**GUIDE TO FINANCIAL MANAGEMENT AND DELEGATIONS POLICY TEMPLATE**

**ABOUT THIS POLICY AREA**

This policy guides how the organisation controls and safeguards its finances and manages financial systems.

**Policy checklist**

The following checklist will help you check that an existing policy covers this area adequately.

The policy should:

* say who will be responsible for financial management
* explain how financial systems will be established and managed
* say how delegations of authority for financial decisions will be documented
* show how the organisation will be protected from fraud and financial mismanagement
* contain clear procedures and actions
* indicate the timing of any actions
* show when it was approved
* show when it was last reviewed.

**COMPLETING YOUR FINANCIAL MANAGEMENT AND DELEGATIONS POLICY**

**Using the policy template**

The template provides some example statements. You can adapt these statements and include them in your policy or write your own statements to better suit the operations and services of your organisation.

The policy templates include **red text** prompts to insert information that is specific to your organisation.

**Guidelines for each section of your policy**

***1. Purpose***

When identifying the purpose of the policy, consider how it might apply to accounts and financial management systems. Your organisation may have particular stakeholders that you are accountable to for effective financial management, particularly if you raise public funds on a regular basis or maintain trust accounts.

***2. Scope***

To determine the scope of the policy, consider the following questions:

• Does this policy apply to all your organisation’s accounts and financial systems?

• Does this policy apply to all staff?

• Does the organisation maintain any accounts (such as trust funds) that have specific guidelines and procedures?

***3. Policy statement***

If you are adopting the policy statement in the template, consider whether there any additional commitments your organisation wants to make.

In identifying the actions your organisation will take to implement this policy, you should include the following:

• maintaining appropriate records of financial transactions and accounts that comply with the Australian accounting standards

• implementing a system of approvals for financial transactions

• documenting delegations of authority for approving financial expenditure

• ensuring safeguards are in place to prevent fraud and financial mismanagement

• providing staff who are responsible for bookkeeping and financial management with relevant documented financial procedures.

***4. Procedures***

The procedures describe how your organisation achieves the aims and goals you have outlined in your purpose, scope and policy statement.

*4.1 Maintaining appropriate records*

In describing the bookkeeping and accounting system you will use, consider the following:

• whether the system will be manual or electronic and, if electronic, what software will be used

• use of the standard chart of accounts

• meeting Australian accounting standards

• ensuring that bookkeeping and associated activities such as payroll and taxation compliance are undertaken by appropriately skilled and qualified staff. Depending on the size and complexity of your organisation’s accounts, you may need to have them overseen by a qualified accountant. Some organisations may also outsource particular aspects of financial management and this should be identified.

* accounting methods and procedures may include sub-headings, such as: bank accounts, monthly financial statements, financial accountability reporting to funding bodies, annual audit, income (processes for receipting, handling cash on premises, etc)

*4.2 Approvals and delegations*

Describe the main features of your financial delegations. This may involve the following:

• a broad description of what level or type of expenditure needs to be approved by the board or management committee

• what level or type of expenditure may be approved by specified staff positions

• what positions are signatories to cheques

• how expenditures are approved (including electronic transactions)

• how changes to delegations are approved

• petty cash systems and how these are to be used (if your organisation has a complex system for petty cash or complex reimbursement systems for expenditure by staff or board/management committee member, this should be detailed in a separate procedure).

If your financial systems and delegations are complex, you may need to detail the delegations in a specific chart that is either attached to this policy or filed elsewhere.

*4.3 Obtaining Quotes and calling tenders*

This identifies clear guidelines about what is required for any particular value of purchase, and is important in maintaining transparency and fairness in business dealings.

For example:

* When spending **up to $200.00** for an item or aggregate of same items, no quote required.
* When spending between **$201.00 - $1000.00** for an item or aggregate of same items, obtain two verbal quotes.
* When spending between **$1001 - $5000.00** for an item or aggregate of same items, obtain two written quotes.
* When spending between **$5001.00- $20,000** for an item or aggregate of same items, obtain three written quotes.
* When spending **over $20,000** for an item or aggregate of same items, call for tenders.

Amounts can be altered depending on your organisation’s expenditure patterns and complexity. Larger organisations that tender frequently should also develop tender procedures (can be in a separate document). Relevant sections can then be included in any tender documents, and are important in demonstrating fair process in the event of any challenge by unsuccessful tenderers.

*4.4 Debit/Credit Cards*

Many organisations use debit or credit cards in place of petty cash arrangements and to facilitate on line bookings and purchases. These may be allocated to specific positions or there may be a debit card available for use by several staff. Due to their nature, it is important to have strict controls.

Cards should have an overall limit as well as a single transaction limit, relevant to the overall financial delegation of the card holder. List these limits in your policy.

Identify the process for allocation of cards, including training in the process and acknowledgement of conditions.

Identify the process and responsibilities for reconciling card accounts each month

*4.5 Payroll*

Identify the various source documents you use to calculate pays (timesheets, salary packaging documents, leave forms, claim forms), processes for submission.

How are any discrepancies dealt with?

Who is responsible for entering pay information and calculating pays?

How are salaries paid (generally electronic transfer)and who is responsible?

How is pay advice provided?

Are there processes for special claims such as leave, mileage?

*4.6 Tax Obligations and Superannuation*

For example:

* Tax installments must be deducted for all payments of salary in accordance with details provided by employee via Tax Declaration Form.
* Payment Advices covering the preceding year are to be provided to ATO by 21st July annually. These should include any “grossing up” of salary packaging component relevant to the FBT year.
* At the end of each month a cheque must be drawn and sent to cover the month’s superannuation.
* On a monthly basis, the ATO must receive the agency’s group taxation payments. An accurate sum of taxation held for the month period must be recorded and forwarded to the ATO.

*4.7 GST and FBT Requirements*

For example:

* All taxation paid for goods and services must be accurately recorded on an ongoing basis as part of all receipting and accounting purposes.
* Monthly reporting to the ATO re GST expenditure will be made with claims for reimbursement of GST components of expenditure for the organisation’s standing as a charitable and public benevolent body (if you have this status). Who is responsible for preparing the BAS?
* Fringe Benefit reporting to ATO will be made on an annual basis, the fringe benefit year being from 1 April to 30 March.

*4.8 Preventing fraud and financial mismanagement*

Describe the main features of how you safeguard your finances. This should include:

• following procedures for obtaining and documenting approval for expenditure detailed in section 4.2

• money receipting, banking and reconciliation processes for money received by the organisation. This should include some separation of duties

• monitoring and checking of accounts and bank reconciliations

• financial reporting to senior staff

• financial reporting to the board or management committee

• the role of the treasurer in checking financial records and reports.

*4.9 Providing documented procedures*

Describe what procedures will be documented in detail for staff, and which staff will use these procedures. These may include the following:

• money-handling procedures for staff collecting or processing money (receipting, banking, reconciling)

• bookkeeping instructions for staff entering financial transactions into the accounts

• petty cash procedures for all staff using petty cash

• monthly monitoring and checking procedures for the treasurer.

***5. Other related policies and documents***

List the other policies related to the financial management and delegations policy. The policy should be linked to:

• asset management policy

• budget policy

* organisational authority policy
* Any other detailed work instructions relating to financial processes
* Delegations/Financial delegations register
* Annual Audit documents
* Finance related forms (purchase orders, payment vouchers, etc)
* Pay related forms (timesheets, leave applications, claim forms)
* Credit/Debit card conditions of use/agreement form (if relevant)

***6. Review processes***

Consider how often the policy should be reviewed and the process for doing this:

• **frequency of review:** Most policies benefit from an annual review. The experience of implementing the policy is used to decide which changes are necessary. Consider reviewing your financial management and delegations policy as part of an annual review of your organisation’s governance- and accountability-related policies or, if your organisation is small, perhaps over a three-year period. Critical incidents may prompt you to review the policy ahead of schedule.

• **responsibility for the review:** In most organisations, the senior staff and/or board or management committee would be responsible for reviewing this policy. In a large organisation, a manager of finances or administration manager would also be involved.

• **process for the review:** Decide which particular staff, volunteers, external people and organisations will provide input to the policy review.

• **decision-making process:** Who will review draft changes to the policy and approve changes? What will be the timeframe for the review process?

• **documentation and communication:** What records of the policy review process are needed? How will changes to the policy be communicated to staff implementing the policy? In a small organisation, this may be as simple as noting the changes at a staff meeting. In a larger organisation, an email memo may be needed.

• **key questions for the review:** Is the policy being implemented? Are procedures being followed? Is the policy clear? What has changed that may prompt a change to the policy? Have particular stakeholders had difficulty with any aspect of the policy? Can their concerns be resolved? How does the policy compare with that of similar organisations?