

## **APPENDIX 2a – ANNUAL OPERATING BUDGET GUIDELINES**

### **GENERAL GUIDELINES**

- All Country Offices (CO) are required to maintain an updated Annual Operating Budget (AOB) to track the full picture of CO secured grants and contracts any time during the Fiscal Year (FY).
- The AOB can change during the FY to adjust forecasts on existing grants or contracts or add new budgets due to new grants or contracts.
- The AOB should be prepared at the expense account level to enable an effective monitoring of actual expenses against budgets.
- AOBs are set up at the start of a new FY.
- As part of the CO financial management functions, CO budget managers should review their budget to actual expense variances on a monthly basis. Material variances between budget and actual expenses should be explained to the CO Senior Management Team by the units managing the budget. Where required, Budget Managers should initiate a revision of AOB in the financial system.

### **LM SPECIFIC GUIDELINES**

- Each LM defines the timeline and threshold for budget reviews and revisions. When a CO specific grant or contract variance between Budget and Actual Expenses reaches or exceeds the LM prescribed threshold, the CO should update the grant or contract AOB in the financial system.
- Each LM also sets up its LM high level review protocols and defines its own processes to monitor budget management of the COs.
- The AOB templates are specific to each LM based on their financial system.

### **PROCEDURES**

- 1) The CO submits its initial AOB at the beginning of a new Fiscal Year.
- 2) The CO Senior Management Team (SMT) should include a review of the Annual Budget versus Actual Expenses as part of the agenda for SMT monthly meetings. The SMT follows up with appropriate Budget Managers where material variances between budget plans and actual expenses are noted.
- 3) The CO designated Budget Managers conduct regular monthly review of the AOB versus Actual Expenses and provide explanations to the CO SMT for any material variances.
- 4) Where required, revisions of the AOB must be made in the financial system. This should be initiated by the Budget Managers at the CO level.
- 5) CO Head of Finance and Head of Grant and Contracts Team are responsible for ensuring that the monthly reviews happen and budget revisions are done where required.
- 6) The LM will conduct oversight reviews of the CO performance against their annual operating budget plans, based on LM defined schedule (example, quarterly or bi-annually). The results of the LM level reviews are provided to the COs, with notification of exceptions and suggestions for corrective actions to the COs Country Director and Head of Finance.