Department budget.

Hospitality is intended for guests and public receptions that are part of work-related occasions and events only. Expenses that do not fit clearly under the aforementioned categories will not be authorized or reimbursed.

After submitting the budgets by each Department/Unit, the finance office prepares and reviews them for their adherence to the budget policy and to determine whether the budget numbers are reasonable and in line with the goals of the University. The next level is preparing for the rebuttal stage where there is negotiation and review for each budget between the finance office and each Department/Unit. At the end of the rebuttal stage, the final budgets are combined into the consolidated master budget and submitted to the Vice President for Finance Affairs for approval, and to submit it to the Board of Regents for final approval.

### **3.4.3 Phase 3 - Budget Reporting and Revision**

#### **3.4.3.1 Budget Reporting**

The budget has no meaning, unless the actual amounts are compared against the budgeted ones for the same accounting period. The budget coordinator prepares the tracking report at the unit level as well as for the master budget, and informs the concerned Department/Unit of such variances and indicates the source of the variances.

The budget coordinator in coordination with the Departments/Units should investigate and determine the cause of the variance, and identify any problem that might affect the budget. The tracking report shall be available to the Department/Unit to prepare for the budget revision if needed and/or for documentation for the next year budget.

#### **3.4.3.2 Budget Revision**

The budget shall be revised only when there is a functional requirement, such as unexpected need or change in program. For budget revision that involves changes within each sub-category, the budget manager can proceed directly. **However,**

he/she needs to inform the Financial Analyst (here “Budget Coordinator”) through submitting the budget adjustment form (available on the intranet under the finance office forms) explaining the changes. Whereas any changes involving different sub-categories need the approval of the Financial Vice President by submitting the same aforementioned form.

#### 4. Time-line for Budget Process

Time	Activity	Accountable	Venue
Second week of February	Budget kit made available by e-mail	Finance office	
Third week of February	Annual budget meeting for all concerned pillars	All pillars	Furno Hall
Fourth week of February	Due date for budget submission	Departments/Units/Divisions	
Mid of March	Due date for approved budgets to be returned	Finance office	
Third week of March	Budget rebuttal process	Departments/Units/Divisions	
First week of April	Pre-final budget submitted	Finance office	
Mid of April	Final budget	Finance office	

#### 5. Budget Committee details

Position	Responsibility	Tel. Ext.
Vice President for Finance Affairs	Budget Committee Chairperson	2238
Financial Analyst	Budget Coordinator	2239
Director of Business and Contracts Units	Cost Estimate Advisor	2247
Administrative Assistant to the VP for Finance	Budget Administrative Support	2238
Senior Accountant	Budget Committee Member (Associate Budget Coordinator)	2230