Financial Policy and Standard Operating Procedures (SOPs)

I. Introduction

This document outlines the financial policies and Standard Operating Procedures (SOPs) for the Mycetoma Research Centre (MRC) at the University of Khartoum, ensuring sound financial management, compliance, transparency, and accountability in alignment with institutional standards and strategic objectives.

II. Financial Policy Objectives

- To promote responsible financial stewardship.
- To ensure compliance with university, national, and international financial regulations.
- To provide accurate and timely financial information to support decision-making.
- To facilitate efficient and transparent financial operations.

III. Scope

- This policy applies to all financial activities within MRC, including budgeting, accounting, reporting, grant management, expense control, and audits.

IV. Roles and Responsibilities

Financial Management Staff Responsibilities:

- Develop and execute financial strategies aligned with MRC goals.
- Prepare, monitor, and manage the annual budget.
- Oversee financial reporting, compliance, and audit processes.
- Manage grant financial aspects.
- Conduct financial analysis for performance and risk assessment.

- Ensure effective expense and cost management.
- Oversee financial systems and streamline processes.
- Collaborate with departments to support financial planning and planning.

V. Financial Planning and Strategy

- Conduct periodic financial reviews to align strategies with MRC objectives.
- Develop long-term financial plans to support research initiatives.
- Provide financial insights and guidance to leadership for strategic decisions.

Budget Management

SOP 1: Budget Preparation

Objective:

To develop an accurate, comprehensive budget aligned with organisational goals, ensuring proper resource allocation.

Procedures:

- **Initiation:** Begin the planning process at least three months before the fiscal year-end to allow sufficient review and revisions.
- **Collaboration:**
    - Engage department heads early to gather input on expected revenues, expenses, and strategic initiatives.
    - Conduct meetings to clarify assumptions and address concerns.
- **Template Use:**
    - Utilise standardised templates that capture all necessary financial data, including personnel costs, operational expenses, capital investments, and contingency funds.
    - Ensure consistency and comparability across departments.
- **Consolidation & Review:**
    - Compile departmental budgets into a master draft.
    - Conduct internal reviews to identify inconsistencies or unrealistic estimates.
- **Approval:**
    - Present the draft to the Director for initial approval.
    - Submit the final budget to the Finance Committee for endorsement.
    - Document all approvals and feedback.

SOP 2: Budget Monitoring and Control

Objective:

To ensure expenditures stay within approved limits and to proactively manage variances.

Procedures:

- **Monthly Monitoring:**
  - Compare actual expenses against the budget using financial management software.
  - Generate variance reports highlighting differences exceeding **10%** of the budgeted amount.

- **Investigation & Reporting:**
  - Investigate significant variances to determine root causes.
  - Report findings and recommendations to leadership for corrective action.

- **Budget Adjustments:**
  - Make necessary adjustments within approved limits, following established change control procedures.
  - Document all changes with justifications and approvals.

SOP 3: Budget Reporting

Objective:

To provide timely insights into budget performance for informed decision-making.

Procedures:

- **Quarterly Reports:**
  - Generate detailed reports on budget vs. actual expenditures, revenue, and variances.
  - Include analysis of key drivers behind variances.
- **Presentation:**
  - Present reports to the leadership team, highlighting risks, opportunities, and recommended actions.
  - Facilitate discussions to adjust strategies as needed.

Financial Reporting

SOP 4: Financial Statements Preparation

Objective:

To produce accurate financial statements that reflect the organisation's financial health.

Procedures:

- **Preparation:**
  - Prepare monthly, quarterly, and annual financial statements, including Balance Sheets, Income Statements, and Cash Flow Statements.
  - Follow applicable accounting standards (e.g., GAAP, IFRS) and university regulations.

- **Quality Control:**
  - Conduct reconciliations, review for completeness, and ensure data accuracy.
  - Obtain necessary approvals before dissemination.

- **Timeliness:**
  - Meet reporting deadlines to ensure timely submission to internal and external stakeholders.

SOP 5: External and Internal Reporting

Objective:

To ensure stakeholders receive relevant, accurate, and compliant financial information.

Procedures:

- **Internal Reporting:**
    - Submit required reports to the university finance department, management, and other internal stakeholders.

- **External Reporting:**
    - Prepare reports for donors, regulatory agencies, and other external entities, adhering to specific grant or regulatory requirements.

- **Record Keeping:**
    - Maintain copies of all reports and supporting documentation for audit and review purposes.

Grant Management

SOP 6: Grant Budgeting

Objective:

To develop realistic, compliant budgets that maximise grant funding and meet project needs.

Procedures:

- **Collaboration:**
    - Work closely with researchers and project leads to understand project scope and expenses.

- **Budget Development:**
    - Ensure the inclusion of all eligible expenses, including personnel, supplies, travel, equipment, and contingency funds.
    - Align budgets with grant guidelines, restrictions, and reporting requirements.

- **Review & Approval:**
    - Review drafts internally for accuracy and compliance before submission.

SOP 7: Grant Financial Monitoring

Objective:

To ensure that grant expenditures are tracked accurately, remain within approved budgets, and comply fully with grant conditions, thereby maintaining financial integrity and readiness for audits.

Procedures:

- **Monthly Expenditure Tracking:**
  - Use dedicated grant management software or spreadsheets to record all expenses against the grant budget.
  - Reconcile actual spending with budget allocations monthly to detect variances early.
  - Highlight any overspending or underspending for review.

- **Compliance Verification:**
  - Review each expense to confirm it aligns with the specific grant's stipulations and allowable costs.
  - Verify supporting documentation (receipts, invoices, timesheets) for each expenditure.
  - Consult grant guidelines or restrictions when processing expenses.

- **Financial Reporting for Grant Progress:**
  - Prepare detailed financial reports showing current expenditures, remaining funds, and forecasted expenses.
  - Include explanations for significant variances and any deviations from planned activities.
  - Submit reports to project leaders, grant administrators, or funding agencies as required.

- **Preparation for Audits:**
  - Maintain organised records of all financial documentation related to the grant.
  - Generate audit-ready reports that clearly demonstrate compliance with grant terms.
  - Conduct internal reviews periodically to ensure readiness.

Audit and Compliance

SOP 8: Audit Coordination

Objective:

To facilitate smooth internal and external audits by providing timely access to accurate documentation and addressing audit findings efficiently.

Procedures:

- **Audit Preparation:**
  - Maintain comprehensive and organised financial records, including supporting documentation for all transactions.
  - Schedule internal audits periodically to identify and rectify issues proactively.

- **Facilitation:**
  - Coordinate with auditors by providing necessary documentation, reports, and access to financial systems and records.
  - Assign a dedicated point of contact to liaise with auditors during the process.

- **Addressing Findings:**
  - Review audit reports thoroughly.
  - Develop corrective action plans for any identified deficiencies or non-compliance issues.
  - Implement corrective measures promptly, document actions taken, and monitor their effectiveness.

SOP 9: Compliance Monitoring

Objective:

To ensure ongoing adherence to organisational policies, regulatory requirements, and changing financial regulations.

Procedures:

- **Regular Reviews:**
  - Conduct periodic reviews (monthly or quarterly) of financial transactions, procurement processes, and reporting activities.
  - Utilise checklists or audit tools to ensure that all activities comply with relevant policies.

- **Policy Updates:**
  - Stay informed about regulatory changes affecting financial practices.
  - Update internal policies and procedures accordingly.
  - Communicate updates to relevant staff and provide training if necessary.

- **Training & Awareness:**
  - Provide ongoing training on compliance requirements for finance staff and relevant departments.
  - Promote a culture of transparency and accountability.

Financial Analysis and Cost Management

SOP 10: Financial Analysis

Objective:

To analyse financial data regularly to identify trends, risks, and opportunities, supporting strategic decision-making.

Procedures:

- **Quarterly Trend Analyses:**
  - Review income statements, balance sheets, and cash flow reports to identify patterns over time.
  - Analyse variances between budgets and actuals to determine root causes.

- **Risk & Opportunity Identification:**
  - Highlight areas of financial concern, such as declining revenues or rising costs.
  - Identify potential savings or revenue-enhancing opportunities.

- **Reporting & Recommendations:**
  - Prepare concise reports for leadership, including key findings and suggested actions.
  - Recommend cost-saving initiatives or investment opportunities based on analysis.

SOP 11: Expense Control

Objective:

To ensure all organisational expenditures are justified, authorised, and aligned with budgetary constraints, promoting financial efficiency and accountability.

Procedures:

1. Approval of All Expenditures Based on Authority Levels

- **Establish Clear Authority Levels:**
  - Define authorisation limits for different roles or departments (e.g., department managers, finance officers, senior management).
  - Use a formal approval matrix or hierarchy chart outlining permissible expenditure thresholds.

- **Pre-Approval Requirements:**
  - Require all expenses to be pre-approved before commitment or payment, except in cases of emergency or petty cash limits.

- **Authorisation Process:**
  - Use standardised purchase requisition forms or electronic approval workflows within financial systems.
  - Ensure approvers review the necessity, budget availability, and compliance with policies before granting approval.

- **Record Keeping:**
  - Maintain records of all approvals, including timestamps, approver details, and supporting documentation, to ensure audit readiness.

2. Review and Approval of Purchase Requisitions and Expense Claims

- **Purchase Requisitions:**
  - Verify that requisitions are complete, justified, and aligned with organisational needs.
  - Confirm the availability of funds in the relevant budget line.

- Approve requisitions within authority limits or escalate for higher approval if exceeding thresholds.

- **Expense Claims:**
  - Ensure original receipts, invoices, or other valid documentation support claims.
  - Check that expenses are reasonable, allowable, and within policy guidelines.
  - Review claims for accuracy (amounts, dates, vendors) and compliance before approval.

- **Processing:**
  - Approve and process validated requests promptly to facilitate timely payments.
  - Record approval details and attach supporting documents in the financial system.

3. Implementation and Monitoring of Cost-Saving Initiatives

- **Identify Opportunities:**
  - Regularly review organisational spending patterns to identify potential savings, such as negotiating vendor discounts, reducing discretionary expenses, or consolidating services.

- **Initiate Cost-Saving Measures:**
  - Develop targeted initiatives (e.g., energy-saving programs, travel policies, bulk purchasing).
  - Communicate initiatives clearly to relevant staff and departments**.**

- **Monitor Impact:**
  - Track key performance indicators (KPIs) such as cost reductions, expense trends, and savings achieved.
  - Use financial reports or dashboards to periodically evaluate effectiveness.

- **Continuous Improvement:**
  - Adjust initiatives based on results and feedback.
  - Recognise departments or individuals contributing to cost-saving efforts to foster a culture of financial discipline.

Additional Best Practices:

- **Policy Communication and Training:**
  - Regularly update staff on expense policies and approval procedures.
  - Conduct training sessions to ensure understanding and compliance.

- **Exception Management:**
  - Define procedures for handling exceptional expenses or urgent requests outside standard approval processes, with subsequent review and documentation.

- **Audit and Review:**
  - Periodically audit expense transactions to identify irregularities or non-compliance.
  - Use audit findings to reinforce controls and improve procedures.

SOP 12: System Oversight

Objective:

To maintain the integrity, security, and efficiency of financial management systems, ensuring they support accurate financial reporting and compliance.

Procedures:

1. Maintenance and Upgrades of Financial Software:

- **Scheduled Maintenance:**
  - Develop and follow a maintenance calendar to ensure routine system checks, backups, and updates are performed.
  - Coordinate with IT support or vendors to perform updates during scheduled downtime to minimise disruptions.

- **System Upgrades:**
  - Regularly evaluate the need for system upgrades or new features that could enhance functionality or security.
  - Plan and execute upgrades with minimal impact on daily operations, including testing before deployment.

- **Vendor Management:**
  - Maintain good communication with software providers for timely updates, support, and training.
  - Review vendor support agreements periodically to ensure service levels are met.

2. Data Accuracy and Security:

- **Data Integrity:**
  - Implement validation checks within the system to prevent entry errors.
  - Conduct periodic audits of financial data to identify discrepancies or anomalies.

- **Access Controls:**
  - Define and enforce role-based access permissions to restrict sensitive data and functions to authorised personnel only.
  - Review access rights regularly and update as needed, especially after staff changes.

- **Backup & Disaster Recovery:**
    - Ensure regular backups of financial data are performed automatically or manually, stored securely off-site or in cloud backups.
    - Test disaster recovery procedures periodically to confirm that data can be restored quickly in the event of a system failure.

- **Security Measures:**
    - Use encryption, firewalls, and antivirus tools to protect financial data from cyber threats.
    - Conduct periodic security audits and vulnerability assessments.

3. User Support & Training:

- Provide ongoing training for staff on system use, updates, and security protocols.
- Establish a help desk or support contact to resolve technical issues promptly.

SOP 13: Process Streamlining

Objective:

To optimise financial workflows for efficiency, accuracy, and compliance by regularly reviewing and automating routine processes.

Procedures:

1. Regular Workflow Review:

- **Process Mapping:**
  - Document current financial workflows (e.g., procurement, expense approval, reporting).
  - Identify bottlenecks, redundancies, or manual steps that can be improved.

- **Performance Metrics:**
  - Monitor key performance indicators (KPIs) such as processing times, error rates, and approval delays.
  - Utilise feedback from staff involved in financial processes to pinpoint areas of improvement.

2. Automation of Routine Processes:

- **Identify Repetitive Tasks:**
  - Focus on tasks like data entry, invoice processing, approval routing, and report generation.

- **Implement Automation Tools:**
  - Use financial management software features, such as electronic approvals, auto-reconciliation, or automated alerts for scheduled tasks.
  - Integrate systems (e.g., procurement, payroll, accounting) to enable seamless data flow.

- **Benefits:**
  - Reduce manual errors, processing time, and administrative overhead.
  - Increase accuracy, compliance, and audit trail transparency.

3. Continuous Improvement:

- **Feedback Loop:**
    - Regularly solicit input from users about workflow efficiencies or issues.

- **Training & Change Management:**
    - Train staff on new automated processes and updates.
    - Communicate changes clearly and provide support during transition periods.

- **Review & Update Procedures:**
    - Schedule periodic reviews (e.g., annually) of workflows to adapt to organisational changes, new regulations, or technological advancements.

Collaboration and Support

- Work closely with other departments to align financial planning with research and operational goals.
- Provide financial training and support to staff involved in financial activities.

Policy Enforcement

- All staff involved in financial activities must adhere to these policies.
- Violations may result in disciplinary action, including revocation of access rights.

Review and Amendments

- This policy will be reviewed annually by the Financial Manager in collaboration with senior management and updated as needed to reflect changes in regulations or operational requirements.

Appendix: Key Definitions

- Budget Variance: Difference between budgeted and actual expenditures.
- Grant Budget: Financial plan submitted to funders detailing expected expenses.
- Financial Reports: Statements including income statements, balance sheets, cash flow statements, and budget performance reports.

Approval and Implementation

- This policy is approved by the Director of the Mycetoma Research Center and is effective immediately.
- All financial staff are responsible for familiarising themselves with these SOPs