

## CHECKLIST FOR TAKING OVER A BUDGET

This checklist has been designed to help you understand whether or not the budget you have taken over with a promotion or new role is in a healthy state.

Knowing the state of the budget you have inherited has to be one of the highest priorities you set yourself when you accept a new role. If you don't understand and quickly become familiar with the role's finances you will have significant problems giving the best first impression to your superiors.

If you this could expose you to some nasty surprises – suppliers not being paid, delays in purchase of resources, overtime payments missed etc. Such events will seriously damage your authority and provide a poor impression to all you come into contact with.

This 8-step process will ensure that you are aware of present spend allocations, future commitments, potential revenue earnings and realistic forecasts that senior management can expect from your team.

### OBJECTIVE OF PERFORMING THIS PROCESS

To feedback to your manager any concerns you have found and suggested ways to overcome them. It is important to let him or her know if targets are seriously compromised.

**You may need to adapt the elements of the checklist to suit the way your organization works but the principles it describes are universal.**

#### 1. Get Confirmation of all Official Figures

The first thing that you must do is get a clear idea of all the official budgetary figures you have taken over. This includes the actual team target(s), what has been spent to-date from the budget, what has been forecast in terms of expenditure and where appropriate revenue generation.

These figures will give you a broad picture of the financial situation of the team. But it is not enough if you are going to be successful in your new role. Your knowledge of the budget must be much more in depth and well documented.

#### 2. Financial Policies and Procedures

To be able to manage your budget properly you need to have a good knowledge of the financial policies and procedures. This gives you the framework in which you must work and report to perform well and meet objectives.

By finding out who is your contact within the finance department that is imperative. This person(s) guidance and support ensures that you quickly become familiar with the workings of the finance department and the reporting requirements. It is essential to create a good working relationship with this person.

### **3. Liaise with Team Budget Holders**

You will need to understand what internal finance procedures are already in place within the team and review. It is also highly recommended to discuss these team procedures as a group to highlight any elements of them that hinder the smooth running of the department and its finances.

In the situation where you have devolved budget holders in the team you will need to have one-to-one meetings with each individual. At these meetings you will have a set agenda that enables you to discuss:

1. Current status of their order book and invoice
2. Explanation and review of forecasts
3. Any concerns or issues they have.

It is critical you quickly establish trust and rapport with your budget holders and demonstrate that you are there to support them. Following these discussions you may want to introduce or amend some procedures and reporting methods so the financial aspects of the team run more smoothly.

### **4. Check Order Book and Invoices**

Having met with your finance representative, your budget holders and the team your knowledge of the financial matters of the team to allow you to make a detailed check of expenditure.

Working through the order book you will be able to identify any that are outstanding, behind with payment, redundant and need cancelling. This investigation will show which orders are yet to be started or fulfilled.

With the knowledge on your order status you can now check that all invoices relate to the correct order and have the unique order number clearly visible. This exercise will highlight any invoices that are being disputed, have been paid but not authorized or that have exceeded the order value.

This process is likely to highlight any issues that your team may have with certain suppliers or agencies. This gives you the opportunity to arrange a meeting with the latter to address these concerns or poor working practices.

### **5. Review Forecasts**

Now you are aware of the current spending commitments you can look at the team's future expenditure and income generation (if the latter is part of your responsibilities). By investigating how well expenditure has been predicted in the past will give you an indication of how accurate or insightful the future forecasts are.

It is important to discuss what you find with others in your team because figures will not give you a full explanation of why performance differed from the forecast. These discussions may highlight key changes in the operations or markets that have not been previously identified. Even if your superiors are aware of them it may be worth a short discuss with your direct manager as to how significant they were and will be in the future.

## 6. Update Your Budget

Now you have all the necessary financial information and data that you are able to update the budget so that it reflects the *true* spend to-date and all future commitments. It also provides you with an opportunity to review the forecasts and adjust according to your findings. This budget can then be shared with your manager.

## 7. Identify and Prioritize any concerns/issues

A consequence of this process will be the detection of certain areas of concern. Some of these may be issues relating to processes, supplier relationships, contract management or changes that have occurred since the budget was approved.

These issues may be related to in-house operations or external factors. The important thing is when taking over a budget is their identification. Once these issues are known and brought out into the open they can be handled and any adjustments made.

These items will form the basis of the one-page summary you give to your manager when you have your first review with him or her following your induction. This will be the first written report you produce so make sure that it is clear and concise in its content. Look at other internal documents related to finance and follow their layout and style (your finance contact will be able to help you).

## 8. Feedback Findings and Proposed Action Plan

Prepare a detailed account of the current financial position of your budget along with a one-page summary highlighting the major concerns and issues that you have found. It is important to feedback if the current status of the budget is falling behind its assigned target. This will enable you to discuss with your manager how your proposed actions plan aims to address this shortfall.

**NOTE: With all financial information it is essential that they are kept strictly confidential and that passwords are set for each budgetary document you create.**