

Financial Management Policy

Related documents

1. NZAOT Rules 2005
2. NZAOT Regulations 2005

Policy

The financial liability of NZAOT must be protected at all times.

NZAOT is a not for profit organization with tax exempt status. The financial year is 1 April - 31 March.

Financial Condition

In the management of the finances of NZAOT the Executive Director must not:

- incur unauthorized debt
- violate generally accepted accounting principles
- use tagged funds for purposes other than those approved
- allow expenditure of greater funds than are generated from revenue
- misuse reserves
- allow expenditure not consistent with goals agreed
- allow expenditure on single items beyond council's established limit

And must:

- ensure all monies owed to NZAOT are? collected in a timely manner
- make timely payment to staff/creditors
- report significant variances with implications to council
- ensure that all government returns are completed on time
- ensure that no one person has complete authority over NZAOTs financial transactions

Procedure

1. Financial Planning - Budget

The Executive Director with the treasurer oversees the budget preparation.

Budget is set annually by June and reaffirmed in May of the year in which it applies and should:

- Reflect NZAOT strategic goals
- Reflect priorities established by Council
- Demonstrate compliance with Council specification for surplus/deficit
- Protect NZAOT from financial risk
- Demonstrate appropriate degree of conservatism and realism

Income will be based on an estimate of membership derived from the annual strategic plan, calculated on the agreed formula and expected income from other sources.

Expenditure will be adjusted annually to reflect inflation, and anticipated costs.

The budget shall seek to provide for reserves set at a maximum of 10% of subscription income from 31 March of any given year. This money is to be placed in a reserve account.

The budget shall provide for an amount equivalent to 5% of the Association's declared surplus per annum, or \$1,000 (whichever is the greater), to be donated to the Research and Education Trust. The donation is to be paid after receipt of the audited annual accounts each year.

2. Bank Accounts

NZAOT will hold a cheque account and savings/term deposit investment accounts. All funds received by the Association shall be deposited at a minimum of twice weekly. All non-productive funds shall be invested in accordance with any investment policy established by the Council.

No groups within the Association may operate bank accounts.

3. Expenditure

All expenditure is authorized by the Executive Director

The Executive Director may approve expenditure within budget limits.

The Executive Director has the authority to spend up to \$1,000 on any single acquisition without prior approval from the Council. Such acquisitions shall be

reported to the Council/delegations at the next meeting. Additional unbudgeted expenditure exceeding \$1,000 requires a business case, and where appropriate, a minimum of three quotes.

A business case should use the following process and format:

- Be in writing
- Describe the project/purchase
- State the purpose and benefit to NZAOT; the consistency and fit with the Annual Plan and/or Strategic Plan
- State whether it is a one off cost or involves ongoing expenditure
- Provide a budget and/or cash flow projection

Approving expenditure from Reserve Funds is a Council decision.

4. Cheque Signing Authority

Two signatories are required for all cheques. Signatories must be one staff member and one non-staff member. Therefore, cheques will be signed by the Executive Director OR the Accounts Officer, plus a Council member OR a Wellington based member.

In extreme circumstances there may be an exception and a cheque may be signed by The Executive Director and the Accounts Officer. The Executive Director will notify both the President and the Treasurer to indicate when and why that this has occurred.

Signatories will be: Executive Director; Accounts Officer; President; Treasurer and up to two delegated Wellington based NZAOT members

The Operations Committee is responsible for delegation of signing authority.

No signatory may sign a cheque made out to him or her.

5. Cash Disbursements

Disbursements are authorized only on review of and approval of the transaction – with supporting documentation.

6. Credit Facility

A business MasterCard is provided for the use of the Executive Director for the purpose of meeting legitimate business expenses.

The credit limit shall not exceed \$5,000

The credit card must be paid off each month.

7. Petty Cash

National Office will hold a supply of petty cash not exceeding \$150.

A petty cash book must be kept, to keep a record of date, item, and expenditure. It must be ruled off and balanced each time a reimbursement is received.

The balance of cash and receipts should always be equal to the agreed petty cash limit.

8. Assets

A capital acquisition is an individual asset that has a useful life of more than one year and a cost of more than \$500.

Anticipated capital acquisitions shall be included in the normal budgetary process.

9. Investment

For clarity – the following definitions will be used to classify the types of funds held by the Association.

Operating Funds: Those funds expected in the normal course of business during the current budget year. Funds can be retained in a cheque account with excess funds transferred to a reserve fund whenever possible.

Reserve Fund: It is the responsibility of the Operations committee each fiscal year to recommend to the Council for approval the amount of excess not to be used for day to day operations. The purpose of the Association's reserve fund is to provide financial stability to the Association and to provide a growing stream of cash to assist the Association in fulfilling its mission. The long term objective is to maximise capital gains, interest and dividend income on reserves while reducing risk with a balance of diversification and prudent management to achieve safety, liquidity and favourable returns.

NZAOT to aim for Minimum Reserves = Cash Operating Reserves of 180 days:

$$\frac{\text{Total Expenses}}{12} = X \quad \frac{\text{Current assets (less current liabilities)}}{X} = Y \text{ months}$$

$Y \times 30 = \text{No. days Cash Operating Reserves}$

10. Financial Reporting

The Executive Director presents to each meeting of Council or its delegations the following reports:

- Monthly Statement of Financial Position
- Monthly Statement of Financial Performance
- Monthly statement of Cash Flows/Budget progression

Any significant variations are accounted for.

11. Financial Audit

The financial records of the Association are audited annually.

The auditor is appointed annually by the members at AGM.

12. Research and Education Trust

The NZAOT Council is responsible for appointing the Financial Advisor to the Research and Education trust and for the biennial (re) appointment of NZAOT Member Trustees.

Scope

This policy applies to NZAOT Council, NZAOT members and staff.