

Central Budget Process – Roles and Responsibilities

15 April 2021

The **Analysis, Planning, and Budget Office (APB)** and **Financial Services (FS)** work together in a constructive fashion to manage the budget and finances of the University. APB and FS collaborate to assist **Unit heads** (Vice-Principals, Deans, Deputy/Vice-Provosts, Associate Vice-Principals, and Directors), **Fund Financial Managers (FFMs)**, and **Faculty Financial Officers (FFOs)** in fulfilling their financial responsibilities.

McGill operates on a Provostial Model. As Chief Budget Officer, the **Provost and Vice-Principal (Academic) (PVPA)** is responsible for preparing the University's unrestricted (operating) budget and allocating resources to meet institutional objectives. The PVPA chairs a **Budget Working Group** that includes the **Vice-Principal (Administration & Finance) (VPAF)** and key members of the Budget Working Group Sub-Group, including the APB Executive Director (chair), the AVP, Financial Services, the AVP Human Resources, the Senior Director, Budget and Finance, the Director, Resource Allocations, and other key budget and finance personnel.

APB is mandated by the PVPA to oversee the central budget process. In collaboration with FS, APB is responsible for the design and operational implementation of the annual budget as well as in-year and multi-year unrestricted revenue and expense forecasts. Moreover, APB is responsible for preparing budget presentations for information or for decision making to McGill governance committees (P7, Finance Committee, Senate, Board of Governors).

With respect to the Central budget process, **FS** is mandated by the VPAF to oversee the University's financial and accounting policies and procedures, as well as compliance with Generally Accepted Accounting Principles (GAAP) and the Ministry's *Règles Budgétaires* (e.g., eligible expenditures, financial reports). FS is responsible for quarterly financial results that are presented to the University's governance committees. These reports include comparisons of actual revenues and expenses (year-to-date vs. prior year; year-to-date vs. budget). Lastly, FS is responsible for the preparation and analysis of the audited annual financial statements.

APB and FS work together on several major revenue and expense dossiers. For example:

APB is responsible for modeling enrollment-driven tuition and Quebec grant revenues and provides FS with teaching and support grant revenue expectations so that they can be booked in the applicable fiscal year. This reduces the risk of major retroactive adjustments by the Ministry, which ultimately occur two years after the fact. FS records the receipt of all grant amounts, including the applicable adjustments, redistributes targeted grants to the designated areas, and reconciles the approved allocations with the amounts received.

APB works with Human Resources to estimate costs related to unresolved collective agreements and pay equity. FS validates, and books these amounts to ensure that they are included in the financial statements in the applicable year.

FS uses year-end results, and criteria determined by APB, to record, in the unrestricted fund, faculty or unit carry forward surpluses or deficits from one fiscal year to the next. APB validates the calculations and incorporates the results into budget reports to inform future discussions with individual units.

FFOs are the primary locus for budget control in Faculties and major administrative units. FFOs work with individual FFM's in their area to estimate total spending power (in the form of budget allocations and/or external revenues), and attribute budget allocations accordingly across the applicable funds within the unit. The **FFM** is responsible for timely monitoring of fund transactions to ensure that they are legitimate, reasonable and an appropriate use of the fund, as outlined in the FFM policy. The FFM is also responsible for ensuring that financial controls are in place and operating effectively at the local level. The **Unit head** is ultimately accountable for adequate budget controls in his/her unit. APB communicates to FFOs details regarding the budget process and its associated timelines before budgets are finalized, provides regular information during budget distribution, and organizes a post-mortem. APB has developed collaboration tools (e.g., shared drives) to facilitate exchange of data and information with units.

To assist units in forecasting their unrestricted revenues and expenses, APB has created the **APB Trend Forecast**, produced monthly for each faculty/unit. The APB Trend Forecast is used as a budget control mechanism and is part of the reference documentation for regular discussions with faculties/units and serves as an early warning system for the Budget Working Group and/or BWG sub-group, as required. APB has also created the **Trend Forecast Companion**, housed in the Tableau BI software, which contains five years of revenue and expense activity (by month, down to the fund-account level) to help units better understand their historical revenue and expense activity.

Each APB Trend Forecast contains a **Budget Control Summary** tab, where units indicate formally that they have reviewed their financial results for the year-to-date, and their end-of-year forecasts; that they have capitalized expenses where appropriate; that all pertinent and relevant information has been disclosed in the course of explaining variances; and that insights have been shared regarding year-end forecasts.

To confirm that they understand that the University expects units to balance their budgets or generate surpluses, the Dean/ unit head and FFO are asked to sign the Budget Control Summary based on their financial results and expectations, and deposit it in the APB-unit shared drive. Although some units now deposit the Budget Control Summary monthly, it is officially required three times per year, after the monthly close for September (period 5), November or December (period 7 or 8), and January (period 9) according to a predetermined schedule. The consolidated unit expectations subsequently feed into the three major annual budget presentations.

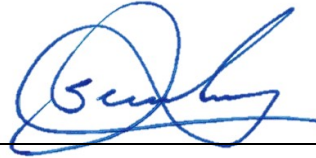
FS has created the **Endowment Monitoring Report**, the **After the Fact Purchase Order Report**, and the **Overdue Advances Report** to monitor compliance with spending, best business practices and delinquent submission of expense reports.

As part of the Annual Financial Review meetings held in February/March, FS and APB meet with all Deans/Unit heads and FFOs to review the previously described reports as part of the preparation for the upcoming budget.



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