



Policy Name	<b>Financial Management Policy</b>
Version No.	V2
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## INTRODUCTION

Southern Tablelands Arts Inc. (STA) recognises that it must establish and maintain sound financial management policies and practices in order to survive and prosper as a not-for-profit arts organisation. The Board and staff recognise that its financial health is reflected through its governance responsibilities, strategic and financial planning processes, short, medium and long term income generation strategies, level of accountability for the expenditure of funds, responsibility for the organisation's resources and systems and procedures of control over finances.

The Board of STA is obliged to and commits itself to:

1. Fulfil its duties in compliance with the Australian Charities and Not-for-profits Commission
2. Fulfil its governance responsibilities and obligations
3. Determine and adopt clear delegations of authority
4. Regularly and thoroughly monitor the organisation's financial health
5. Ensure that the honorary role of Treasurer on the Board is filled by a person of high level skills and experience to provide a monitoring role over the organisation's financial status, policies, procedures and systems of control.
6. Support the Executive Director (ED) and staff to undertake their roles in the organisation's financial processes.

## PURPOSE OF POLICY

The purpose of this policy is to guide the financial decisions made at STA, identify the roles that Board and staff play in financial management, determine strategic procedures for managing, monitoring and reviewing financial management practices and outline the controls in place to ensure sound financial management.



## POLICY

### 1.0 Finances

The management of the organisation's core operational and project budgets and responsibility for day to day management are delegated by the Board to the ED under the STA Constitution and the ED employment contract terms.

1. Accordingly, the ED must:
  - 1.1 Manage project budgets effectively and efficiently
  - 1.2 Work closely with the President and Treasurer to effect strategic and financial planning
  - 1.3 Present accurate budgets, balance sheets and profit and loss statements for each Board meeting
  - 1.4 Provide budget papers for presentation and discussion at Board meetings
  - 1.5 Advise the President and Treasurer of any short, medium or long term financial issues that may affect the organisation's cash flow or financial health and the extent to which they may do so
  - 1.6 Prepare budgets to support applications for funds to local, state and federal funding authorities
  - 1.7 Monitor the expenditure of the organisation and staff
  - 1.8 Provide all necessary information for the Auditor to undertake the annual audit
  - 1.9 Take actions to ensure compliance with all ACNC, NSW Office of Fair Trading and Australian Taxation Office (ATO) requirements
  - 1.10 Manage STA invested funds to achieve security and reasonable returns on investment, without jeopardising funds
  - 1.11 Ensure the Payroll for STA staff is managed efficiently
  - 1.12 Manage payment of superannuation obligations
  - 1.13 Ensure business banking, the Australian Charities and Not-for-profits Commission (ACNC), the Australian Taxation Office (ATO), Create NSW and the NSW Office of Fair Trading are kept informed of key signatories for operating accounts and the financial affairs of the organisation in a timely manner
  - 1.14. The Board will be responsible for making decisions regarding significant financial obligations and decisions outside the core operational and project budgeting processes
  - 1.15 With regard to significant financial obligations and decisions outside core operational and project budgeting, the ED with the assistance of the AO will be responsible for providing monthly financial statements and ensure the financial health of such initiatives is managed effectively by the organisation



## 2.0 Insurance

Regional Arts NSW sources group insurance for Regional Arts Development Organisations (RADOs) which is available to STA.

STA provide accurate and updated insurance information to Regional Arts NSW when required.

STA must also maintain Workers Compensation Insurance which is sourced separately.

## 3.0 Corporate Credit Card

The ED will be issued with a Corporate Credit Card which may be used as follows:

- 3.1 Only for official approved organisation purchases including travel, accommodation, incidental purchases and payments
- 3.2 The ED may use the card for the purchase of gifts or hospitality or entertainment each up to the value of \$200 for the purposes of expressing appreciation
- 3.3 The ED can delegate the use of the Card for authorised on-line and telephone transactions by the AO
- 3.4 The ED will ensure that the authorised users follow all banking security measures including not revealing the PIN, keeping the card in a safe place at all times and not allowing unauthorised use of the card
- 3.5 All purchases must have receipts or tax invoices and be supplied to the AO for reconciliation with the monthly statement
- 3.6 The ED must advise the Bank and the President and Treasurer immediately in the event that the Corporate Credit Card is stolen or lost or its fraudulent use suspected or discovered
- 3.7 Following a change of ED responsible for operating the credit card all relevant details will be updated to enable the incoming ED to operate accounts.

## 4.0 Internal Control Principles and Procedures

### INTERNAL CONTROL PROCEDURES

#### Objective

The intention of having a system of internal accounting controls is to ensure that accounting information is correctly recorded and to safeguard against possible financial loss due to fraud or error.

- 4.1 The controls which should be established and observed are designed to ensure that:

- 4.1.1 The organisation receives and enters in its accounting records all the income or revenue to which it is entitled
- 4.1.2 All expenditure is properly authorised
- 4.1.3 All assets are properly recorded and safeguarded
- 4.1.4 All liabilities are properly recorded and provision is made for known or expected losses
- 4.1.5 The accounting records provide a reliable basis for the preparation of accounts
- 4.1.6 Errors and irregularities in processing accounting information become apparent

## 4.2 Basic Controls

Basic controls are designed to ensure that the organisation's transactions are proper, bona fide and authorised and that they are recorded completely and accurately in the books. STA uses XERO for all financial transactions.

- 4.2.1 Invoices are processed in XERO
- 4.2.2 Documents are authorised after examination and checking by the AO before any further processing takes place. Authorisation may be evidenced by the person's signature on the original document and/or on an attached specially designed form. e.g. cheque requisition
- 4.2.3 Bank reconciliation is undertaken monthly
- 4.2.4 All items recorded in the Assets Register are inspected and the Assets Register updated annually
- 4.2.5 Petty cash is reconciled to the float each fortnight
- 4.2.6 At the end of the Calendar year a full external audit is conducted
- 4.2.7 The Company Credit Card is reconciled monthly and matched against the bank statement
- 4.2.8 Wherever possible all payments are made by EFT processing

## 4.3 Disciplines required over basic controls

- 4.3.1 **Supervisory** – the ED must approve all accounting documents (and document such approvals); must review the operation of basic control techniques (e.g. inspect reconciliations, explanations of missing items etc.) and ensure follow up action is taken
- 4.3.2 **Separation of Duties** – Where possible, there should be a defined division of responsibilities so that no one person handles a transaction from beginning to end. Every effort must be taken to ensure that this separation can be achieved: there should be a different person authorising or initiating transactions; custody and control of assets related to the transaction; and recording the transaction in the accounting records

#### 4.4 General

- 4.4.1 An up-to-date chart of accounts should be maintained. It should be made available to, and understood by all appropriate members of staff to ensure that accurate financial statements and reports can be prepared
- 4.4.2 There shall be no internal auditor
- 4.4.3 Adequate, accurate accounting records will be kept which will enable the preparation of accurate financial statements. They should be kept up-to-date and balanced regularly
- 4.4.4 The ED shall prepare annual budgets for approval by the Board. Any major changes to the organisation's operating budgets should be authorised by the Board. The ED should ensure that the budgets are in accordance with the conditions of grant laid down by the funding bodies
- 4.4.5 Budgets should also be prepared for all administered or special purpose grants in consultation with the funding body or bodies. Changes in these budgets may be made with the approval of the appropriate funding bodies
- 4.4.6 The ED should report on any abnormal variations to the Board
- 4.4.7 The AO will prepare batch payments and make journal entries for balance date adjustments substantiated by supporting documentation
- 4.4.8 All bank accounts established in the name of STA should be authorised by the Treasurer and President
- 4.4.9 The organisation's bank accounts shall have a minimum of two authorised signatories. The accounts will maintain three signatories for efficient financial management of the organisation: any two of which can sign cheques and authorise electronic payments under the controls and guidelines contained in this policy and procedures
- 4.4.10 All expenditure must be carried out according to the delegations:
- |     |         |
|-----|---------|
| ED  | \$5,000 |
| PCO | \$1000  |
| AO  | \$1000  |
- 4.4.11 All payments greater than \$5,000 may only be made if authorised by the Board, excluding salaries, GST or PAYG repayments or grants distributed under the Country Arts Support Program (CASP) and other funding authorities for project delivery
- 4.4.12 The organisation shall issue a corporate credit card to the ED for use on company business
- 4.4.13 Following a change of ED responsible for operating accounts and the credit card all relevant details will be updated to enable the incoming ED to operate accounts.

#### **4.5 Fixed assets**

- 4.5.1 An Assets Register will be maintained containing details of all items of fixed assets, the date of their acquisition, their cost price and details of their disposal. Items of furniture and equipment costing less than \$300 will not be capitalised as fixed assets. The register will be kept up-to-date and balanced to the fixed asset accounts in the organisation's general ledger
- 4.5.2 Fixed assets should be physically accounted for and checked with the Fixed Assets Register annually
- 4.5.3 The purchase of fixed assets valued at more than \$5,000 should be approved by the Board
- 4.5.4 Fixed assets should be regularly reviewed with a view to disposing of those assets which are surplus to the company's requirements and wherever possible achieving the best possible price
- 4.5.5 The EO is authorised to approve the disposal of assets that have been completely depreciated
- 4.5.6 Documents evidencing ownership of fixed assets (made out in the name of the organisation) should be kept in safe custody for a period of 5 years
- 4.5.7 The Depreciation policy is determined by the ATO Guidelines

#### **4.6 Salaries and wages**

- 4.6.1 Salaries and wages of all employees and others employed under administered grants shall be paid direct to the employees' bank accounts on a fortnightly basis
- 4.6.2 Each employee shall complete the Employee Information Form (Finance) advising the bank, branch and account number into which his/her salary should be paid and return to the ED. Staff members will fill in a new form should there be any changes to this information
- 4.6.3 The ED shall ensure that the following records are kept:
  - 4.6.3.i A copy of the employment contract, employment declaration forms, details of all leave taken and any other relevant correspondence for each employee
  - 4.6.3.ii Detailed records of salaries and wages paid to individual employees and fortnightly payroll summaries and Fringe Benefit Tax returns
  - 4.6.3.iii Detailed records of each employee's entitlement to annual leave and sick leave
- 4.6.4 All applications for leave should be made in ZERO on the Application for Leave Form and approved by the ED at least two weeks prior to taking leave. Exceptions may be made for emergency situations
- 4.6.5 Salaries are processed by EFT and electronically signed by 2 authorised signatories

- 4.6.6 Superannuation is paid monthly to staff nominated superannuation funds
- 4.6.7 The ED shall keep abreast of all statutory obligations relating to employers including all taxation and superannuation regulations
- 4.7 Receipts**
  - 4.7.1 All invoices are issued by XERO and filed in the Debtors file
  - 4.7.2 Once payment of the invoice is received, it is recorded in XERO and filed in the Remittance Advice file in numerical order and date when payment was received
  - 4.7.3 Most payments for invoices are received by EFT
  - 4.7.4 Cheques are to be banked weekly
  - 4.7.5 The ED will ensure the AO completes the monthly reconciliation of Cash receipts and Cash payments Journals with the Bank statements. Outstanding deposits and un-presented cheques are monitored and at the end of the financial year any outstanding deposits or un-presented cheques will be investigated and dealt with during the Auditing process.

#### **4.8 Payments**

- 4.8.1 All payments will be made within the due date or within 30 days
- 4.8.2 Wherever possible payments should be made electronically
- 4.8.3 Where a cheque is required for payment to a funding body the AO will prepare the payment by attaching a copy of the invoice and preparing the cheque to be authorised by two signatories
- 4.8.4 Where a cheque is required for a creditor supporting documentation is attached for verification and signed by two authorised signatories
- 4.8.5 Cancelled cheques are disfigured and filed sequentially
- 4.8.6 All records of payment are filed in alphabetical order
- 4.8.7 All payment of devolved grants are filed with the grant record

#### **4.9 Petty Cash**

- 4.9.1 Where possible all incidental purchases should be made by the corporate credit card
- 4.9.2 The petty cash float is the responsibility of the ED and shall be kept in a safe location.
- 4.9.3 Petty cash vouchers should be in ink or typewritten, dated, fully descriptive of the item paid for, coded with the appropriate account code, signed by the person receiving the cash and supported by documentary evidence in the form of receipts, quotations or invoices



- 4.9.4 Petty cash should be reconciled to the float of \$300 when issuing a cheque to replenish funds
- 4.9.5 No I.O.U.s are allowed
- 4.9.6 When it is necessary to advance petty cash funds to staff members for purchases, a petty cash voucher should be completed for the advance and replaced with a correctly completed petty cash voucher and supporting documentation as soon as the purchase has been made.

#### **4.10 Sundry Debtors (amounts receivable)**

- 4.10.1 Monitoring: the Debtor's List dissected into age, e.g. 30-days, 60-days, 120-days, follow up all outstanding balances immediately payment is not received within 30 days to ensure timely payments
- 4.10.2 The ED shall advise the Board of any bad or doubtful debts.

#### **Associated Documents**

**Risk Management Policy**

**Fraud Prevention Policy**

**Code of Conduct**

**Gifts, Benefits and Bribes Policy**

**Debt Collection Policy**