

[insert organisation name/logo]

Financial Management Policy

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Date Issued: [date]

Lead Author: [name and position]

Approved by: [insert organisation name] Board of Directors on [date]

Scheduled Review Date: [date]

Record of Policy Review

Review Date	Person Initiating/Leading Review	Other People Consulted

Triggers for Policy Review (tick all that apply)

- | | |
|---|--|
| <input type="checkbox"/> Standard review is timetabled. | <input type="checkbox"/> Internal / organisational factors |
| <input type="checkbox"/> A gap has been identified | <input type="checkbox"/> A stakeholder has identified a need, eg by email, telephone etc |
| <input type="checkbox"/> Additional knowledge or information has become available to supplement the policy. | <input type="checkbox"/> A serious or critical incident has occurred, requiring an urgent review. |
| <input type="checkbox"/> External factors | <input type="checkbox"/> Need for consistency in service delivery across programs and organisations. |
| <input type="checkbox"/> Policy is no longer relevant/current due to changes in external operating environment. | <input type="checkbox"/> Separate, stand-alone policy is now warranted |
| <input type="checkbox"/> There are changes to laws, regulations, terminology and/or government policy. | <input type="checkbox"/> A near miss has occurred, requiring a review to prevent a serious/critical incident in the future |
| <input type="checkbox"/> Changes to funding environment, including requirements of funding bod(y)ies | |
| <input type="checkbox"/> Other (please specify). | |

Additional Comments

[for example, policy now covers details related to new legislation].

Financial Management Policy

1. Purpose and Scope

The purpose of this policy is to ensure that the finances of **[insert organisation name]** are managed, documented and authorised in a responsible manner.

This policy contains information for the Board of Directors, the CEO/Manager to ensure compliance with the statutory and financial requirements of the Australian Accounting Standards, the Australian Tax Office, the NSW Office of Fair Trading, ASIC, funding bodies and the **[insert organisation name]** Constitution (or equivalent).

2. Definitions

Fraud is the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.

Reconciliation refers to the comparison of two sets of records to make sure they are in agreement. Reconciliation is used to ensure that the money leaving an account matches the actual amount of money spent, and that the money entering an account matches the actual amount paid.

3. Principles

[insert organisation name] is committed to honesty and integrity in all aspects of its financial management process.

Financial decisions are made within a sound accountability framework, using robust and transparent systems.

Cost effectiveness, value for money and protection of finances enable the organisation to maximise finances available for application to **[insert organisation name]**'s strategic objectives.

4. Outcomes

Full compliance with financial related legislation and funding body requirements.

Financial management is transparent, documented, authorised and endorsed by the Board of Directors.

Financial planning, budgeting and expenditure ensures the sustainability of the organisation.

Financial risk is mitigated by applying best practice in financial management.

5. Functions and Delegations

Position	Delegation/Task
Board of Directors	<p>Develop and endorse the Financial Management Policy.</p> <p>Comply with Financial Management Policy.</p> <p>Endorse monthly financial reports, annual budgets and forecasting.</p> <p>Endorse annual audited financial accounts.</p> <p>Authorise reimbursement of Board Members expenses</p> <p>[Insert relevant positions and delegations at your organisation, for example:</p> <p><u>Treasurer</u> Authorised to act on the Board's behalf on financial matters when action is required in advance of a Board meeting.</p> <p>Co-authorise funding agreements (as required).</p> <p>Co-authorise committee reports and annual audit report.</p> <p>Co-authorise bank audit request.</p> <p>Recommend annual audited finance report to the membership and/or Board at annual general meeting.</p> <p>Co-authorise Certificate of Compliance (Annual Statement to [Regulatory Body, eg ASIC, NSW Fair Trading]).</p> <p><u>Secretary</u> Co-authorise funding agreements (as required).</p> <p>Co-authorise Certificate of Compliance</p> <p><u>Cheque Signatories</u> Co-authorise cheques/EFT payments on behalf of the organisation (1 cheque signatory + either CEO/Manager or [insert relevant position].]</p>
Management	Comply with Financial Management Policy.

	<p>Contribute to development of Financial Management Policy.</p> <p>[Insert relevant positions and delegations at your organisation, for example:</p> <p><u>Chief Executive Officer/Manager</u> Oversee financial management of the organisation. Co-authorise funding agreements (as required).</p> <p>Approval to incur expenditure on behalf of the organisation.</p> <p>Authority to hold business credit card for organisation related expenditure.</p> <p>Authorise contractual relationships (e.g. consultancy agreement).</p> <p>Perform responsibilities of Public Officer.</p> <p>Co-authorise Certificate of Compliance</p> <p>Co-authorise bank audit request.</p> <p>Co-authorise management representation letter (annual audit).</p> <p><u>Business Manager</u> [make sure your policy ensures sufficient separation of roles here in regard to approving expenditure, authorising payment and is a co-signatory on cheques] Prepare monthly financial reports for CEO and Board.</p> <p>Review budgets, forecasts and annual audited financial accounts and provide recommendations to Board.</p> <p>Approval in principle to incur expenditure in CEO/Managers absence.</p> <p>Authorise Supplier Tax invoices.</p> <p>Co-authorise cheques/EFT payments on behalf of the organisation</p> <p>Co-authorise management representation letter.</p> <p><u>Administration Officer</u> Process petty cash expenditure.</p>
Staff	Compliance with Financial Management Policy.

6. Risk Management

[insert organisation name] has systems in place to protect finances and ensure financial reporting is accurate.

[insert organisation name] provides professional development to Board and staff in financial management practice, including fraud awareness, prevention, detection and investigation.

The organisation undertakes regular reviews of financial systems and engages in independent audits.

7. Policy Implementation

All staff and Board member are responsible for understanding and adhering to this policy.

Financial management is an integral part of the organisation's operation and its application is reviewed, endorsed and documented on a monthly basis by the Board and relevant staff positions.

8. Policy Detail

The Board has ultimate responsible for the financial management of **[insert organisation name]**, ensuring it operates within a responsible, sustainable financial framework.

The financial management framework of **[insert organisation name]** includes:

- compiling, monitoring and reviewing the budget
- generating and managing income
- managing expenditure
- security and reporting.

8.1 Budget

The Board is responsible for developing and overseeing the budget in collaboration with the CEO/Manager and the Business Manager. The Board conducts an annual budget planning process. The budget is monitored at least **[insert frequency – minimum two-monthly]** by reviewing actual expenditure against projected financial performance.

8.2 Income

The Board is responsible for ensuring income is generated to meet the expenditure requirements of the annual operating budget. Income generated may be categorised as funds given, funds earned and funds transferred. The Board ensures fundraising activities comply with both the Charitable Fundraising Act 1991 and the Lotteries and Art Unions Act 1901.

8.3 Expenditure

8.3.1 Purchasing

[insert organisation name] is committed to ensuring that all purchases are cost effective and free from corruption, fraud and conflict of interest. Contracts are used for the retaining of consultants, and purchase orders issued for the purchase of assets in order to mitigate the risk inherent with these transactions.

Staff endeavour to source the most cost effective goods and services with regard to price, quality, reliability, service, delivery and efficiency.

Project and program managers are authorised to incur expenditure that corresponds to their expenditure delegations and to line items in the agreed budget in their project or program portfolios.

Unbudgeted expenditure of up to [insert amount, eg \$5,000.00] is subject to the approval of the CEO/Manager or in his/her absence the [insert position]. Unbudgeted expenditure, of over [insert amount, eg \$5,000.00] must be presented to Board for approval.

Authority to engage a consultant is subject to approval in principal by the CEO/Manager and the authorisation of a consultant contract by the CEO/Manager.

All purchases for goods and services valued between [insert amount, eg \$300.00 and \$500.00] in value require [insert requirement, eg two quotes] and are subject to the approval in principal of the [insert position, eg CEO/Manager] or in his/her absence the [insert position].

All purchases for goods and services valued between [insert amount, eg \$500.00 and \$10,000.00] in value require [insert requirement, eg three written quotes] and are subject to the approval in principal of the [insert position, eg CEO/Manager] or in his/her absence the [insert position].

Purchase of goods and services valued at more than [insert amount, eg \$10,000.00] require a tendering process or call for EOI. are subject to the approval in writing by the [eg Board Executive].

The [insert positions] negotiates with suppliers to ensure assets greater than \$500 in value are the best buy for the organisation.

All purchases must be supported with a tax invoice.

8.3.2 Credit Card

The organisation maintains a business credit card to expedite the booking of flights and accommodation and the purchase of training, publications and other incidental expenditure.

Organisation credit cards are held by the CEO/Manager and **[insert position]**.

Staff must seek approval in advance to incur expenditure on the credit cards.

Staff must supply appropriate documentation and a completed **[insert name of form, e.g. Supplier Claim Form]** denoting that the expenditure has occurred on the holders credit card for monthly reconciliation.

Credit card accounts are reconciled on a monthly basis by **[insert position]**, confirmed by the card holder and authorised by the CEO/Manager or, in the case of a CEO, by the Treasurer or chair.

Credit card transactions are detailed in the **[insert name of register]**, and reported to **[insert position]**.

8.3.3 Staff Reimbursement

The organisation provides timely reimbursement of staff expenses and ensures these transactions are duly documented and authorised, using a system which captures details of staff expenditure and associated authorisations.

All reasonable out of pocket expenses incurred by staff while performing business will be reimbursed by the organisation. Out of pocket expenses include but are not limited to parking, taxis, hire cars and hire car fuel, airfares, accommodation and meals, meeting/entertainment expense, incidental office consumables and incidental travel costs. Where these out of pocket expenses are less than **[insert amount]** a staff member may seek to have these monies reimbursed from petty cash.

Unbudgeted expenditure is subject to the approval in principal of the CEO or in his/her absence the **[insert position]**.

Reimbursement for the use of a private vehicle for business will be reimbursed at a rate of **[insert amount]** per kilometre.

All staff reimbursement claims must be supported with appropriate documentation, e.g. a receipt or paid invoice and the [insert form, eg expense claim form]. which needs to be filled in and then authorised by [insert position].

8.3.4 Petty Cash

Where staff incur out of pocket expenditure in accord with the staff reimbursement (detailed above) and the out of pocket expenditure is less than **[insert amount]** a claim may be made for reimbursement from petty cash.

Petty cash claims must be evidenced by appropriate supporting documentation, e.g. a receipt or paid invoice.

The petty cash float is to be secured and maintained by **the [insert position]** or in his/her absence the **[insert position]**.

Sufficient detail regarding the expenditure must be supplied to enable the expenditure to be recorded on a petty cash voucher.

8.3.5 Board / Organisational Representative Reimbursement

Board Directors and selected representatives may incur costs associated with the undertaking of **[insert organisation name]** related activities. In order to facilitate the timely reimbursement of expenses and to ensure these transactions are duly documented and authorised, an Expense Reimbursement Form is to be used.

The CEO/Manager is responsible for authorising individuals or organisations, other than Board members or employees, to act as representatives of the organisation. Approval in principal to incur expenditure should be sought in advance from the CEO/Manager or in his/her absence the **[insert position]**. There is an expectation that reasonable requests will be approved.

All reasonable expenses incurred by Board Directors or representatives while attending a meeting/function on behalf of the organisation will be reimbursed.

Board Directors and representatives are required to provide evidence of the expenditure, e.g. receipts and paid invoices.

Reimbursement for the use of a private vehicle for **[insert organisation name]** business will be reimbursed at a rate of **[insert amount]** per kilometre.

8.3.6 Payroll

Staff payroll is run on a **[insert frequency]** basis. Leave liabilities, superannuation and PAYG Withholding Tax are paid or provisioned in accordance with legislation, staff member contracts and the Human Resources Management Policy.

Staff are required to complete a Leave Application Form for all absences. Leave is to be agreed in advance with the staff member's direct supervisor. A record of staff

attendance and absences, in order to correctly calculate staff pays, is coordinated and maintained by the **[insert position]**.

Casual staff members are required to complete a Casual Timesheet for each fortnight and the timesheet is to be approved by their nominated supervisor.

On the completion or termination of employment the **[insert position]** will perform a reconciliation of remuneration taking into account staff member entitlements including leave paid in advance and salary sacrifice.

PAYG Payment summaries are issued in compliance with Australian Taxation Office legislation.

8.3.7 Salary Sacrifice [only relevant to Fringe Benefit Exempt Organisations]

The organisation may support staff members to have a portion of their gross wages paid as a salary sacrifice under **[insert organisation name]**'s Fringe Benefit Tax Exemption.

[insert organisation name] may alter or discontinue the arrangement at any time, particularly if there is a change in relevant legislation that adversely impacts on the organisation. Salary sacrifice payments will be multiplied by the reportable Fringe Benefit Tax gross up rate and disclosed on staff member's PAYG Payment Summary as a reportable fringe benefit. Salary sacrifice where applicable is calculated by the **[insert position]** and agreed with staff members to maximize staff member benefit without incurring a fringe benefit liability to the organisation.

8.4 Security and Reporting

8.4.1 Bank Accounts

Multiple bank accounts and/or term deposits are maintained by the organisation with the aim of maximising interest while maintaining cash flow and ensuring the security of funds. Funds may be transferred between accounts to maximise interest.

All organisation bank accounts are reconciled on a weekly or monthly basis.

All bank transactions are detailed in the bank register of the monthly financial reporting and reviewed by the **[insert position]** and the Board.

All cheques/EFT payments require two signatures and are co-signed by one Board member cheque signatory (in most cases the Treasurer) and the CEO/Manager.

The CEO/Manager and Treasurer authorise bank documentation in regard to new accounts/term deposits.

Bank accounts/term deposits comply with funding body requirements for security of funds.

8.4.2 Balance Sheet Reconciliations

The **[insert position]** performs monthly balance sheet reconciliations and an individual reconciliation of each balance sheet account is performed. Balance sheet reconciliations are made available to the Auditor and Treasurer on request. The balance sheet reconciliation is reported in the monthly financial reporting to the Board.

8.4.3 Insurance

Comprehensive, sufficient and appropriate insurance policies are maintained to meet statutory and funding body requirements, and for the protection of office holders, staff, visitors and assets.

Where a venue is hired for the purpose of conducting a conference or other form of meeting, staff ensure the venue provides public liability insurance for attendees of the meeting.

Insurance policies are reviewed annually to ensure adequate cover and minimise insurance expense.

Insurances are adjusted and additional insurance sought if required due to substantial purchases or ventures.

The organisation ensures insurance policies are current, sufficient and that adequate documentation is maintained and supplied to insurers/brokers.

A commercial insurance policy is maintained incorporating public liability, property, fire and theft, with the value of assets insured adjusted annually based on the asset register.

Policy information including provider, amount of cover and coverage dates is detailed in the Compliance Register.

8.4.4 Audit

To satisfy the financial reporting requirements of **[insert name of regulatory body]**, the organisation's Constitution, and Australian Accounting Standards as they apply to a non-reporting entity, **[insert organisation name]** employs an accredited independent auditor to prepare Special Purpose Financial Statements.

The appointment of an auditor is recommended by the Board Treasurer and ratified by the membership at the annual general meeting.

The **[insert position]** is responsible for overseeing the audit process. The CEO/Manager and **[insert position]** provide a duly authorised Bank Audit Request and Management Representation Letter to the auditor.

The **[insert position]** recommends the approval of the audited financial report for ratification by the Board. The Chair/President and Treasurer authorise the audited financial report on behalf of the Board. The audited financial report is presented to the membership as part of the Annual Report for ratification at the annual general meeting.

8.4.5 Financial Disputes

[insert organisation name] welcomes information and feedback from its consumers and stakeholders to improve the quality of its products and services, including the way in which it conducts financial transactions.

[insert organisation name] considers the complainant's right to privacy and will handle complaints in a fair, equitable and timely manner.

All disputes arising from the way in which the organisation conducts financial transactions will be handled using the Feedback and Complaints Policy.

9. References + Resources

9.1 Internal

Asset Register
Expense Reimbursement Form
Feedback and Complaints Policy
Governance & Management Policy
Human Resources Policy
Integration Policy
Legal & Regulatory Policy

9.2 External

Legislation

[depending on organisation constitution the following legislation maybe relevant]

Associations Incorporations Act 2009 (NSW)

Co-operatives Act 1982 (NSW)
Corporations Act 2001 (Commonwealth)
Lotteries and Art Unions Act 1901 (NSW)

Websites

Australian Accounting Standards: <http://www.aasb.gov.au>
Australian Business Register: <http://www.abr.business.gov.au>
Australian Tax Office: <http://www.ato.gov.au>
Australian Federation of Employers and Industries: <http://www.afei.org.au>
NSW Office of Fair Trading: <http://www.fairtrading.nsw.gov.au>
NSW Office of Industrial Relations: <http://www.industrialrelations.nsw.gov.au>

This policy is taken from the NADA Financial Management Policy.

http://www.nada.org.au/index.php?option=com_content&task=view&id=236&Itemid=44

9.3 Quality and Accreditation Standards

EQuIP4

Provided by the Australian Council on Healthcare Standards (ACHS)

Standard 3.1: The governing body leads the organisation's strategic direction to ensure the provision of quality, safe services.

Criterion 3.1.2: Governance is assisted by formal structures and delegation practices within the organisation.

EQuIP5

Provided by the Australian Council on Healthcare Standards (ACHS)

Standard 3.1: The governing body leads the organisation's strategic direction to ensure the provision of quality, safe services.

Criterion 3.1.2: Governance is assisted by formal structures and delegation practices within the organisation.

Health and Community Service Standards (6th edition)

Provided by Quality Improvement Council (QIC)

Standard 1.5: The organisation's financial management reflects its goals and supports an efficient and sustainable service.

Evidence Questions: What is the evidence that:

- a) systems are in place to ensure all financial reporting requirements are met?
- b) accounting methods meet industry standards and legislative requirements?
- c) financial management is transparent and resource decisions are justifiable to appropriate stakeholders?
- d) sufficient forward planning is undertaken for the organisation to provide an effective and sustained service and meet its financial obligations?
- e) financial goals support the organisation's goals?

9.4 National Mental Health Standards

N/A

9.5 Recovery Oriented Service Self-Assessment Tool (ROSSAT)

N/A

9.6 NSW Disability Services Standards (DSS)

8.10: Resources are managed to maximise the funds available to provide services for service users.