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**Financial Policy**

**Purpose**

This policy establishes a set of guidelines by which the Institute will manage its finances in accordance with current legislative requirements and accounting standards appropriate for a not-for-profit entity of its size and turnover.

**Accounting Standards**

Proper financial records and financial statements shall be maintained in accordance with the current accounting standards adopted by the New Zealand Institute of Chartered Accountants and legislative requirements relevant to the organisation.

**Financial Reporting**

1. Financial reports shall be provided to the Chief Executive and President on a monthly basis and to the Council at each Council meeting. These will include:

•Summary Statement of Financial Performance (Profit & Loss) and detailed Statement of Financial Performance for specific divisions or activities

•Balance Sheet

•External Listings of all bank account balances and term deposits

•Report from the Accountant on the month’s and year to date’s financial performance

•Draft Budget at Budget Setting Council Meeting

1. Statutory financial statements will be published in the Annual Report each year in accordance with legislative requirements and accounting standards adopted by the Institute of Chartered Accountants. These financial statements are to be audited externally if required either by Council or legislation

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**Internal Controls**

Recognised good internal controls must be in place to ensure the good custodial care and administration of the Institute’s assets and to lessen the risk of misuse of Institute funds. These include:

**Segregation of Duties**

Segregation of Duties will lessen the risk of mishandling of the Institute’s finances and fraud. This means that the authoriser of an invoice cannot also be able to pay that invoice. To this end, two signatories are required on all banking transactions initiated by the Institute e.g. electronic payment schedules and instructions regarding term deposits. Also the administrator of the electronic banking interface (Deskbank) is the Accountant but she/he cannot be a Level 2 Authoriser in this system. It has to be one of the other two cheque signatories.

**Authorisation of Invoices by Person with Delegated Authority**

The Chief Executive is to sign off invoices under his/her delegated authority as set by Council. Expense claims by the CEO are to be signed off by the President and vice versa.

**Physical Approval of All Electronic Schedules by the Chief Executive**

It is a requirement that the Chief Executive physically signs off print-outs of all transmissions made by the Accountant. These are checked by the external auditors every year.

**Regular Bankings of Cheques & Cash as part of good cashflow practices**

**Internal Controls over Branches:**

•Branches are not to have their own bank accounts

•Branch Treasurers are to forward invoices for payment to the Accountant

•Branch Treasurers are to forward details of invoices to be created to the Accountant so they can be created and tracked in the central Debtors System.

•Requests for use of for funds outside of these budgets are to be submitted to Council.

**Fixed Assets**

•Fixed Assets are recorded on a fixed assets schedule and depreciated in accordance with current appropriate accounting standards

•Assets over $1,000 are capitalised.

•Assets of a minimal value are written off and expensed to the Profit & Loss Account where their net realisable value is nil.

•Capital expenditure greater than $5,000 shall be preceded by a tendering process with a minimum of three quotes, unless the work or purchase is from a “preferred supplier”.

**Preferred Suppliers**

Management shall keep a record of preferred suppliers, these being suppliers of goods and services that the Institute has an ongoing relationship with, based on good quality provision and an understanding of the Institute’s business. Such arrangements shall be reviewed from time to time.

**Budget**

A draft annual budget is to be prepared by the Chief Executive and presented to Council. Subject to amendment, Council shall then recommend the budget’s communication to the membership and any consequent amendment and adoption.

**Cashflow Management**

Bank accounts are to be reconciled and all transactions entered into the relevant accounting packages on a daily basis. All non-interest bearing accounts are to have either a nil balance or minimum level to meet payment commitments.

**Investment of Surplus Funds**

All surplus funds are to be held in interest bearing accounts or term deposits with a New Zealand trading bank. If there is a Government guarantee scheme operating then the rules to fall under the scheme will apply to value of deposits held with any particular bank.

**Sensitive Expenditure**

Refer Sensitive Expenditure Policy

**Reimbursements to Staff & Members**

Acceptable methods of receiving reimbursement requests are:

•An email to the Accountant from either a treasurer/member with a scanned copy of a Receipt/s attached. If received from a member, the Accountant forwards the email to the branch treasurer concerned (if for a branch expense), who emails back their approval to pay. The claim is then given to the Chief Executive for final approval for payment.

•A claim form or invoice, with receipts attached, is posted to the Institute from a branch treasurer with their signature on it, or from a member directly.

The cost may be for a non-branch activity, e.g. jury expenses, in which case it is not a branch cost. All such claims and invoices must be approved by the Chief Executive.

Reimbursement claims without receipts or supporting evidence will not be accepted.

The Chief Executive’s reimbursement claims are to be checked, coded and initialled by the Accountant, then signed off by the President. An External Audit check is made of all of the Chief Executive’s reimbursements.

Reimbursements to members will be made to nominated bank accounts and paid within five days of receipt.

**Credit Cards**

Currently only the Events Manager has an Institute credit card for use only when travelling. The Institute’s bank makes a direct debit each month to clear out the balance owing on this account.

Issuing an Institute credit card to any other staff member or Institute member is not supported for two reasons:

• Tight Internal Control

By only reimbursing claims with receipts attached spenders are encouraged to keep their receipts and to physically match their receipts to their claim before sending them in for reimbursement. If a credit card is used, the statement goes to the Institute and not the spender, and the funds are taken out of the Institute’s bank account whether or not there are receipts to support the expenses. The use of credit cards by members would mean that members can spend Institute money without their being directly motivated to keep their receipts, and to send them in before the bank takes the funds out of the Institute’s bank account.

•GST

IRD rules state that in order to claim GST, a GST receipt is necessary for items of $50 or more. By not paying out reimbursements unless receipts are received, the Institute encourages members to send in their receipts, and the Institute can therefore claim all the GST it is eligible to claim for.

**Responsibilities:**

**Council**

•sets the Institute’s overall strategic direction

•adopts the Strategic Plan and Budget

•ensures, through the external auditors, that the appropriate financial management systems are in place, including delegations

monitors performance against the Strategic Plan and Budget

•reports to the membership in the Annual Report

**Management**

•drafts the annual Strategic Plan and Budget

•advises the Council in terms of the implementation of the Strategic Plan and Budget

•advises the Council as to whether:

-the Institute complies with relevant statutory and regulatory requirements;

-risks have been identified and appropriate steps have been taken to mitigate or manage them;

-procedures and delegations are in place to ensure that all expenditure is authorised;

-reporting to the Council and members truly reflects the Institute’s activities, financial and otherwise;

-the financial reporting and audit requirements have been met;

•fosters sound financial practices and an ethical and professional culture throughout the Institute;

•implements the Strategic Plan;

•manages day-to-day financial recording and internal controls, having regard to risk;

•reports to the NZIA Council on the Institute’s financial and overall performance;

•writes the Annual Report.

**NZIA Delegated Authority and Responsibility Schedule**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Function or activity** | | **Council** | **President** | **Chief Executive** | **Events Manager** | **Accountant** | **Remuneration Committee** | **Comments** |
| 1. | Strategic Plan and budget | X |  | X |  |  |  |  |
| 2. | Annual Report |  | X | X |  | X |  |  |
| 3. | Authorising an expense |  |  | X |  | NIL |  |  |
| 4. | Authorising payment (signing invoices etc) |  | X | X  (within budget >$20,000, outside budget <$5,000) | X (within budget <$5,000) | NIL |  | Invoices to be signed by CEO. CEO’s claims by President |
| 5. | Credit card limits |  |  | $4,000 |  |  |  |  |
| 6. | Signatories on bank accounts (making payments by cheque, direct credit etc) |  | X | X |  | X |  | 2 signatories required |
| 7. | Income (banking) |  |  |  |  | X |  |  |
| 8. | Leases / rental arrangements | X |  | X |  |  |  |  |
| 9. | Asset purchase |  |  | <$5,000 |  |  |  |  |
| 10. | Asset disposal – up to $ (book value) |  |  | <$5,000 |  |  |  |  |
| 11. | Banking new accounts / new arrangements |  | X | X |  | X |  |  |
| 12. | Insurance |  |  | X |  |  |  |  |
| 13. | Policy | X |  |  |  |  |  |  |
| 14. | Press Release |  |  | X |  |  |  |  |
| 15. | Travel – overseas |  | X | X |  |  |  |  |
| 16. | Travel - local |  |  | X | X | X |  |  |
| 17. | CEO personal reimbursement |  | X |  |  |  |  |  |
| 18. | Staff personal reimbursement |  |  | X |  |  |  |  |
| 19. | CEO appointment | X |  |  |  |  |  |  |
| 20. | CEO responsibilities, performance appraisals, salary reviews |  | X |  |  |  | X |  |
| 21. | Staff / contractors appointment |  |  | X |  |  |  |  |
| 22. | Staff / contractors appointment, responsibilities, performance appraisals, salary reviews |  |  | X |  |  |  |  |

**Delegations, effective 14 May 2010**

Operating bank accounts

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Authorised signatory designation | Methods of signing | Type of Access | | | | |
| Information (a) | Transfer funds (b) | Debit / Property  (c) | Other services (c) | Authority |
| President | Any two | √ | √ | √ | √ | √ |
| CEO | Severally | √ | √ | √ | √ | √ |
| Accountant | Severally | √ | √ | √ | √ | √ |

*Notes:*

1. *Above ‘Type of Access’ are defined by the bank as:*
2. ***Information****: disclose information to the relevant Authorised Signatories on any of the customer’s accounts;*
3. ***Transfer Funds****: Where the function is available, transfer funds between any of the Customer’s accounts;*
4. ***Debit/Property****:*
5. *Debit to any of the customer’s accounts (whether or not in credit) all cheque accounts or other payment orders (excluding fund transfers under (b) above);*
6. *Act upon any request to deal with any property which the Bank may at any time hold on behalf of the Customer;*
7. ***Other Services****: Accept or act on any documents for loans, finance facilities or any other banking services not referred to in (b), or (c).*
8. *The last option is intended for the situation where the CEO is unavailable, e.g. overseas*
9. *The company continues to operate a requirement of dual signatories for cheques and similar transactions*

**Payment approval authorities**

* The CEO has authority to approve payments in line with budget that has been agreed and approved by Council
* In addition to the above, the CEO has authority to approve line expenditure items that may not have been explicitly spelt out in the budget, up to a value of $20,000. For any items in excess of $15,000 the CEO is to notify the Chair
* The CEO has authority to approve payments of all statutory items, such as GST, PAYE, Company tax, and contractual obligations.

**Annual salary and employment review of staff**:

* CEO

**Approval of staff expense claims and leave requests**:

* CEO

**Approval of Council expense claims**:

* CEO