

Finance Policy

1. Purpose

This policy provides guidelines to Board of Management and staff for financial management based on sound planning, control and evaluation, to achieve optimum use of the Aberfoyle Community Centre (The Centre) resources and accountability to Centre members, the community and funding bodies.

2. Responsibilities

It is the responsibility of the Centre's Board to ensure that this policy is implemented.
It is the responsibility of the Centre's Board to ensure that the procedures are implemented.

2.1. The Board:

- is responsible for the organisation meeting all its financial obligations and reporting openly and accurately on its financial transactions and status.
- monitors 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
- approves an annual budget to achieve priorities determined in its Strategic Plan and monitors the organisation's income and expenditure relative to the agreed budget
- approves above-budget and non-budgeted expenditure on the recommendation of the Treasurer
- provides Delegated Authority to staff and reviews this annually
- can appoint a Finance and Audit (F&A) Sub-Committee (if applicable)
- approves the opening of bank accounts and investment vehicles (on the recommendation of the Treasurer and authorises signatories (including electronic) for operating accounts
- approves the establishment of Cash Advance and Petty Cash funds
- approves all contracts and ensures contractual obligations are met
- authorises all grant applications and signs Funding and Service agreements and ensures contractual obligations and reporting requirements are met
- appoints a Treasurer and (if applicable) a F&A sub-Committee
- contracts the organisation's auditor, ensures the accounts are audited, and verifies all Annual Financial Statements provided

2.2. Treasurer

- is a member of the Board of Management
- is responsible for working with the bookkeeper/finance officer to monitor the accounting processes for recording income and expenditure against the budget
- reviews all financial reports to ensure that they accurately reflect the organisation's financial position
- proposes the organisations budget to the Board
- ensures that prudent financial procedures and practices are adopted to minimise the prospect of the misuse of organisation resources

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- ensures the financial accounts of the organisation are audited annually and any audit recommendations are actioned
 - presents financial statements and reports to the Board at meetings and as required
 - ensures the financial reports accurately reflect the financial position of the organisation.

2.3. The Auditor:

- annually audits 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.
- gives advice on the correct method of recording transactions and account presentation
- presents recommendations to the Board of Management and notes to the annual audited financial statements.

3. Principles

The Centre is a not-for-profit body with the following status under the Australian Taxation Act.

- Income Tax Exempt charitable entity
- Endorsed as a Deductible Gift Recipient (through ANHCA)
- Registered for Goods and Services Tax (GST)

The Centre's financial year runs from 1 July to 30 June.

4. 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.

5. Policy

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 by ensuring that –

- 5.1. Necessary systems and procedures are in place to effectively manage finances including reporting, professional development and signatories.
- 5.2. An annual Business Plan is developed and monitored
- 5.3. Financial expenditure is monitored
- 5.4. Clear delegations of financial authority are in place
- 5.5. Administration adequately supports the requirements of the organisation
- 5.6. Funding body accountability requirements are met
- 5.7. Legal requirements are made in relation to the ATO, Incorporations Act, and funding and service agreements
- 5.8. An asset register is maintained
- 5.9. Clear procedures are in place for the contracting of services and purchases of assets
- 5.10. An annual budget is developed, approved, reviewed and monitored.

6. Procedures

6.1. Budget Planning

March: budget planning schedule starts

April: draft budget submitted to Board (or Finance & Audit (F&A) Committee if appointed) for consideration.

May: Treasurer/Finance Officer submit a draft budget with an explanatory report to the Board for approval or amendment.

6.2. Monitoring

Treasurer monitors expenditure and income against budget on a regular basis.

At the end of each month, the Treasurer submits a report on actual and budgeted income and expenditure relative to the budget to the Board who with explanations of significant variances and/or recommendations for corrective action.

6.3. Banking

The Centre's Operations Account is held with *BankSA*. It is a cheque account for community organisations into which all income from operations is deposited and from which all expenses are paid, except when a funding body requires a separate bank account be opened for its grant funds.

The Centre also holds funds surplus to short-term (one month or time determined by Board) requirements in high interest earning accounts; to enhance security, short-term funds are held in deposits linked to the Operations Account such that funds can only be transferred between the linked account and the Operations Account

Funds which are assessed as not being required to meet cash flow requirements for more than three months are considered for holding in term deposits (Refer to Investment Policy and Procedures).

The Finance Officer/Treasurer prepares monthly Balance Sheets with comment for the Board. In addition to reporting on the financial status of the Centre, Balance Sheets are the basis for determining the availability of funds for short or longer-term investment.

The Treasurer (Chair of the F& A Committee if appointed) receives detailed monthly bank reconciliation statements with the bank statements and has access to all supporting documentation, as do all Board members, upon request.

6.4. Accounts payable and receivable:

Signatories to cheques, to authorise withdrawals from or transfers between bank accounts, to open or close an account with a financial institution, to approve direct debits and for electronic financial transactions comprising of two signatories made up no more than 6 representatives appointed by the BOM

- Cheques must not be pre-signed.
- The Cheque book and credit card are to be kept in the safe.

6.5. Payments:

At a time determined by the Finance Officer, payments are made on receipt of an invoice or other document to verify that the transaction is valid and, where feasible, that the goods or services have been received.

6.6. Monies received:

Monies received at Reception must be receipted via the cash register.

6.7. Purchases:

A purchase order is not required but may be issued at the discretion of the Treasurer or Finance Officer. For authority levels for purchases refer to the Delegated Authorities.

6.8. Investment – must be approved by the Board

6.9. Asset management –

The Treasurer is responsible for maintaining the Asset Register

The Asset Register contains a description of the item and number of items.

Asset replacement expenditure is approved in the annual budget. There is no provision made for financing asset replacement (e.g. by matching funds available for asset replacement to the balance in the account.

Capital expenditure is the responsibility of the City of Onkaparinga.

6.10. Risk Management/Insurance - refer to Risk Management Policies & Procedures

6.11. Accounting System

The Treasurer and Finance Officer are responsible for maintaining the Chart of Accounts and the accounting system. The Chart of Accounts is in accordance with the national Standard Chart of Accounts for not-for-profit charitable organisation (SCOA). The Centre uses the MYOB accounting software package.

Accounting is on a cash basis accounting is on accrual basis and reporting for GST is on a cash basis.

All programs are expected to be self-funding, i.e. to charge fees, receive grants or sponsorship or otherwise raise funds to cover costs (not necessarily on an annual basis) subject to negotiation with the CDO.

Accounts are backed up at the end of session by the Finance officer and saved on a portable hard drive off site and in the Cloud.

6.12. Payroll System

The Finance Officer is responsible for maintaining the payroll system and pay records.

- Employees are engaged on the basis of a Contract of Employment (or Letter of Engagement for casual staff) under the terms of the relevant Award (usually SCHADS) under the Fair Work Act 2011.

6.13. Employee Records

- Records of employees' wages, hours of work, leave entitlements and leave taken are kept by the Finance Officer, who is responsible for ensuring all recording requirements are met.
- Pay slips include information on the status of all leave, superannuation and other contributions made for the current pay period and year-to-date.
- Confidential employee records and contracts are kept in a locked filing cabinet in the Finance officer's office.
- Time sheets are completed on a daily basis. Staff members submit signed time books for the period preceding each pay. Timebooks are filled out at reception and kept up to date by employees
- Employee records are kept for 7 years.

6.14. Goods and Services Tax

- The Centre has an ABN 40 941 621 452 and is registered for GST
- The Centre is endorsed by the ATO as an Income Tax Exempt Charity and Certificates of Endorsement are filed in. the Finance officer's filing cabinet ???.
- Accounts are to meet ATO requirements and regulations.

- GST is not charged on course fees

- GST is charged on venue hire.

- Input tax credits are not claimed for any costs associated with fund-raising and The Centre does therefore not include GST on any income arising from such activities.
- Business Activity Statements are submitted quarterly to the ATO by the due date.
- The Treasurer is to ensure that the Board/F & A Committee is kept informed of changes to Taxation legislation which applies to not-for-profit organisations.
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6.15. Financial Controls – Audit

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- Accounts are audited by a qualified independent accountant with membership of Certified Practising Accountants Australia or the Institute of Chartered Accountants of Australia.
 - The aim of the auditor is to be able to state that he/she believes the accounts give a fair and reasonable presentation of The Centre's financial status.
 - The Centre's accounts are audited on a financial year basis. Accounts are in order for the audit, reconciled and balanced with back-up data (WorkCover calculations, cheque butts, receipts, time sheets, banking records, bank statements etc.) and available to enable an audit to take place by at least end-August, in time for the auditor to provide a report to the AGM held in September/ or according to the Constitution.

6.16. Courses

6.16.1. Course Fees and Concessions

- Fees for courses and hire charges for Centre facilities are set to achieve an annual break-even level.
- Course expenses may be recovered from participants or funding bodies this may cover tutor costs, venue hire and material costs.
- Course fees are to be paid in advance in full/part payment on a term-by-term basis if the program is facilitated by a paid educator employed the centre.
- The fee is not refundable unless the class has been cancelled by The Centre or the student has experienced circumstances outside their control which prevent them attending.
- This policy must be advised to all applicants for courses and be included in course registration forms.

6.16.2. Low Class Numbers

- In general, classes should be cancelled if two days before the start of the class there are fewer than the minimum number of enrolments – to avoid running courses at a loss. Courses subsidised by grant funding must operate on their stipulated minimum numbers where applicable. The CDO can use discretion to allow other classes to proceed, even if on the surface they appear to be operating on a less than financially viable basis. Factors to be taken into account include:
 - Prospect of re-negotiating the tutor/rental fee component
 - Subsidy available for course
 - Support for a new but prospectively valuable program (i.e. requiring 'seed' funding)
 - A firm belief that this activity/workshop is responding to a genuine need and is of substantial benefit to the participants, even if few attend.

6.17. Concessions/Discounts

The CDO is authorised to negotiate concessions for individuals or community organisations whose circumstances are such that they cannot:

- participate in a Centre program or activity without a concession (e.g. residents holding a Health Care Card) or
- conduct a program of benefit to the community without a concession (e.g. for room hire or other charge for a program meeting a known need)

6.18. Contracting /Purchases

Services & Asset Purchases [Refer to Delegations of Authority for guidance]:

- Any conflict of interest must be declared during the decision making process.
- When contracting for services, the qualifications/experience /certification or registration of the contractor are to be evidenced and a cover note for their public liability insurance policy and WorkCover registration certificate (where applicable) are attached to the contract. For dangerous work, the contractor is to provide a safety plan for carrying out the work involved.
- A minimum of 3 written quotes to be obtained for purchases valued at over \$5,000.
- A written contract or agreement must be in place for service contracts over \$5,000.
- A risk assessment is performed prior to purchase of items over \$5,000.
- For contracts over \$10,000, if the contractor is not known to the Centre, references are to be sought, or examples of recent comparable work are to be examined.

Purchases other than the above-mentioned can be made without seeking competitive quotes. Where a preferred supplier exists, staff are directed to use that supplier unless they are able to obtain better value for money from an alternative supplier. Exceptions are made for:

- purchases of the same brand of chemical product as used previously to obviate the need to acquire Material Safety Data Sheets (MSDS) or alternative products and change MSDS registers (refer to the MSDS Register for the preferred brand for individual sites, when making a purchase)
- consideration of environmental issues relating to products.

Service Agreements (with Funding Bodies)

All Service Agreements/Funding Contracts are signed by the Chairperson or delegated authority.

- Any queries regarding ability to meet requirements of a Service Agreement must be addressed prior to signing.
- Every effort is to be made to meet all requirements of a Service Agreement and any shortfall is to be reported to the Board, if possible, before the final report is submitted to the funding body.

Personnel (e.g. contractors who provide a services on behalf of the Centre directly to Centre program or service users)

- The principles of Employee Management are to be followed when engaging contractors to work with program or service users.
- Records for each contract will be maintained. The file will contain a record of the contract, record of contract reviews, any associated risk assessment notes and decisions, copies of professional registrations and insurance. Induction will reinforce the contractor relationship with the Centre and be documented on the Contractor Induction Check-list.
- All insurance (WorkCover, Professional Indemnity and Public Liability) and ATO requirements are to be met by the contractor.
- A written agreement/contract (or at least a Letter of Engagement – specifying the contractual arrangement) is to be in place for all engagements of contractors – specifying duration and terms of engagement, remuneration, position and any objectives specific to the contracted position.
- The Centre will review the contract annually, to include review of performance and updated evidence of insurance etc.

6.19. Grants

- All funding applications greater than \$10,000 or which involve employment are approved by the Board and documented in Board minutes.
- Proposals to the Board that a grant application be lodged are to include a completed Project Proposal and budget.
- Centre financial contributions to complement grant funding are to be clearly identified in the Project Proposal budget.
- Grant expenditure is to be carefully monitored by the relevant staff person (and project officer responsible for the project, where applicable) in addition to the CDO; expenditure is to be monitored by item category where the funds are assigned specifically for certain categories of expenditure in the budget.
- Reports required by funding bodies are to be provided to the CDO (or delegate) at least 3 days before the report is due to be submitted.
- Special efforts are to be made to acknowledge funding bodies in publicity about the funded project – and the funding body is to be advised of the publicity (e.g. copies of articles). Funding body regarding use of Logos etc. must be observed.
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- Donations
 - A register of donations of items (with an estimated value of over \$2,000) is maintained and a donations form is completed to clearly record the intent of donor and value of the donation. If valued at over \$2,000, the donated item is entered in the Asset Register (see Asset Management above). We do not currently do this

6.20. **Financial Reporting** – to comprise:

6.20.1. Monthly

Balance Sheet	All Board members
Profit & Loss	All Board members
Bank Reconciliation	Treasurer/F&A Committee Chair
Transaction report	Available to Treasurer/F & A Committee

6.20.2. Quarterly

Income & Expenditure v Budget (YTD)	All Board members
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6.20.3. Annually

Audited Financial Statements

Consumer and Business Services:

- Section 35 Statements (Associations Incorporation Act) if applicable
- Collection for Charitable Purposes Licence Report and Renewal Application if applicable

Australian Charities and Not for Profit Commission (ACNC) Annual Report

Originals of all finance reports are filed with the relevant meeting minutes.

6.21. **Access to Information**

- Accounts are kept up to date in the electronic accounting package (MYOB) to ensure that accurate figures can be obtained upon request.
- MYOB access is only available to the Treasurer/F & A Committee Chairperson, and Finance Officer).
- Passwords are kept in place for MYOB with security levels established to prevent unauthorised entries or alterations.
- Board members have access to all financial records upon request.

7. References

- 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

8. Forms or Attachments

- Risk Management Policy and Procedure
- Delegated Authorities
- Standard Chart of Accounts (Commonwealth)
- Funding and Service Agreements
- Lease/s
- Contracts
- Sub-Committee terms of reference (if applicable)

9. Approvals

	Policy	Procedure
Approving Authority	Board of Management	Board of Management
Approval Date	January 2017	Board of Management
Next Review Due	January 2020	