



FINANCE POLICY

BUDGETARY – REVIEWS & COST CONTROL

EFFECTIVE: November 1980
REVISED: November 2009
RELATED POLICIES:

POLICY

Northern Lights College is an agent of the B.C. Government (*See: College & Institute Act*) with its revenue and expenses subject to public scrutiny, statutory control, and government regulations. The College operates within relatively fixed revenues. Therefore, expenditures must be controlled and monitored in an acceptable manner. This is done through the budgetary and review process outlined below.

The College is divided into a number of functional areas (campus, program, and department). Each area has its own budget and controls its own expenses.

Financial Reports are produced monthly and distributed to all budget managers. The reports will contain all financial transactions that have been received and processed up to, and including, the last business day of the month.

TIMING

The College fiscal year runs from April 1 to March 31 each year. Budgetary and review activities normally occurring during the second six months, including:

- Review and control of current year expenses, and;
- Preparation of following year budget.

Monthly: report on revenue and expenses for the month and year to date issued for each cost centre, including individual capital projects.

Current Year's Review:

All budget managers will review expenses/revenue forecasts against actual expenditures on a monthly basis. They will recommend any budget adjustments to the Vice President Finance and Administration or the Director of Finance (Admin or Corporate Services Committee if required). Remedial action will be taken as required and updating of forecast will be done on a monthly basis.

Next Year's Budget:

October – Budget Managers compile a list of proposed minor capital projects when they occur as per details outlined in Capital Projects.

November - Vice President, Finance & Administration or Director of Finance distribute preliminary budget sheets to be completed by all budget managers. This includes enrolment projections for next fiscal year.

December - Vice President, Finance & Administration or Director of Finance compiles all budget sheets returned from the budget managers and does a review of all revenue and expenditures, particularly FTEs (profile projections) and tuition fees. The Facilities Manager presents minor capital projects and Annual Capital Allowance (ACA) to the Administration Committee for review.

December-February - evaluation and review meetings by Administration Committee including the final presentation of the Annual Minor Capital list by the end of January.

March - final amendments and approval of budget (or later depending upon Ministry confirmation of funding available.) President submits budget to the Board reflecting plan to meet Board ends policies.

Financial Statements:

April - May - preparation of financial statements and review by auditors.

GUIDELINES

Each Budget Manager should ensure that each budget allocation is monitored by a responsible individual and this individual is provided with access to the applicable section(s) of the monthly financial reports. Expenses are divided into various classifications. The separation into functions and expense classifications is required for control and reporting purposes.

Monthly, these reports must be reviewed so that problem areas can be identified and corrective actions taken. Each Budget Manager must ensure budgets are not exceeded for the year and that excess allocations are released for reallocation. On a monthly basis, Financial Services will prepare a year-to-date analysis of budget versus expenditure and will project a financial position for each cost centre as of year-end.

MONTHLY REPORTS

Expenses and revenues are recorded monthly into the computerized general ledger system with a separate ledger account established for each cost centre. The month end report is prepared as soon as is practical after the cheque run on the fifth.

For each type of expense, the detailed report includes the following data under both committed and paid (actual):

- Total expenses for the year to date at the beginning of each month;
- The current month's commitment and expenditures;
- A brief identifying description; and
- The revised total expenses for the year to date at the end of the month.

Note 1: Commitments are those expenses for which a purchase order has been placed but for which no payment has been made. Upon payment there is a transfer from committed to paid.

Note 2: In all expenditures and commitments, the figure shown is the net expense after all taxes and rebates.

Budget Managers are required to scrutinize the detailed general ledger reports and refer any queries or errors to the Vice President, Finance and Administration or Director of Finance for action.

It is the responsibility of each Budget Manager to be familiar with all items appearing on the printout and to ensure they are legitimate expenditures within their areas of spending authority.

If this is done regularly (monthly), the review process and the preparation of the following year's budget are simplified.

To assist in the above, Budget Managers will also receive a summary report showing the month and year-to-date expenditure compared to annual budget. **These reports can be produced by each budget manager.**

It is the responsibility of Budget Manager to ensure that expenses remain within budget levels. This is best done on a monthly basis so as to give adequate time to rectify potential/actual over-expenditures as early as possible.

BUDGET REVIEWS

Monthly reviews of the budget will be undertaken by the Budget Managers each year with the objective of:

- Examining each expense item;
- Comparing actual to budget;
- Establishing variances;
- Explaining variances;
- Taking remedial action; and
- Forecasting the expenses through to the end of the fiscal year.

When projections show an over-expenditure or under-expenditure the following items must be reported to Financial Services:

- The reason(s) for the variance;
- Action being taken to remedy the situation; and
- Actions being taken to ensure that the problem does not reoccur.

The purpose of this exercise is to:

- Assure the President and Board that proper budgetary control is being maintained;
- Identify surplus funds that may be reallocated to other educational activities; and
- Identify problem areas so that corrective action can be taken.

The College must keep expenses within the budget levels set and approved. If the above actions are taken in a proper and timely manner, there should be no unexpected shocks or unacceptable overruns at the end of the year.

The Vice President, Finance & Administration will arrange meetings, when necessary, with the appropriate Budget Manager to discuss financial issues.

The Vice President, Finance & Administration will prepare a consolidated summary of the projections when variances exceed 10% or \$10,000 for review by the Administration Committee. Further action will depend on the acceptability of the consolidated projections.