

THE CATHOLIC UNIVERSITY IN ERBIL

Financial Budgeting and Planning Policy

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I. DOCUMENT TYPE

☒ Policy

☐ Procedures

II. PURPOSE

The purpose of the Budgeting and Planning Policy is to establish a clear, structured, and transparent process for developing, approving, and managing The Catholic University in Erbil's (CUE) budget, ensuring the alignment of financial resources to support academic, research, and administrative activities. This policy is designed to integrate both internal and external sources of funding, including donations and project-specific grants from donors, to ensure that the University remains compliant with donor requirements and financial best practices.

III. SCOPE

☒ University-Wide OR ☐ Departmental Specify Department(s): _____

This policy applies to all university departments, faculties, research centers, and offices involved in the planning, preparation, and management of the annual budget.

IV. POLICY STATEMENT

This policy establishes a structured framework for the preparation, approval, and monitoring of the University's financial plans. The University is committed to maintaining a **structurally balanced operating budget** while ensuring long-term financial sustainability and alignment with its Strategic Plan.

The policy governs:

1. All sources of funding, including tuition, donations, grants, and restricted funds.
2. Clear separation between operating and capital planning.
3. The preparation of a One-Year Operational Budget and a rolling Five-Year Financial Plan.
4. The allocation of operating surpluses to strengthen financial resilience and support strategic institutional development.
5. Financial risk management and responsible stewardship of University resources.

V. DEFINITIONS

Bottom-Up Budgeting - A budgeting approach where individual departments and units prepare and submit their expected expenditures and financial needs. These inputs are then reviewed and considered by the Finance Office and senior management in preparing the overall institutional budget.

Budget - A financial plan that outlines the projected revenues and expenditures for a specific period, aligned with the strategic priorities of the University.

Corrective Actions - Steps taken to address variances or deviations from the budget to ensure that financial resources are aligned with the University's operational and strategic goals.

Externally-Funded Projects - University projects that are financed by external donors, where the use of funds is subject to specific donor requirements, agreements, and reporting obligations.

Five-Year Financial Plan - A budget that extends for five years and is reviewed and updated annually to ensure alignment with the University's long-term strategic objectives and financial sustainability.

Non-Restricted Funds - Funds that are not subject to specific donor-imposed restrictions, giving the University the flexibility to allocate them according to operational and strategic needs.

One-Year Operational Budget - A budget focused on the immediate financial year, addressing short-term operational needs while supporting long-term financial planning.

Strategic Objectives - Key priorities and initiatives identified by the University's leadership that guide resource allocation and long-term planning to achieve the University's mission and vision.

Top-Down Budgeting - A budgeting approach where the overall budget and financial limits are determined by senior management based on strategic goals and projected revenues. These high-level allocations are then distributed to departments and units.

Variance - The difference between the budgeted amount and actual revenues or expenditures.

VI. RESPONSIBILITIES

Board of Trustees - Provides final approval for the University budget and long-term financial plans.

Externally Funded Program Office - Manages externally-funded project budgets in collaboration with the Finance Office, ensuring compliance with donor agreements, local financial legislation, anti-corruption and anti-money laundering regulations, foreign funding laws, international conventions, and any applicable reporting obligations under Iraqi/KRG law.

Finance Office - Responsible for preparing the annual and Five-year budgets, overseeing budget control, and providing financial reports.

Heads of offices - Offices send their expected expenditures, with a focus on their specific operational needs, if requested by the Finance Office. They must ensure office expenditures remain within the approved budget, report significant deviations, and adhere to budget guidelines.

Heads of Departments and Deans - Responsible for submitting their expected expenditures for the year, including costs for operations, projects, and any special initiatives, with justifications and details of any significant changes from the previous year, if requested by the Finance Office. They must ensure departmental expenditures remain within the approved budget, report significant deviations, and adhere to budget guidelines.

Human Resources Office (HR) - HR provides expected new hirings and layoffs, including salary and benefits projections. HR should also include any anticipated changes in staffing levels and the associated costs for the year (e.g., promotions, pension contributions).

University President and Provost - Reviews budgets, makes budget recommendations to the Board of Trustees, and approves budget adjustments.

VII. POLICY GUIDELINES

1. University Budgeting and Planning

- a) The University's budgeting process will operate on both a one-year operational budget and a Five-year financial projection.
 - i) One-year operational budget: This will focus on the immediate financial year, addressing short-term operational needs and enabling flexibility in resource allocation.
 - ii) Five-year financial projection: This projection informs the University's long-term strategic objectives, providing a comprehensive view of financial planning and sustainability.

- iii) The University's budgeting approach follows a hybrid model, primarily top-down with bottom-up inputs. While the Finance Office leads the development of the budget framework in alignment with strategic priorities and expected revenues, office and departmental contributions are incorporated to ensure operational needs are considered.
- b) The University's Finance Office is tasked with preparing budgets, which include:
 - i) A one-year operating budget.
 - ii) A Five-year financial projection.
 - iii) Any other special-purpose budgets as required.
- c) Budget priorities will align with the University's strategic objectives and operational needs to ensure efficient use of resources over the budget period.

2. One-Year Operating Budget

- a) The operating budget serves as a tool for aligning financial resources with the University's short-term operational needs and long-term strategic goals. It is designed to:
 - i) Support the University's planning goals.
 - ii) Strengthen financial sustainability and long-term planning.
 - iii) Encourage transparency and participation among key stakeholders.
- b) Throughout the year, the Finance Office monitors revenues and expenditures, identifying variances from the budget and recommending corrective actions when necessary. Variance analysis and corrective actions must be documented and retained for audit and compliance purposes. Non-restricted funds are overseen to ensure they are allocated and spent according to the approved budget.
- c) The one-year operating budget serves as the first year of a rolling plan, updated each year to reflect changing conditions and strategic priorities.

3. Five-Year Financial Plan

The University shall maintain a rolling Five-Year Financial Plan aligned with its Strategic Plan and long-term financial sustainability objectives.

The Five-Year Financial Plan shall:

- Present projected operating revenues and expenses
- Outline planned capital investments
- Include projected operating surpluses and reserve levels
- Clearly state key financial assumptions (including enrollment trends, tuition adjustments, salary growth, and inflation)
- Identify significant financial risks and scenario considerations that may impact sustainability

The first year of the Five-Year Financial Plan shall correspond to the approved annual operating budget. The plan shall be reviewed and updated annually to reflect changing institutional priorities, financial conditions, and external factors.

The Five-Year Financial Plan shall follow the same review and approval process as the annual budget.

4. Approval Process

Once prepared, the budgets are submitted to the Provost for initial review. Following their assessment, the budgets are then forwarded to the President for a comprehensive review. Upon approval, the budgets are presented to the Chairman of the Board of Trustees for final approval.

The University's budgeting process will follow established timelines and procedures, with regular reviews and updates to ensure alignment with both academic and administrative goals.

5. Donor-Funded Project Budgets

- a) For externally-funded projects, budget planning and management will strictly adhere to the specific policies, procedures, and requirements set forth by the donors.
- b) The budget for each donor-funded project will be developed and managed by the Externally Funded Program Office, headed by the Chief of Planning and Effectiveness, in collaboration with the Finance Office.
- c) The Externally Funded Program Office and Finance Office will ensure that project budgets are aligned with donor agreements, reporting requirements, and applicable legal and regulatory obligations.
- d) Regular financial reporting will be provided to donors as per the agreed terms, ensuring accountability and transparency in the use of donor funds.

6. Budgeting, Control, and Revision

1. Any significant budget adjustments during the fiscal year that materially impact departmental or project allocations shall be reviewed by the Provost. Where necessary, approval from the President shall be obtained. The Finance Office shall define and monitor material variances in accordance with institutional capacity and financial risk considerations.
2. Deans, Heads of Departments, and heads of offices are responsible for regularly monitoring their budget activity. In addition, the Finance Office is responsible for conducting a quarterly budget review to monitor actual expenditures and revenues against the approved budget. The Finance Office will report any information deemed necessary for effective budget management—such as approaching the maximum approved budget, exceeding the approved budget, or other relevant concerns—to the parties for whom this information is relevant, as outlined in this policy.
3. If there is a breach in the policy guidelines, including failure to adhere to budget limits or mismanagement of external funds, the Finance Office will investigate and may impose corrective actions. Departments must report deviations and justify necessary adjustments promptly.

7. Risk Management and Contingency Planning

1. To safeguard the University's financial stability in the event of unforeseen circumstances, a structured approach to risk management and contingency planning will be followed. This approach includes setting aside contingency funds, conducting audits, and proactively monitoring potential risks.
2. To ensure financial stability, the University shall allocate annual net operating surpluses as follows:
 1. A minimum of 20% of the annual net operating surplus shall be designated to a Contingency Reserve.
 2. The remaining surplus shall be designated to a Strategic Reinvestment Fund supporting academic quality, infrastructure, technology, and student success.

The Contingency Reserve may be used only under exceptional circumstances, including significant enrollment shortfalls, funding reductions, inflationary pressures, or unforeseen disruptions.

In the event no operating surplus is generated, no allocation shall be required; however, the University shall prioritize rebuilding reserves in subsequent years.

3. Audit and monitoring: The Finance and Auditing Committee of the Board of Trustees or its authorized representative will oversee periodic audits to evaluate the effectiveness of the University's financial risk management practices. Audit outcomes will guide adjustments to the risk management strategy, ensuring the University remains compliant with best practices and prepared for financial contingencies. Auditing and monitoring will regularly report to the Audit Committee of the Board of Trustees.
4. Review and adjustment: Should a significant financial risk or unexpected change arise, the Finance Office will recommend appropriate corrective actions, including fund reallocation or expenditure adjustments. All adjustments will follow established approval protocols, involving the President, Provost, and Board of Trustees as necessary.

VIII. POLICY DEVELOPMENT AND AUTHORIZING PARTIES

1. Owned by: FI, Mar-15 2025
2. Reviewed by: Policy and Procedure Review Committee, Mar-15 2025 - Amended, Feb-22 2026
3. Approved by: President's Cabinet, Mar-17 2025 - Amended, Feb-26 2026
4. Approved by: Board of Trustees, Oct-2 2025
5. Adopted: Oct-2 2025 - Amended, Feb-26 2026