

Finance Policy and Procedure Manual

(example)

Table of Contents

Introduction..... 2

F1. Financial Planning and Reporting Policy..... 3

F2. Finance Authorisation Policy..... 4

F3. Bank Account Policy..... 5

F4. Business Debit Card Policy 7

F5. EFTPOS Merchant Terminal Policy 8

F6. Petty Cash Policy..... 9

F7. Reimbursement Policy..... 10

F8. Investment Policy 12

F9. Financial Reserves Policy..... 13

F10. New Supplier Policy 14

F11. Purchasing Policy 15

F12. Customer Debt Collection Policy..... 16

Introduction

The “xyz Association’ Financial Policy and Procedure Manual provides the policies and procedures for budgeting, reporting, planning and transacting within the business.

They also provides guidelines “xyz Association’ will use to administer these policies, with the correct procedure to follow.

“xyz Association’ will keep all financial policies current and relevant. From time to time it will be necessary to modify and amend some sections of the policies and procedures, or to add new policies and procedures.

Any suggestions, recommendations or feedback on the policies and procedures in this manual are welcome.

These policies and procedures apply to all employees, Directors and volunteers.

F1. Financial Planning and Reporting Policy

Date:

Purpose of the Policy

Financial planning and reporting is critical for an organisation to ensure its ongoing operational requirements can be met. This reporting is critical for management to effectively run the organisation and for the Board to exercise their fiducial responsibilities.

This policy provides guidelines for the financial planning and reporting of the organisation to ensure that Management and the Board have the required levels of oversight and information for a sustainable organisation.

Procedures

The financial year for "xyz Association' Ltd is 1 January to 31 December each year.

An annual budget will be completed in October each year for discussion and approval by the Board at its following meeting.

Once the Budget has been approved it will be entered into the financial system and cash flow will be prepared for the following year.

Financial reporting will be completed by the Accountant and Management on a monthly basis and provided to the Audit and Risk Committee in the first instance.

Financial reporting will be completed as soon after month end as possible.

Financial reporting will include the following components:

- A consolidated profit and loss for the group's activities
- A consolidated balance sheet as at month end.
- Commentary from Management on significant variances between budget and actual figures.
- Budget re-forecasting will be undertaken after each quarters' actual V budget analysis has been completed. Re-forecasting will be completed on the basis of a forward looking realistic year-end financial position based on all of the knowledge and data available.
- A monthly aged debtors list.

F2. Finance Authorisation Policy

Date: 14 March 2016

Purpose of the Policy

All finance transactions as noted in this policy are to be authorised by the noted authorised person prior to the transaction being undertaken.

This policy is to be read in conjunction with other specific finance and Delegation policies where relevant.

Procedures

Prior to any of the following finance transactions being undertaken, the authorising person noted must authorise the transaction.

Where additional policy is noted, this policy must also be adhered to when undertaking the finance transaction.

Finance Transaction	Authorised Person	Additional Policy
Bank Accounts	CEO	Delegations Policy
Business Debit Card	Card holder	Delegations Policy
Authorising New Suppliers	Organisational Support Officer	Delegations Policy
Purchasing Stock	Organisational Support Officer	Delegations Policy
Purchasing Assets/ Equipment	CEO	Delegations Policy
Debt Collection	CEO	Delegations Policy
Payment of Invoices	CEO	Delegations Policy

F3. Bank Account Policy

Date:

Purpose of the Policy

This policy sets out the requirements for use of bank accounts, including opening, closing authorisation, variations to terms and conditions, reconciliation of bank accounts and bank account transactions.

Procedures

Opening Bank Accounts

Any new bank accounts to be opened for the organisation must have the authorisation of the Board and be implemented by the CEO.

For each new bank account opened, the financial system must be updated and the bank account registered by the Organisational Support Officer.

Bank Account Authorisations

For monies withdrawn from any bank account, whether by cheque, EFT or other online payment method, there must be two persons authorising for each payment.

The authorised persons for bank account payments are the CEO and the Deputy CEO.

Each payment made must be supported by an invoice, receipt or other appropriate documentation and the authorisations must be attached to this documentation prior to payment.

Variations to Bank Account Terms and Conditions

Any variations to banking arrangements can be made or varied by the CEO.

The Organisational Support Officer is responsible for updating the financial system and/or bank account register with the new information.

Closing Bank Accounts

Where it is decided that a bank account is no longer necessary, the CEO will authorise the closure of the bank account.

The Organisational Support Officer in conjunction with the Accountant will then be required to complete the following:

- ensure all transactions with respect to the account (including cheques drawn) have been completed;
- lodge with the bank a letter, signed by two authorised signatories advising of the closure of the account;
- meet the bank's requirements with respect to account closure; and
- update the financial system and bank account register.

Bank Account Transactions

All deposits received must be banked within two working days of receipt.

Unallocated direct deposits of more than one month will be investigated fully to determine the source of the deposit. Where the source cannot be identified, the deposit will be allocated to a suspense account to keep these funds separate and identifiable.

F4. Business Debit Card Policy

Date:

Purpose of the Policy

This policy provides guidelines for the issue and use of business debit cards.

Procedures

An employee will only be issued a debit card once the Debit Card Authorisation Form has been completed.

The business debit card can only be used for travel, authorised entertainment and purchases of small value expenses or equipment up to the value of \$xxxx.xx.

No cash is to be withdrawn using the business debit card unless authorised by the CEO (or in the case of the CEO, by the President).

Where a business debit card is lost or stolen, then the owner of this card is to notify the CEO who, in conjunction with the card holder, is responsible for notifying the issuing agency and ensuring the card is cancelled.

The use of the business debit card is not to be used for personal expenses.

All holders of business debit cards are required to provide receipts for all payments made on the debit card to be forwarded to the Organisational Support Officer for entering into the finance system.

All business debit cards are to be returned to the business when the person is requested to by the CEO or where they are no longer an employee of the business.

Staff or volunteers may on occasion be required to pay expenses consequent on their employment out of their own pockets. Under certain circumstances, as outlined in this policy, these expenses may be reimbursed by the organisation.

F5. EFTPOS Merchant Terminal Policy

Date:

Purpose of the Policy

"xyz Association' provide workplace EFTPOS facilities for the sale of merchandise, event tickets and memberships. "xyz Association' staff are authorised to use this machine for the processing of membership applications and event ticket or merchandise purchases. A cash out facility is not available via the "xyz Association' Eftpos machine.

Procedures

The Organisational Support Officer is to carry out the EFTPOS daily balancing process from the merchant terminal which runs a transaction total report.

The balancing printouts which are produced from the EFTPOS terminal and which are used in the balancing procedure described above are to be attached to that day's banking paperwork in order to maintain audit documentation.

All banking is to be carried out daily. When the Bank "line" is down, processing may be done the following working day after calling the relevant bank to report the issue.

Staff members must not process their personal EFTPOS transactions on the "xyz Association' EFTPOS machine.

Detailed Instructions for processing via EFTPOS can be found in the "xyz Association' working instructions folder.

This policy provides guidelines for the financial reporting of the organisation.

F6. Petty Cash Policy

Date:

Purpose of the Policy

Petty cash may be used to pay for small business expenses up to \$100 where payments through accounts payable or debit/credit card are not justified or appropriate.

Procedures

Issuing Petty Cash

Only up to \$xxx.xx can be disbursed at any one time.

Once the petty cash is spent, a receipt or invoice should be provided to the Organisational Support Officer.

Any balance of monies unspent must be returned to the Organisational Support Officer.

All receipts must have the details of expense and a signature of approval from the person incurring the expense.

Reconciling Petty Cash

Petty cash float is to be reconciled at least monthly. This is the responsibility of the Organisational Support Officer.

All petty cash expenditure must be entered into the financial system once the petty cash has been reconciled.

The balance of monies and receipts must equal the petty cash float amount before reimbursement can be made.

Reimbursement of petty cash will be authorised by the CEO.

F7. Reimbursement Policy

Date:

Purpose

The purpose of this policy is to spell out under what circumstances reimbursement of expenses may occur on behalf of "xyz Association", and the process for doing so. This policy relates to staff and volunteers and others (e.g. presenters etc.) acting on authorized "xyz Association" business.

Policy

"xyz Association" will reimburse expenses incurred on behalf of "xyz Association" or in the course of "xyz Association" business so long as such expenses are reasonable and authorised.

Reimbursement of reasonable but unauthorised expenses may be made on an *ex gratia* basis at the discretion of the CEO in exceptional circumstances only.

The person incurring authorised expenditure must, wherever possible, receive, retain and produce receipts, invoices, vouchers, tickets, or other evidence of such expenditure.

Procedure

Prohibited reimbursements

"xyz Association" will not reimburse for:

- Unauthorised expenses;
- Expenses claimed by an employee as a tax deduction;
- Expenses normally recoverable from a third party;
- Claims for purchases that are required to be made under a "xyz Association" purchase order;
- Expenses that are not incurred for business purposes;
- Late payment interest on credit cards;
- Parking, traffic, or other fines and penalties.

Travel expenses

- The most direct and economical mode of travel available, considering all of the circumstances will be reimbursed;
- Additional costs incurred by taking indirect routes or making stopovers for personal reasons will not be reimbursed.
- Use of a private vehicle for work-related travel will be reimbursed by way of an all-inclusive mileage allowance, as shall be determined by the organisation from time to time.
- Trip cancellation insurance is eligible for reimbursement.

Accommodation expenses

- Moderate accommodation expenses, considering all of the circumstances will be reimbursed.
- Items of a personal nature charged to a hotel account will not be reimbursed.

- When accommodation is provided by a friend or relative, who is given money or a gift as compensation or as a sign of appreciation, reimbursement may be claimed as an overnight accommodation expense in accordance with per diem rates, and shall be determined by the organisation from time to time.

Meals

- Reasonable and appropriate meal expenses actually incurred while on “xyz Association’ business will be reimbursed.

Provision of hospitality

- Hospitality expenses incurred in the course of “xyz Association’ business, as appropriate will be reimbursed. Appropriate hospitality charges include events hosted or sponsored for the purpose of promoting “xyz Association’’s work or enhancing its image, and include meals that are related to the transaction of “xyz Association’ business.
- When dining together while on “xyz Association’ business, it is appropriate for the **senior person** (if any) to arrange payment and submit the claim for reimbursement.

Advance payments may be authorised where appropriate. Such payments will be subtracted from the amount of any later reimbursements. If expenditure is, for whatever reason, not incurred then any advance payments made, or any unspent portion of such payments, must be returned.

Fixed *per diem* payments may be authorised where appropriate.

Requests for reimbursement must be submitted to the CEO/manager on the standard form describing the nature and purpose of the expenses. The completed form must be signed and dated by the applicant.

Managers are responsible for determining if the expenses being claimed are reasonable given the circumstances, and for ensuring they are charged against the appropriate account.

Claims that have not been properly prepared, authorised, or supported by adequate documentation will be returned to the claimant and the reasons will be given for not processing the claim.

F8. Investment Policy

Date:

Purpose of the Policy

This policy is designed to direct the use of investment funds and determine future financial planning strategies to ensure "xyz Association" is able to maintain its operating budget and create growth.

The Board is responsible for maintaining and extending the assets of the organisation, to provide for its long-term financial viability. In its stewardship of "xyz Association"'s financial assets, the Board has adopted this policy to ensure that any assets not required for the current operating budget will be invested in accordance with "xyz Association"'s Investment Plan.

All interest and other earnings from such investments are deposited into "xyz Association"'s operating account and thus become part of the annual operating budget.

The Investment Plan should be designed to ensure that:

- Funds are utilised to achieve a balanced operating budget.
- "xyz Association" creates capital growth and generates income.
- There will be access to cash to cover current liabilities.
- "xyz Association" will have access to cash for establishing new projects.
- "xyz Association" will have access to cash for unforeseen expenses.

"xyz Association"'s Investment Plan must conform with the following principles:

- Priorities set in the Business Plan are to be adhered to.
- Investments are to be made with low to medium risk ventures; that is, investments that provide for security of capital over the medium to long term.

"xyz Association" will only invest with reputable, established, proven, financial institutions.

Procedures

The CEO will investigate investment options and make recommendations to the Board, in the form of an Investment Plan, as part of the annual Business Plan. The Investment Plan must conform with the principles laid out in the "xyz Association" Investment Policy.

The CEO will receive information about and keep track of the progress of all investments, and report on the progress of the investments to the Board.

The Investment Plan will be reviewed every 6 months.

F9. Financial Reserves Policy

Date:

Purpose of the Policy

This policy is to ensure the stability of the purpose, programs, employment and ongoing operations of 'xyz Association'. The Reserve fund is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one time unbudgeted expenses, unanticipated loss in funding or uninsured losses. The Reserve fund may also be used for one-time, non-recurring expenses to build long term capacity, such as staff development, research and development or investment in infrastructure. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.

Procedures

The Reserve fund will be recorded in the financial records as Board-Designated Operating Reserve.

The Reserve fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for operating reserves. These funds will not be included in the following years' operational or capital expenditure budgets.

Initially, Reserves will be commingled with the general cash and investment accounts of the organisation. Once the level of Reserves fund reaches \$xxxk they will be maintained in a segregated bank account or investment fund in accordance with the Investment policy.

A target minimum Reserves fund is equal to six months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel program and ongoing professional services. Depreciation, in-kind and other non-cash expenses are not included in the calculation.

The Reserves fund serves a dynamic role. It will be reviewed at least annually and adjusted in response to internal and external changes.

Access to the Reserves fund requires the identification of appropriate use of the funds by the CEO (including analysis of why there is a short fall, availability of other funds, time the fund will be required and replenishment options), Authority to use the Reserves (CEO to submit a request to the A&RC and/or Board depending on the scale and timeframe of reserves needed) and Reporting and Monitoring of the use of the funds (when/how they are be used and replenished).

F10. New Supplier Policy

Date:

Purpose of the Policy

All new suppliers to the business must be reviewed and accepted in accordance with this policy to ensure that the supplier service is aligned with the business objectives.

Procedures

Choosing a New Supplier

A new supplier must provide our business with information about their organisation, terms of trade and service levels.

For each new supplier the following information table must be completed prior to agreeing services

Supplier Selection Background Information

Business Name of Supplier: _____

NZBN of the Supplier: _____

Account details for payment: _____

What are the payment terms for this supplier? _____

What is the return policy for this supplier: _____

All relevant details of the supplier will be entered into the financial system by the Organisational Support Officer once approval is obtained from the CEO.

The Organisational Support Officer will review information entered into the financial system and independently verify the bank account or other payment details of the supplier to ensure payments made are to the correct supplier.

F11.Purchasing Policy

Date:

Purpose of the Policy

This policy provides guidelines for the purchase of goods, services, equipment and assets for the business. This policy is applicable for all purchases over \$100. Where items to be purchased are less than \$xxx then the Debit Card, Bank Account or Petty Cash policy is to be used.

Procedures

Request for Purchase

All items over the value of \$xxx must be supplied by authorised suppliers – refer to the New Suppliers Policy where the supplier is not an existing supplier

For items over the value of \$x,xxx three quotations must be provided.

Equipment Asset Purchases

All equipment and asset purchases must be entered in the financial system and/or asset register by the Organisational Support Officer and/or CEO with the following details included:

- Date of purchase;
- Supplier; and
- Make, model, warranty/guarantee information
- Serial numbers (if appropriate).

Service Agreements

All agreements for the provision of services to the business in excess of \$5,000 are to abide by this policy.

Receipt of Purchases

Receipts must be provided for all purchases. These will be forwarded to the Organisational Support Officer for payment of purchases.

F12.Customer Debt Collection Policy

Date:

Purpose of the Policy

This policy provides guidelines for the collection of late payments from members and customers.

Procedures

An aging debtor report is to be run every month. All overdue customer payments are to be noted and the following procedures undertaken until recovery of outstanding amounts.

First Contact: Once the payment is overdue a reminder invoice is emailed advising that payment is due and has not been received.

Overdue reminder: Phone or email the customer. Remind them that payment is due and has not been received. Ask them when they will be paying you and keep a record of the conversation or email. If they do not respond to the phone call or email, try contacting someone else in the business. Let them know who you are trying to contact. This often results in a return response from either the person you were trying to contact or someone else from the business.

Internal Escalation: When a payment is overdue for 60 days the matter is escalated to the management team for them to contact and investigate payment solutions.

Provision for bad debt: Customer payments that remain outstanding for 90 days are to be provisioned as bad debts in the financial system. No further sales are to be undertaken with that customer without approval from the CEO. Continued efforts will be made to recover some of all of the debt. When a payment is overdue for 120 days or a provision for bad debts is realised the member or customer will be contacted advising that the membership or business relationship will be terminated and that no further relationship in the future will be entered into with that person or entity by "xyz Association'.