[Insert organisation name/logo]

FINANCIAL MANAGEMENT POLICY

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***Note\****

*This policy template has been developed to meet the needs of a diverse range of services and includes items for consideration in policy and procedure.*

***Not all content will be relevant to your service.******Organisations are encouraged to edit, add and delete content to ensure relevancy.***

 *This template has undergone pro bono legal review. However, NADA does not accept responsibility for the legal accuracy of this template as it applies to your organisation. You are encouraged to seek legal advice if you are unsure about whether your Financial Management Policy is in line with your specific organisation’s legal responsibilities.*

*All notes (like this one) should be considered and deleted before finalising the policy, and the contents list should be updated as changes are made and when content is finalised.*

***\*Please delete note before finalising this policy.***

***Note\****

*To update the contents list when all content has been finalised, right click on the contents list and select ‘update field’, an option box will appear; select ‘Update entire table’ and ‘Ok’.*

*To use the contents list to skip to relevant text, use Ctrl + click to select the relevant page number.*

*\*Please delete note before finalising this policy.*

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## SECTION 1: FINANCIAL MANAGEMENT FRAMEWORK

***Note\****

*Further information and helpful tools for financial management activities for not for profit organisations can be found on* [*Institute of Community Directors Australia*](https://www.communitydirectors.com.au/)*.*

***\*Please delete note before finalising this policy.***

### 1.1 Policy statement

**[Insert organisation name]** is committed to transparent, comprehensive, and secure management of its finances, ensuring all financial obligations are addressed, and that there are sufficient resources to support the organisation in working towards its mission and objectives.

### 1.2 Purpose and scope

This policy aims to provide **[Insert organisation name]** with guidance in managing finances of the organisation.

This policy applies to all the organisation staff, Board members, contractors and volunteers.

### 1.3 Principles

* Effective financial management is a priority of the Board of Directors and the CEO/Manager.
* The Board of Directors holds ultimate accountability for the financial management of the organisation.
* Clearly defined financial management responsibilities of the Board of Directors, staff and volunteers
* Resources are provided to support good financial management.

### 1.4 Outcomes

The outcomes of implementing this policy are:

* Finances are effectively managed and support the organisation in its mission and objectives.
* Accurate, complete and transparent financial records are kept.
* All financially related contractual and legislative requirements are met.
* Assets are managed to support the organisation.

### 1.5 Roles and responsibilities

|  |  |
| --- | --- |
| **Board of Directors** | * Endorse and ensure compliance with the Financial Management policy.
* Contribute to the review and development of the Financial Management policy. Develop the budget and review and approve financial statements (balance sheets, income statements, cash flow statements) on a regular basis at Board meetings.
* Ensure an approved auditor conducts an annual audit of the organisation’s accounts.
* Ensure effective financial management of the organisation
* **[insert other specific delegations/responsibilities]**
 |
| **Business services/ management** | * Compliance with the Financial Management policy.
* Contribute to the review and development of the Financial Management Policy and Procedure.
* **[Insert specific delegations/responsibilities].**

**CEO/ Manager** * Lead the development and regular review of budgets.
* Ensure accurate, complete and transparent financial records are kept.
* **[Insert specific delegations/responsibilities].**

**Management*** **[Insert specific delegations/responsibilities].**
 |
| **Program services/clinical** | * Compliance with the Financial Management policy
* Contribute to the review and development of the Financial Management policy as appropriate.
* Provide advice to management on budgets to ensure compliance with expected delivery of services
* Ensure accurate, complete and transparent financial records are kept.
* **[Insert specific delegations/responsibilities].**
 |

### 1.6 Policy implementation

This policy is developed in consultation with the Board of Directors and staff members and is approved by the Board of Directors.

All staff, Board members, volunteers and contractors are responsible for understanding and adhering to this policy.

Specific monitoring and support activities undertaken include:

* Staff, volunteer, contractors and Board member orientation
* Review and update of this policy in accordance with the policy review schedule, or as required.

This policy must be read in conjunction with the following policies:

* Governance policy
* Risk Management policy
* Human resources policy
* Service and program operations policy

### 1.7 Risk management

The organisation manages risk by implementing a Risk management policy which is informed by and complies with relevant legislation including the:

* *Privacy and Personal Information Protection Act 1998* (NSW)
* *Associations Incorporation Act 2009* (NSW)

Policies are monitored by using the Risk Register. Risk management actions are identified in the Risk management policy

## SECTION 2: FINANCIAL SECURITY

### 2.1 Definition

Financial security is about protecting **[Insert organisation name]**’sfinancial and other assets from irregular and fraudulent behaviour. **[Insert organisation name]** implements a range of financial security strategies.

The organisation makes improvements to financial management by:

* conducting an annual review of financial management practice against this policy and making improvements as required
* performing an annual self-audit of financial processes
* monitoring of corporate compliance processes using the *Compliance and Risk Register*.

### 2.2 Contractual and compliance obligations

The organisation’s financial management contractual and compliance obligations are identified and monitored as part of **[Insert organisation name]**’s*Compliance and Risk Register*, detailing the response, reporting and timing requirements.

The Compliance Register is reviewed quarterly by the CEO and the Board of Directors

### 2.3 Delegation authorities

Authority for expenditure of the organisation’s funds is permitted within the Board of Directors approved budget/s and within the financial delegation limits. A Functions and delegations matrix details the delegations of each relevant personnel. A Functions and Delegations matrix details the delegations for each relevant personnel.

Authority for CEO expenditure of the organisation’s funds outside of the approved budget/s and/or over the limits of delegation must be provided by the Board in writing for each occurrence. Refer to the *Functions and delegations matrix* referred to above.

### 2.4 Human resources

The organisation implements strategies to ensure staff, volunteers and board members are appropriately skilled to undertake delegated financial roles and responsibilities, including:

* employing staff with the right knowledge and skills for financial management delegations
* all personnel with financial delegations are screened through reference checks and National Police Checks
* **[Insert organisation name]** uses performance appraisal and individual work plans to identify strengths and areas for improvement in all staff.

### 2.5 Insurance

The Board of Directors and CEO ensures the organisation carries sufficient insurance cover to comply with contractual and legislative requirements, and to protect the organisation from financial impacts of mistakes, disasters and accidents.

Insurance policies are reviewed and renewed annually with significant changes to the organisation’s assets, staff and volunteer numbers, or services and activities incorporated into new policies.

Details of the organisation’s insurance policies are maintained in the *Compliance and Risk Register*

### 2.6 Managing fraud and irregular practice

**Fraud and irregular behaviour definition**
Fraud is intentional deception intending to result in financial or personal gain. Fraud is a serious breach of trust and a criminal offence.

Fraudulent behaviour includes:

* theft of goods or property
* falsifying financial expense claims
* falsification or destruction of financial and related records to conceal an improper action.

Irregular behaviour includes unauthorised activities for private gain such as:

* ‘borrowing’ from petty cash
* un-authorised use of vehicles for personal use
* fraudulent use of organisational credit cards, cabcharges, Uber accounts and stationary account cards

### 2.7 Principle to minimise financial risk

The 10 Principles of Fraud Prevention published by the ACNCare:

1. Clear, written financial procedures and delegations
2. Implemented robust human resources procedures
3. Established [Code of Conduct and Ethics](file:///P%3A/Policies/Human%20Resources/Support%20documents/NADA%20Code%20of%20Conduct%20and%20Ethics_November%202014%20for%20review.doc) for staff defining acceptable behaviour
4. Defined financial responsibilities for staff who have financial responsibility
5. Developed a fraud risk assessment which it implements annually
6. Set up secure online banking procedures where passwords are changed regularly
7. Limits the need for cash handling
8. A process which includes regular monitoring of accounts
9. Established an environment which makes it ‘ok’ to ask questions
10. Established parameters for reporting fraud.

**Fraud risk assessment**

The organisation conducts a formal fraud and irregular behaviour risk assessment **annually** to identify **[Insert organisation name]**’ssusceptibility to fraud and create awareness of vulnerable areas.

Refer to the *Compliance and Risk Register*. Findings of the assessment are reported by the CEO to the Board of Directors for review, and response actions are incorporated into preventative, control and monitoring practice.

**Reporting**

* Reporting of suspected or actual fraud and irregular behaviour is the responsibility of all staff, volunteers and Board members of the organisation.
* Actual or suspected fraudulent and irregular practice behaviour is to be reported to the CEO immediately.
* Any person receiving a report of suspected or actual fraud and irregular behaviour is to make a written record of the report.
* Actual or suspected fraudulent and irregular practice by the CEO is to be reported to the Chair of the FRAC and/or Chair of the Board.

**Investigation**

The CEO and the Board are responsible for initial investigation of the report of actual or suspected fraudulent and irregular practice to assess if a formal investigation by, and reporting to, external parties is warranted.

Following a suspected or confirmed incident of fraudulent or irregular practice, the organisation’s financial risks and control measures are reviewed and amended where necessary.

## SECTION 3: INCOME GENERATION

### 3.1 Grants and funding contracts

**[Insert organisation name]** seeks and accepts grants and funding contracts for the provision of services provided that the requirements of the grant or funding contract does not conflict with, compromise, deter, or alter the organisation’s vision, goal, values, key directions and outcomes.

Grants and funds are accepted and entered into providing there is a signed agreement by all parties that details the funds purpose, requirements, and restrictions.

The Financial Management pPolicy is reviewed to ensure it complies with the terms and conditions of funding contracts. Terms of the contract may be negotiated with the funders, and/or the policy is updated if required.

Grant and fund agreement authorisation is outlined in the *Functions and Delegation Matrix*.

Use of unexpended contract funds must be used in accordance with any contractual requirements which the funds relate to. Requests for roll over may be available dependant on current government policy and should be negotiated at the earliest possible time.

## SECTION 4: asset management

### 4.1 Asset acquisition

Only assets that support **[Insert organisation name]**in working towards its mission and objectives are to be purchased.

Asset acquisition is based on consideration of whether the asset:

* will provide significant, direct and tangible benefit to the organisation
* does not exist or could not be upgraded or adapted to meet the same purpose
* is appropriate and cost effective over its life
* is compatible with existing equipment and will not lead to unwarranted additional expenditure
* can be accommodated in existing space and facilities
* is the most suitable and appropriate type, brand, and model.

### 4.2 Asset register

The finance manager/accountant is responsible for maintaining an *Asset Register*. The organisation maintains an up to date and accurate register of all physical assets that have monetary value equal to or above $500.00. The asset will be entered in the *Asset Register* at the time of purchase and details of assets updated as required.

### 4.3 Asset depreciation

* Items costing less than $1000 are fully depreciated at the time of purchase.
* All registered assets with a limited useful life are depreciated over the lifetime of the asset.
* Asset depreciation complies with Australian accounting procedures and Australian Tax Office allowances.
* Asset depreciation and depreciation rates are reviewed and applied annually.
* A record of all current and previous depreciation rates is maintained in the Record of Asset Depreciation Rates.
* Assets that have been fully depreciated and completed the estimated useful lifetime but are in good working order are to remain active on the asset register until the item is disposed of.

### 4.4 Maintenance of assets

In addition to attending to any reported breakages or breakdowns, **[Insert organisation name]** will conduct an annual review of all equipment for repairs or replacements that may be needed.

**[Insert organisation name]** will also check with the Work Health and Safety (WHS) environmental audits to identify any equipment, furniture or building fittings that present a workplace hazard.

### 4.5 Asset insurance

All assets will be insured to the value of their replacement against fire, theft, burglary and accidental damage. The finance manager/accountant will ensurethe organisation’s contents insurance current and for reviewing the cover at each renewal to ensure the value of the coverage is sufficient for replacement of all assets at their replacement value based on the asset register and depreciation information of **[Insert organisation name]**’s assets.

### Asset disposal

The disposal of all assets is to be done in a safe and clean manner with consideration given to methods of selling, donating, reusing or recycling. All asset disposal is recorded in the asset register and proceeds from the sale of any assets are recorded in the organisation’s financial records.

## SECTION 5: MONITORING AND REPORTING

### 5.1 Financial statements

The organisation demonstrates its financial position through reporting of accurate, complete, relevant and transparent financial statements to the Board and stakeholders as required.

Financial statements are a true representation of all financial transactions undertaken in the stated period.

Financial statements are prepared:

* using recognised good practice so that they may be audited at any time if required.
* provided to the Board and external stakeholders within required timeframes.
* at the beginning of each financial year commencing 1 July and ending 30 June.

### **5.2** Accounting records (principal and subsidiary)

The organisation maintains relevant principal and subsidiary records to support financial statements.

Principal accounting records maintained by the organisation are:

* cash flow books - hard copy or electronic with record of all cash receipts and payments
* general ledger record of all assets, liabilities, income and expenditure
* general journal to record one-off transactions, especially at balance date
* register of members – both financial and non-financial, and detailing names, addresses and other information as required by relevant legislation
* petty cash records
* payroll records
* statutory records – including minutes of all Board meetings
* asset register.

Subsidiary records maintained by the organisation are:

* Bank deposit books
* Tax invoices
* Budgeting papers.

### 5.3 Audit of financial records

[Insert organisation name] meets financial reporting requirements of the *Associations Incorporation Act*, as they apply to a non-reporting entity, by employing an independent auditor to prepare special purpose financial statements.

The financial auditor is given full and unhindered access at all reasonable times to all financial accounts, documents and records which the auditor considers necessary for audit purposes.

**[Insert organisation name]** ensures the following in all audit reports:

* Auditor’s qualifications and registration number(s) of relevant professional body or Australian Securities Insurance Commission
* Report is presented on the auditor’s letterhead
* Statement that examination of organisation records has been completed in accordance with Australian Auditing Standards and has included substantive testing of your systems
* List of financial statements which formed the basis of the report
* Findings of the audit
* Auditor’s signature and date on which the report was certified.

**Selecting an auditor**

* The financial auditor is to be appointed each year at the organisation’s Annual General Meeting.
* The financial auditor must not be a member of the Board or closely related to a member of the Board.
* The current auditor shall be entitled to attend the Annual General Meeting.
* Notice of intention to nominate an auditor to replace the current auditor is to be given to the Board’s Secretary at least twenty one (21) days before the scheduled Annual General Meeting.

## SECTION 6: FINANCE RECORDS

### 6.1 Record keeping

The organisation maintains records of all financial transactions and related documentation, reports, decisions of the organisation and the Board of Directors, compliance requirements met, and notices sent and received.

Financial record keeping complies with all contractual and legislative requirements and are stored securely.

Record keeping applies to any financial information on computers, network servers, backup systems, hardcopy filing, and electronic and hardcopy archiving systems. Financial records are maintained in an organised filing system which facilitates the easy placement and location of documents.

Financial records include:

* any financially related correspondence
* bank statements
* purchase documents
* sale documents
* donations
* outstanding bills
* paid bills and receipts
* asset records, including instructions and guarantees/warranties
* equipment and motor vehicle lease documents
* insurance
* cash book – record of receipts and payments
* statutory information – constitution, budget and minutes
* compliance records
* payroll
* all contractual arrangements where there is a financial transaction.

The organisation retains financial records for the contractual and legislative period required before being securely destroyed.

## SECTION 7: REFERENCES

*Note\**

*If there are financial management resources not listed in this section, ask your auditor if they might have these resources or templates. Your auditor may be comfortable sharing these resources with you.*

*\*Please remove this note before finalising this policy.*

### 7.1 Supporting Documents

* Bank register
* Asset register
* Supplier Claim Form
* Expense Claim Form

### 7.2 Related Policies and Procedure

* Human resources policy
* Governance policy
* Risk management policy
* Service and program operations policy

### 7.3 Websites

* [Australian Taxation Office,](https://www.ato.gov.au/businesses-and-organisations/not-for-profit-organisations)
* [Australian Charities and Not-for-profits Commission](https://www.acnc.gov.au/) (ACNC)
* [Australian Security & Investments Commission](https://asic.gov.au/for-business/running-a-company/charities-registered-with-the-acnc/)
* [NSW Fair Trading](https://www.fairtrading.nsw.gov.au/)
* [Australian Business Register](https://www.abr.gov.au/business-super-funds-charities)
* [Australian Accounting Standards Board](https://aasb.gov.au/)
* [Foundation Institute Australia](https://www.fia.org.au/s/)

### 7.4 Legislation

* *Associations Incorporation Act 2009* (NSW)
* *Corporations Act 2001* (Cth)
* *Electronic Transactions Act 2000* (NSW)
* *Crimes Act 1900* (NSW)