

**SUBJECT:****Finance**

<b>Portfolio Area:</b>	Finance	<b>Document Ref:</b>	PS FIN01
<b>Applicable From:</b>	November 2020	<b>Version No.:</b>	01

**REVISION SCHEDULE:**

<b>EFFECTIVE DATE:</b>	<b>ALTERATION(S):</b>	<b>AUTHORISED:</b>	
		Signed/Title	Date:
<b>3/10/2017</b>	Updated due to impending QA Audit	Board	
<b>11/11/2020</b>	Updated due to impending QA Audit	Board	

**1. SCOPE:**

The purpose of this Policy Statement is to provide guidelines to the Board of Management and staff of the Centre for financial management based on sound planning, control and evaluation to achieve optimum use of the Centre's resources and accountability to the Centre members, the community and funding bodies.

**2. POLICY STATEMENT:**

This Policy Statement provides guidelines for the Board and workers of the Centre to ensure that the organisation manages its finances and assets effectively and efficiently to achieve the most cost-effective use of its resources in achieving its objectives and reports on its financial transactions openly and honestly to provide an accurate view of its financial status.

**3. OBJECTIVES**

The objectives of this Policy Statement and associated procedures are to ensure that:

- Necessary systems and procedures are in place to effectively manage finances including reporting, professional development and signatories
- An annual Business Plan is developed and monitored
- Financial expenditure is monitored
- Clear delegations of financial authority are in place
- Administration adequately supports the requirements of the organisation
- Funding body accountability requirements are met
- Legal requirements are made in relation to the ATO, Incorporations Act, and funding and service agreements



- An asset register is maintained
- Clear procedures are in place for the contracting of services and purchases of assets
- An annual budget is developed, approved, reviewed and monitored.

#### 4. GUIDING PRINCIPLES

The development of Operating Procedures under this Policy Statement is based on the following guiding principles:

- The Centre is a not-for profit body with the following status under the Australian Taxation Act:
  - Income Tax Exempt charitable entity
  - Registered for Goods and Services Tax (GST)
- The Centre's financial year runs from 1 July to 30 June
- The Board of Management complies with financial and reporting requirements of the Australian Charities and Not for Profit Commission and the Australian Tax Office
- Delegations of authority are clearly defined
- Appropriate information, instruction, training and supervision necessary to ensure efficient financial management for all staff is provided
- Regular auditing, review and evaluation of financial management systems within the Centre occur.

#### 4. RESPONSIBILITIES:

**The Board of Management is responsible for:**

- the organisation meeting all its financial obligations and reporting openly and accurately on its financial transactions and status
- monitoring the adoption of and adherence to internal controls to ensure the protection of organisation assets and that the organisation's financial affairs are managed prudently and with integrity
- approving an annual budget to achieve priorities determined in its Strategic Plan and monitoring the organisation's income and expenditure relative to the agreed budget
- approving above-budget and non-budgeted expenditure on the recommendation of the Treasurer
- providing Delegated Authority to staff and reviewing this annually
- appointing a Finance and Audit (F&A) Sub-Committee (if applicable)
- approving the opening of bank accounts and investment vehicles (on the recommendation of the Treasurer and authorising signatories (including electronic) for operating accounts
- approving the establishment of Cash Advance and Petty Cash funds
- approving all contracts and ensuring contractual obligations are met
- authorising all grant applications and signing Funding and Service agreements and ensuring contractual obligations and reporting requirements are met
- appointing a Treasurer and (if applicable) a F&A sub-Committee



- contracting the organisation's auditor, ensuring the accounts are audited, and verifying all Annual Financial Statements provided.

**The Treasurer is responsible for:**

- working with the bookkeeper/finance officer to monitor the accounting processes for recording income and expenditure against the budget
- reviewing all financial reports to ensure that they accurately reflect the organisation's financial position
- proposing the organisation's budget to the Board
- ensuring that prudent financial procedures and practices are adopted to minimise the prospect of the misuse of organisation resources
- ensuring the financial accounts of the organisation are audited annually and any audit recommendations are actioned
- presenting financial statements and reports to the Board at meetings and as required
- ensuring the financial reports accurately reflect the financial position of the organisation.

**The Auditor is responsible for:**

- annually auditing the organisation's financial transactions and accounts to establish that they are accurate and reflect the financial status of the organisation – to the extent that it is reasonably practicable to do so - and within standard accounting/auditing practice
- giving advice on the correct method of recording transactions and account presentation
- presenting recommendations to the Board and notes to the annual audited financial statements.

**The CDO is responsible, as far as is reasonably practical, for:**

- In consultation with the Treasurer and bookkeeper, monitoring expenditure and income against program and grant budgets on a regular basis.

## 5. DEFINITIONS

**Accounts** - a statement of the financial position of the organisation (Balance Sheet) or income received and expenditure incurred over a specified period (Income and Expenditure Statement) or other record of financial transactions.

**Accounts receivable** - see Assets.

**Accrual accounting** - the accounting convention whereby income and expenditure are recognised in the period in which they are earned or incurred, regardless of when monies are received or paid out.

**Assets** - physical and non-physical items of value that the organisation owns and/or controls. They include cash, investments, land, buildings, equipment, machinery, furniture and money owed by others (Accounts receivable).



**Audited statements** - documents reflecting the financial activities of the organisation which have been examined and reported upon by a registered auditor.

**Balance sheet** - provides a picture of the financial health and status of the organisation at any point in time (e.g. usually at the end of a month or other accounting period). It lists in detail the money, materials and tangible items which the organisation owns (assets) and the money the organisation owes to its creditors (liabilities). Also known as a statement of the financial position.

**Budget** - an outline of the organisations priorities and plans for the coming year - a detailed account of income and expenses expected over a certain period of time (typically a financial year).

**Capital** - a term used to refer to the stock of assets, including property, plant and equipment, intangible assets and inventories that an organisation owns and/or controls, and uses in the delivery of services. The term is sometimes used to refer to capital grants made to other entities for the purposes of acquiring capital items.

**Cash accounting** - the process of accounting for income when it is received (not when earned) and expenditure when payment is actually made (not when the debt is incurred).

**Cash flow statement** - a financial statement of the inflows and outflows of cash over a particular period or those expected to occur over a particular period.

**Chart of Accounts** - the structure of the accounts, designed to ensure that financial statements are informative and show classifications of transactions relevant to the needs of the Board, members and stakeholders to be able to assess the financial status of the organisation. The Commonwealth Government have developed a Standard Chart of Accounts for Not for Profit organisations.

**Current assets** - cash and other assets that are expected to be or could be converted into cash within one year.

**Current liabilities** - financial obligations due to be paid within one year e.g. accounts payable, accrued employee entitlements, taxes payable, grants paid to the organisation in advance of expenditure and the current portion (due within one year) of long-term debt.

**Depreciation** - the periodic of an assessment and allocation of the cost of physical assets, representing the amount of the asset consumed during particular period of time.

**Employee entitlements** - benefits that employees accrue during their employment, such as annual and long service leave.

**Equity** - is the net worth of the organisation (Assets minus Liabilities) from the previous year and the profit or loss at that point in time – it is a measure of the health of the organisation.

**Financial year** - the accounting period adopted by an organisation for reporting to its stakeholders, for the setting of a budget, depreciating assets and assessing its financial performance.



**Fixed assets** - items acquired for long-term use with an expected useful business life of more than one year.

**Income & Expenditure Statement (Profit and Loss)** – an account of the organisation’s income and expenditure over a specific period of time – usually monthly, quarterly and at year end.

**Liabilities** - amounts the organisation owes to another/other entity/ies which are incurred in the course of doing business. Liabilities include items such as accounts payable, borrowings to be repaid, grants in advance, employee entitlements (such as long service leave) and contractual or legal commitments made to the provision of goods, services or programs.

**Long term liabilities** - liabilities not due to be paid for at least a year, (e.g. mortgages, intermediate or long-term loans long service leave entitlements which are not due for over a year, and any obligation for money due to a creditor with a maturity longer than one year.

**Net worth** - the total assets minus total liabilities of the organisation.

**Staff** - paid employees and volunteers.

**Surplus/Deficit** - Income less Expenses in an accounting period.

**6. RELEVANT DOCUMENTS**

- Associations Incorporation Act 1985
- Commonwealth Incorporations Act 2001
- A New Tax System (Goods and Services Tax) Act 1999
- Superannuation Guarantee (Administration) Act 1992
- Long Service Leave Act 1987
- Australian Charities and Not For Profits Act 2012
- Income Tax exempt Charity Certificate of Endorsement

**7. CONSEQUENTIAL DOCUMENTS.**

As a consequence of this policy statement and to guide its implementation consequential documents i.e. Operating Procedures, Forms and Work Instructions will be developed and should be read in conjunction with this document.

<b>APPROVED BY THE BOARD</b>			
This Policy Statement supersedes all other Policy Statements in relation to Finance and is applicable from the authorising date below.			
<b>Authorising Officer</b>	<b>Position</b>	<b>Date</b>	<b>Signature</b>
Heather Anderson	Chair Person	1-12-20	

