



Financial Management Policy

Enquiries to:	Centre Manager, Chairperson, Financial Administrator and Treasurer
Applies to:	All Kaiako, staff, parents, children and Governance BOT
Date Developed	May 2021
Review Date:	May 2021
Date Approved:	
Next Review Date:	October 2022

References; Licensing Criteria 2008, Governance, Management and Administration, GMA8 An annual plan identifying who, what and when in relation to key tasks undertaken each year, GMA9 An annual budget setting out the services estimated revenue and expenses for the year: Ministry of Education 2008 ECE Regulations.

RATIONALE:

The Board of Trustees and Lower Hutt City Childcare and Education Centre. ('the Centre') wishes to ensure the Centre's financial accountability and long-term financial sustainability through:

- Complete and accurate financial records
- Delegated signatories. Signatories to be changed immediately when a person is leaving the centre or stepping down off the BOT. 1 signatory to administer payroll, with checking process from the centre manager.
- Timely monitoring and reporting of financial results; and
- The application of funding towards achievement of the Centre's goals and strategic management plan

Policies and measures in place for financial accountability and transparency and to avoid any fraudulent activity.

ROLES AND RESPONSIBILITIES:

This section of the policy outlines the roles and responsibilities of the:

Financial Administrator, Treasurer, BOT, Chair of the BOT and centre manager. Further details of how these roles and responsibilities are to be implemented are contained in the subsequent sections of the policy, namely the sections on Budgeting and Reporting, and Financial Controls.

FINANCIAL ADMINISTRATOR:

The Centre has appointed its own external Financial Administrator. The Financial Administrator is responsible for the day-to-day financial administration of the Centre. Key areas for which the Financial Administrator is responsible: (Job description available in Human Resource file)

- Timely monitoring and reporting
- Ministry of Education Funding
- Fixed Assets (>\$500) Accounts Payable
- Payroll

GST:

- Completing GST returns

TREASURER The primary role of the Treasurer is financial governance and oversight. The Treasurer is the key link between the BOT and the outsourced financial administration of the Centre.

The role includes:

- Input to the Annual Budget.
- Monitoring of financial reporting.
- Regular liaison with the Financial Administrator.

- Communication of relevant information arising from this monitoring role to the BOT.
- Input to the governance BOT decision making process in relation to both financial matters and the financial impact of operational matters.
- Communication with the Auditor to discuss the outcome of the annual audit and any matters arising.
- Committing the Centre to incur expenditure in accordance with the Centre's Delegated Financial Authorities.
- Authorising invoices for payment in accordance with the Centre's Delegated Financial Authorities.
- Review of bank statements, bank reconciliations and cash/cheques received at the centre.
- Review and update of this Financial Policy, as required, or at least bi-annually.

The financial administrator/manager is required to complete the annual return to the Charities Commission.

BOARD of TRUSTEES / CHAIRPERSON

The role of the BOT/Chair is a monitoring and decision-making role. The role includes:

- Input to, review and approval of the Annual Budget.
- Monitoring of financial reporting.
- Reviewing and approving the audited Annual Financial Statements.
- Communication of the audited Annual Financial Statements (once approved by the BOT) to parents.
- Committing the Centre to incur expenditure in accordance with the Centre's Delegated Financial Authorities.
- Authorising the Centre to enter into contracts. (The chair is responsible for signing Contracts on behalf of the Centre).
- Evaluating the financial impact of operational decisions to be made by the BOT.
- Ensuring that the Centre maintains a conservative level of financial reserves, so as to help ensure the continued financial sustainability of the Centre e.g. in the event of an unexpected shortfall in income or increase in expenditure.
- Taking appropriate action to prevent a deficit (either budgeted or actual) eventuating e.g. by raising additional income/decreasing non-essential expenditure.

CENTRE MANAGER:

The role of the centre manager is both an operational and monitoring role. The responsibilities of the centre manager includes:

- Ensuring the roll is maintained at full capacity, having reference to staff ratio requirements for the age of children at the Centre, so as to maximize Ministry of Education funding.
- Maintaining accurate records of child attendance numbers and staff hours, for completion of RS7 forms.
- Completing relevant sections of WINZ forms.
- Maintaining and monitoring relief staff levels in accordance with recommended ratios.
- Input into the Annual Budget.
- Authorising invoices for payment in accordance with the Centre's Delegated Financial Authorities.
- Receipt of cash and cheques at the Centre, including their secure storage.
- Maintaining a file of financial information, including the annual budget, month-end accounts and the audited Annual Financial Statements, such that this information is readily available for parents to review, should they request it.
- The centre manager is an authorised signatory.

BUDGETING AND REPORTING:

This section of the policy documents procedures for the preparation and review of the Annual Budget, Monthly Accounts, and the audited Annual Financial Statements. It further clarifies how the roles and responsibilities documented in the previous section are to be implemented.

ANNUAL BUDGET:

- An annual budget will be prepared prior to the end of the financial year, with a view to ensuring the financial sustainability of the Centre, and the achievement of the Centre's goals.
- The financial Administrator will be responsible for the preparation of the Annual Budget.
- If initial indications are that the Centre will be budgeting a deficit, the governance BOT must take appropriate action to prevent a deficit eventuating e.g. by raising additional income/decreasing non-essential expenditure.
- The budget process shall include consultation with the BOT (in particular the Treasurer and the Chair) and teachers.
- The Annual Budget will be reviewed, and if considered appropriate, approved by the BOT prior to the commencement of the new Financial Year.

MONTHLY ACCOUNTS:

- The Financial Administrator shall prepare and present financial accounts at each governance BOT meeting. The accounts will be for the month end closest to the date of the BOT meeting, unless the meeting falls within the first half of

the month, in which case the accounts will be for the prior month-end, so as to allow sufficient time for account preparation. The accounts will include a:

- Year to Date Profit and Loss Account showing variances to budget;
 - List of expenditure (this list will cover the period between the dates of the accounts presented at the current meeting and those presented at the immediately previous meeting); and
 - Commentary to the accounts explaining key points (e.g. significant variances to budget) and documenting any issues arising from the detailed monitoring of financial transactions as part of the day-to-day financial administration of the Centre.
- Any significant variances to budget shall be reported in the Governance BOT and the budget updated to reflect the change(s) in expectations.
 - The reports presented to the BOT will be reviewed and approved by the Treasurer prior to presentation to the rest of the BOT.
 - The Financial Administrator is responsible for monitoring the cashflow of the Centre. Cashflow statements/forecasts shall be prepared for presentation to the BOT on an as required basis e.g. if the Centre was experiencing cashflow difficulties or if required for budgeting purposes.
 - The centre manager will maintain a file of financial information, including the annual budget, month-end accounts and the audited Annual Financial Statements, such that this information is readily available for parents to review, should they request it.
 - The Treasurer will liaise regularly with the Financial Administrator, in relation to both monitoring of the monthly accounts, and any other financial issues that arise.
 - When making operational decisions, the governance BOT is responsible for evaluating the financial impact of these decisions.
 - The BOT must ensure that the Centre maintains a conservative level of financial reserves, so as to help ensure the continued financial sustainability of the Centre e.g. in the event of an unexpected shortfall in income or increase in expenditure.
 - If monitoring and review of the monthly accounts indicates that the Centre is facing financial difficulties, the governance BOT must take appropriate action to prevent a deficit eventuating e.g. by raising additional income/decreasing non-essential expenditure.
 - All financial records of the Centre will be kept for a minimum of seven years.

ANNUAL FINANCIAL STATEMENTS:

The Financial Administrator shall prepare a set of Annual Financial Statements, including:

- Profit and Loss Account.
 - Balance Sheet.
 - Statement of Movements in Equity; and
 - Notes to the Accounts.
- The Ministry of Education requires the Annual Financial Statements be independently audited. An independent Auditor will be appointed annually by the BOT, at its Annual General Meeting.
 - The Financial Administrator shall liaise with the Auditor, and provide them with required information, to ensure that the Annual Financial Statements are audited in a timely manner – no later than 180 days after the Centre's balance date.
 - At the conclusion of the Audit (and prior to the presentation of the audited Annual Financial Statements to the BOT), the Financial Administrator will speak separately with the Auditor to discuss the outcome of the audit and any matters arising who will then pass on to the Treasurer.
 - The audited Annual Financial Statements will be presented to the governance BOT for their review and approval. This approval will be documented and minuted.
 - The audited Annual Financial Statements must be submitted to the Ministry of Education by 30 June the following year. The Centre Manager in conjunction with the financial administrator will be responsible for this.
 - The Ministry of Education requires the Centre to make its financial reports available to the community (parents, staff and whanau) within 180 days. To order to achieve this the audited Annual Financial Statements (once reviewed and approved by the BOT) shall be posted on the Centre noticeboard or provided to parents by either hardcopy or email. The BOT is responsible for determining how best to communicate the audited Annual Financial Statements to parents at its Annual General Meeting.
 - The Centre Manager in conjunction with the financial administrator of the BOT will complete the annual return to the Charities Commission. The financial administrator will forward the financial information required to complete this return to the Treasurer.

FINANCIAL CONTROLS:

This section documents controls in place to help ensure the completeness and accuracy of financial records, and the financial accountability of the Centre. The size of the Centre places significant constraints on its ability to completely segregate roles and responsibilities in relation to financial administration. However, the Centre has worked to implement monitoring controls that enhance the financial control environment and ensure a cohesive link between the governance BOT and the outsourced financial administration of the centre.

There are three levels of monitoring and reporting (further documented in the previous section on budgeting and reporting):

- Detailed monitoring and reporting by the financial administrator.
- Oversight by the Treasurer and the governance BOT; and
- Independent auditing of the Annual Financial Statements.

In conjunction with these three layers of monitoring and reporting, the Centre has implemented the key financial controls detailed below.

DELEGATED FINANCIAL AUTHORITIES (DFAs):

The DFAs as outlined below document the maximum amount that each person may:

- Commit the centre to incur expenditure i.e. by ordering a product/service; and
 - Authorise (i.e. sign and date) invoices as approved for payment.
- All invoices must be authorized in accordance with the DFAs documented below, prior to payment by the financial administrator.
 - The person(s) responsible for authorising the invoice must be satisfied that the expenditure is valid and accurate. This may require consultation with others e.g. staff.
 - No invoices are to be approved by the person that incurred the expense e.g. a centre manager cannot approve their own expense/claims, the person who orders a product/service must not sign the invoice for the product/service they ordered.

Person(s)	DFA (\$)	Comments
Centre manager	\$500 within approved Annual Budget	The centre manager must not sign for expenditure they incurred. This can be signed by another authorized signatory, i.e. the Chairperson or FA
Treasurer and Chair	\$400 within approved Annual Budget \$250 NOT within approved Annual Budget	Both the Treasurer and Chair must sign unless one of them incurred the expenditure. In this case the Secretary of the BOT must sign the invoice in place of the person who incurred the expenditure. For expenditure that is NOT within budget , the Treasurer/Chair shall consult with the Financial Administrator prior to approval.
BOT	>\$400 within approved Annual Budget >\$250 NOT within approved Annual Budget	Approval must be documented and minuted. Approval will ideally occur at a BOT meeting. However, if approval is urgently required, it can be obtained via email, and documented and minuted as part of the next meeting. For expenditure that is NOT within budget, the governance BOT shall consult with the Financial Administrator prior to approval.

CASH RECEIVED AT THE CENTRE:

The centre manager must ensure all cash received are securely stored, as follows:

- Cash will be stored in a locked cash box, to which only the centre manager and financial administrator will have the key.
 - The locked cash box will be stored in the locked filing cabinet.
- Cash received will be collected and banked by the financial administrator or manager when recieved.

INTERNET BANKING:

- The financial administrator and the centre manager have dual access to internet banking on behalf of the Centre.
- The financial administrator and centre manager must not disclose passwords/access codes to any other person(s).

BANK STATEMENTS:

The centre banks with ANZ. ANZ sends bank statements to the centre. These are forwarded to the administrator.

BANK RECONCILIATIONS:

- Bank balances in the General Ledger are reconciled to statements received from the bank.

Board of Trustees consulted	Yes/No	Kaiako consulted	Yes/No
Parents consulted	Yes/No		
Approved by: _____	Designation: _____	Date: _____	