

## **FINANCIAL MANAGEMENT POLICY**

### **Financial Policies and Procedures**

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## PURPOSE

*(Name of organisation)* is committed to responsible financial management. The entire organisation including the board, staff and volunteers work together to make certain that all financial matters of the organisation are addressed with care, integrity and in the best interests of *(name your organisation)*.

It is the objective of these policies and procedures to:

- Protect the assets of *(name your organisation)*
- Ensure the maintenance of accurate records of *(name your organisation)* financial activities
- Provide a framework of operating standards and behaviour expectations.
- Ensure compliance with all legal and reporting requirements

## PROCEDURES

The (CE/General Manager/Manager/Coordinator) has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board.

A review of these policies is conducted annually.

All Board members and all staff with fiscal related responsibilities are expected to be familiar with and operate within the parameters of these policies and procedures.

### **Key Guidelines**

1. Our services will be affordable.
2. We will only spend what we have.
3. We will not risk capital.
4. We will keep reserves for at least two months operations.

### **1. General Accounting Policy**

This policy sets out general accounting information about

#### Accounting

The financial accounting period for *(name your organisation)* begins on the *(name the date)* each calendar year and concludes on *(name the date)* the following year.

*(name the accountants)* is the professional accounting advisor for *(your organisation)*

The financial accounts for *(your organisation)* are on a cash basis. *(name the software)* is the software used for financial record-keeping. The *(name the system)* accounts can only be accessed by the *(Position title)* and the *(position title)*.

Auditor:

The auditor for *(name your organisation)* is *(name auditor)*.

GST:

*(name your organisation)* is registered for GST on a payments basis. The GST number is *(number)*. GST returns are completed every *(name how often)*.

Tax Status:

*(name your organisation)* is an *(name legal entity)* registered with the Charities Commission to retain tax exempt status. Currently this exempt tax status also precludes the paying of any fringe benefit tax.

Insurance:

*(name your organisation)* holds *(name insurance cover held)* e.g. Public Liability Insurance, Vehicle Insurance and Contents Insurance. *(name insurance company)* act as our insurance brokers.

Annual Accounts:

An audited set of annual accounts is presented at the AGM of *(name your organisation)* in *(month)* of each year.

The *(name of position)* and *(name of position)* of *(name your organisation)* supply source documents to the staff of *(name accountant)* who prepare the annual accounts.

These accounts are then audited by *(name accountant)* prior to them being copied, circulated and approved at the AGM.

## **2. Funds Management**

Maintaining financial viability is one of the keys to *(name your organisation)* continuing existence. To help ensure this the following financial policies and procedures have been developed.

### **2.1 Bank Accounts:**

*(name your organisation)* holds *(name how many)* bank accounts at *(name bank)*; none have overdraft facilities. They are as follows:

- a. main operating account for salaries, expenses. Etc.
- b. funds management account

## 2.2 Investments

*(name your organisation)* holds reserve funds in higher interest, low risk term investments with *(name bank)*. These funds are transferred when required into their working cheque or fund management accounts.

## 2.3 Reserves

The board aims to have *(how many months)* months operating budget in reserve.

## 2.4 Banking

The Finance Officer is responsible for the receipting and banking of all funds received by *(name your organisation)*

Banking is done on a regular basis in an efficient and timely manner. Any funds held on the premises waiting to be banked are kept locked in a secure cabinet. Funds may be banked any day throughout the week. This is to ensure no funds are left on the premises over the weekend.

## 2.5 Transfer of Funds

*(name your organisation)* has an automatic transfer of funds from the Funds Management Account to the Operating cheque account which occurs when required.

# 3. Capital Expenditure

This policy sets out some guidelines regarding the purchase, care and disposal of capital items.

## 3.1 Purchase of Capital Items

The Manager of *(name your organisation)* has the responsibility of purchasing any capital items. These items are set out in a budget each year which is approved by the Board. The purchase of all capital items should come within budget limits. When purchasing significant items, a minimum of two quotes are sought to obtain a competitive price. The Manager reports on capital expenditure at board meetings.

Extraordinary items of capital expenditure over e.g. \$2,000, or not budgeted for in the annual budget, must be approved by the board prior to the expenditure.

## 3.2 Asset Register

An asset register is held by *(name your organisation)* and maintained by the Manager. Assets of (\$?) or more are recorded. Capital purchases less than (\$?) are recorded as operating expenses.

### 3.3 Depreciation

Assets are depreciated on a diminishing value basis (there are two ways to depreciate – check with your accountant). The cost of the fixed asset is written off over the expected economic life. The rates are set out in the annual accounts.

### 3.4 Disposal of Assets

Capital items for disposal must first be approved by the Board. The Manager is responsible for the disposal of capital items. After Board approval the items may be offered to community groups in an ‘as is where is state’ at little or no cost or to staff at reasonable, book or current market value rates.

## 4. **Internal Controls**

Internal controls have been put in place at *(name your organisation)* to protect both the organisation and its board members and staff.

### 4.1 Reconciliations

Reconciliations are done monthly by the Finance Officer. Receipts are reconciled to monthly statements of any accounts held by the *(name your organisation)*

Bank Statements are reconciled monthly by the *(name position)*. They are then checked and signed off by the Manager.

### 4.2 Debtors

*(name your organisation)* receives cash payments for *(name what they are)*. All cash payments must be receipted with details being recorded onto the appropriate schedule. Copies of the schedules are then given to the programme co-ordinators and the *(name position)*. The *(name position)* will then check and balance totals with money banked. The Manager will then sign off the schedule reconciliations each month.

*(Name your organisation)* invoices organisations or individuals for payment of hireage fees or other services as required. A copy of each invoice is filed and reconciled with payment when received. Receipts are issued for any monies received or noted on the invoice.

When payment becomes overdue a second invoice is sent as a reminder of payment and then followed up by emails and phone calls. Once every effort has been made to recover funds the Manager has the authority to write off small unpaid debts up to (\$?) Significant amounts of debt owing will be discussed at Board meetings.

The Manager may choose not to enter into any financial transaction with any debtors who have not paid debts to *(name your organisation)*

Refunds may occasionally be issued if an organisation has given notification of non-attendance prior to an event. The Manager has final discretion in this matter.

#### 4.3 Creditors

*(Name your organisation)* holds accounts with various companies and individuals. Some of these creditors are paid monthly by automatic payment, others by cheque or on line payment by the 20<sup>th</sup> of the month.

All other creditors are paid by on line payment, direct debit or cheque as required. Accounts are approved for payment by the Manager and then the cheques are written out or on line payment set up by *(name position)*. Two signatories are required for each cheque and on line payment; usually a board member along with the Manager. Automatic payment authorities are also signed by two signatories.

*(Name your organisation)* pays wages via internet banking. No other payments will be made via internet banking.

#### 4.4 Vehicles

*(name your organisation)* owns *(number)* of vehicles. The vehicles are available during the day for any staff member to use for work related tasks.

Each staff member who has a car assigned to them and requires petrol must request use of the fuel card from the Manager. This petrol card may only be used to purchase petrol for the *(name your organisation)* vehicles.

Each month the fuel Card statement is verified by the staff member and checked by both the *(name position)* and by the Manager.

On occasions *(name your organisation)* reimburses mileage if a private vehicle has been required to be used for work purposes. This should be by negotiation and agreed to prior to the vehicle being used. The current reimbursement rate paid is *(see IRD website for public service rate)* .74 per kilometre. The staff member is required to fill out a travel reimbursement form noting distance and reason for trip. This is approved by the Manager before payment is made.

#### 4.5 Charge accounts

As mentioned *(name your organisation)* has a number of charge accounts. These are available for staff to purchase items required to carry out the tasks of their employment.

Generally staff notify the Manager and the *(name position)* of their needs and their wish to purchase goods. A purchase order form is then filled out and signed by the Manager and presented at the place of purchase. Upon purchase receipts are given to the *(name position)* so reconciliation can be done when the

monthly statement is received. Monthly statements are then signed off by the Manager.

#### 4.6 Petty Cash

*(Name your organisation)* has up to (\$?) in cash which is kept secure by the (name of position) in a locked cabinet and is available to staff and board members for small work-related purchases.

The *(name position)* is responsible for issuing, recording and receipting all items purchased with petty cash. Staff or board members who have been allocated petty cash are responsible for returning receipts and change to the *(name position)* in a timely and efficient manner.

The *(name position)* is responsible for handing over all receipts and petty cash spreadsheet to the *(name position)* when the float is almost expended.

The *(name position)* balances petty cash and draws a cheque when required to maintain a float of up to (\$?). The Manager checks the records and receipting of petty cash prior to signing off the petty cash top-up cheque.

At times the Manager may approve petty cash floats for special events. The staff or board members who have been allocated petty cash are responsible for completing a petty cash summary spreadsheet, and returning receipts and change to the Manager.

#### 4.7 Reimbursements

On occasions staff and board members may purchase small goods for work purposes using their own money. These items will be reimbursed by *(name your organisation)* when the staff member or board member completes a reimbursement form attaching receipts or verification of their purchase. All reimbursements are approved by the Manager.

#### 4.8 Koha

*(name your organisation)* pays koha from time to time. A form is completed and approved by the Manager. Koha is not used in lieu of reimbursement, contract service or paid employment.

#### 4.9 Credit Card

The Worker of *(name your organisation)* is entitled to run a credit card account for work related expenses.

The credit card is not to be used for personal expenses. In the event of accidental use of the card for personal expenses, the amount incurred must be repaid immediately.

The credit card account is held by the *(name position)*. The account is paid monthly. The account lists the items of expenditure, for which the *(name*

*position*) will provide receipts. These are checked and signed by the (*name position*).

The credit card carries a limit of (\$?) and under normal circumstances the maximum amount per item on the card will be no more than (\$?)

#### 4.10 Reporting

The (*name your organisation*) board meets (*how often*). At these meetings the Manager presents a report on the work of the staff and also a copy of the following financial accounts prepared by the (*name position*):

- Statement of Financial position
- Monthly Budget/Actual comparison
- Monthly report from Administrator/Manager

The board is able to query any item in the financial accounts.

Copies of bank statements and other source documents are also available for the board to view.

#### 4.11 Cheque Signatories

(*Name your organisation*) uses two signatories/authorisations on each cheque or on line payment. One is usually the Manager who first approves all payments made. The second signatory is usually the Chair or the Treasurer of the board or in their absence the Deputy Chair of the board.

Two signatories are also required for automatic payments or direct debit authorities or on line payments. Any letters of notification given to the bank are signed by both the Manager and the Chair or Treasurer of the board.

#### 4.12 Delegated Authority

The Manager has the authority to act on behalf of the Board. Approval limits are set out in the annual budget. Staff members check with the Manager before purchases are made. On occasions the Manager will consult with the Chair of the board or bring matters to the attention of the board at their meetings.

The (*name position*) has responsibility for purchases of stationery and will seek approval from the (*name position*) prior to any orders being made to ensure all stationery purchases are within budget limits.

The (*name positions*) have the responsibility for expenditure and running their programmes within budget limits.

Any increase in limits to charge accounts or credit cards is approved by the Board and recorded in the minutes.

#### 4.13 Budget



The Manager with support from the (*name position*) and Treasurer is responsible for preparing the annual budget of (*name your organisation*). Priorities are set by the Manager and the board.

Salaries are set by the Manager within the budget, as is operational and capital expenditure. The budget is prepared to support the strategic plan and presented to the board for approval.

The budget can be revised if necessary during the financial year and presented to the board for approval. This may occur when significant changes are expected in income or expenditure. Regular financial monitoring occurs by budget comparisons to actual expenditure being made at board meetings.

#### 4.14 Payroll

(*Name organisation*) use (*name payroll system*) payroll system. Keeping accurate payroll records is the responsibility of the (*name position*). These records include annual salary of each staff member, required deductions, annual leave, time in lieu accrued, sick leave and bereavement leave.

Time in lieu must be approved by the Manager prior to accrual. Time in lieu is recorded by each staff member via time sheets, which are signed off by the Manager. The (*name position*) is responsible for reconciliation of time in lieu within the payroll system and presenting a tally back to each staff member at the end of each month. The use and accumulation of time in lieu is set out in the employment contracts.

Salaries of permanent staff members are paid fortnightly by internet banking into a bank account designated by the staff member in accordance with their employment agreement.

Casual staff are required to complete time sheets. The necessary deductions are made and the balance paid by internet banking.

The Manager has the responsibility for hiring contractors as required. Quotes may be sought and payment for completed work made by cheque on receipt of invoice.

Other documents to be considered alongside this policy are:

*(Name organisation)* Constitution  
Employment Policy  
Individual Employment Agreements  
Health & Safety Policy  
Privacy Policy  
Compliments and Complaints Policy  
Tax Exemption Certificate  
Certificate of Incorporation  
Insurance Policies  
Annual Accounts & Audit Report  
Annual Budget  
*(name your organisation)* forms –  
    reimbursement  
    leave  
    timesheet  
    payment authority  
    petty cash request  
    invoice  
    transfer authority  
    IRD Taxation Guide  
ACC

Draft policy first presented at Board meeting held on
Policy ratified at Board meeting held on