FINANCIAL MANAGEMENT POLICY AND PROCEDURE

FINANCIAL MANAGEMENT POLICY AND PROCEDURE

Table of Contents

1. PURPOSE

To ensure proper financial management and accountability within the organization in compliance with Generally Acceptable Accounting Principles (GAAP) and audit requirements applicable to Non Profit Organisations' in South Africa.

2. DEFINITION

Financial management is the Planning, directing, monitoring, organizing, and controlling of the monetary resources of an organization. It is the process of managing the financial resources, including accounting and financial reporting, budgeting, collecting accounts receivable, risk management, and insurance for a business.

3. SCOPE

This policy is applicable to all personnel responsible for financial management and accounting, all managers who are directly involved with budget management and expenditure and the DIRECTOR as the accounting officer.

4. POLICY APPLICATION

4.3 PRINCIPLES OF RESPONSIBILITY AND ACCOUNTABILITY

The Chairperson, Chief Financial Officer, and Chief Executive of the company have the authority to commit funds for expenditure. It is the responsibility of the Chief Executive to approve and monitor all expenditure (with the exception of payments made to her/him personally). The sources of funds within the company are primarily the fees paid by **learners**, and grants from donors for specific purposes and projects. The expenditure of funds should always satisfy the criterion of serving the interests. In the case of any significant purchase, alternative quotations should be obtained for consideration by the Chief Financial Officer, Chief Executive, and Project coordinator. Any assets acquired remain the property. If assets are acquired from donated funds, the donors should be consulted regarding disposal.

In respect of the expenditure of funds for which the Chief Executive has been delegated responsibility, it is an **important principle of sound financial management that she/he be accountable to someone else for such expenditure.** In this are the Board and regular reporting to both the Executive Committee and the Board is required. Expenditure must remain within the funds available, and be for the purpose for which the funds were intended.

The Chief Executive is ultimately responsible for the control of financial activities within the company and through an adequate reporting structure and with up-to-date financial information, should regularly monitor the status of such expenditure.

The Board expects adequately comprehensive and descriptive documentation in support of expenditure, and may be expected to query expenditure if this is not provided.

No one individual may be the sole signatory for authorizing expenditure. Expenditure is usually authorized by the Chief Executive and one other signatory. The exception is expenditure for which the Chief Executive is the beneficiary (e.g. salary, travel), in which case two signatures other than the Chief Executive's are required. In the case of payments for amounts less than R5000.00, two internal signatories will be permitted, one of which must be the Chief Executive, excluding those payments made to either of the signatories. A printout of all electronic transactions is kept in the company office.

Wherever possible, payments will be made via internet transfer. Invoices for amounts under R5000.00 are to be authorized by the Chief Executive and one other internal signatory. Invoices over R5000.00 are to be authorized by the Chief Executive and one Board member.

The Chief Executive must designate one of the members of staff to act as custodian of petty cash and other specific assets requiring safeguarding, including the control and storage of keys.

Only **o**fficial bank accounts may be used for banking or issuing funds. When issuing funds, all payments must be supported by authorized vouchers.

4.4 BANK ACCOUNTS

The accounts are currently held by **the company and the** majority of funds are retained in the high interest bearing accounts, and appropriate amounts are transferred to the current accounts as required.

Under no circumstances may bank accounts be opened without obtaining the approval of the Chief Executive and the Board.

4.3 BUDGET

The budget for the following year is drafted by the **CFO**, the director and the project co-ordinator responsible for book-keeping, in the second half of the current year, and presented to the Executive Committee and the Board for approval.

4.3.5 OFFICE RUNNING COSTS

These are based on the actual costs of the previous year, the estimated costs for the current year, and projected costs for the following year. Line items include rent, telephones, photocopier, stationery, travel, maintenance, staff training, insurance, bank charges and auditor's fees, etc.

4.3.6 PROJECT COSTS

These are based on anticipated activity and expenditure in the coming year. They may be sub-divided into Project Management and Operational costs.

4.3.7 PROJECTED EXPENSES

- Staff remuneration, office running costs and an amount for capital equipment upgrading are established for the coming year, based on the current year's budget and expected expenditure.
- Team leaders (where applicable) will submit proposals for funding. In all instances, the CFO and manager will allocate an appropriate amount to each project for operating expenses and project management for the coming year.
- Reserve fund: An amount (currently 5% of the total budget) is retained in a reserve fund. This may be used, *inter alia,* as bridging finance in the case of late payment of membership fees, or as start-up funding for a project not yet budgeted for. In the latter case, the approval of the Executive Committee is required.

4.3.8 PROJECTED INCOME

Projected income is calculated according to:

- projected surplus at the end of the current year (if any);
- expected donor/grant funding;
- Training fees
- Other sources of income (e.g. Administrative Fees, Project Management Fees).

4.4 INCOME

The centre is funded through, *inter alia:*

- donations, voting of money, grants, or any other person or source supporting the functions;
- grants from any institution or source granting money for educational purposes;
- income or accruals for any services rendered;
- Interest on investment.

Major sources of income are training fees and donations/grants. Invoices are sent to clients requesting payment of a fee agreed upon previously by the Board. Grants are solicited from foundations and government for specific projects of Fund-raising is primarily the responsibility of the Chief Executive.

Whenever generate additional external income, e.g. workshops, training, conferences, etc., documentation such as invoices or statements must be in the name of the company debtors to be asked to make payments in settlement of such amounts in the name of the company. Such payments must be deposited directly into current account. Records are kept of each deposit.

4.4.1 OPERATING INCOME

This is normally derived from training fees. Funds are allocated for both recurrent expenditure (salaries and running costs such as rent, telephones), and for non-recurrent expenditure (equipment, travel, projects).

4.4.2 EXTERNAL INCOME

This is normally derived from donations, grants and a small amount from funds acquired from workshops, conferences, etc. The Chief Executive is responsible for ensuring that details of income and expenditure relevant to a donor are kept in accordance with the donor's stated reporting requirements. If a donor requires an audit certificate, the Chief Executive must ensure that the external auditor is consulted (currently 20% administrative fee on grants received in support of projects, if permitted in terms of the grant.

.4.3 LEGAL ASPECTS

The donations of the company are available for investment with one or more financial institutions.

The centre must be administered in such a manner as to preclude any donor from deriving any monetary advantage from monies donated.

4.5. DEPOSIT OF EXTERNAL FUNDS

Funds raised or donated should be deposited in the company's interest-bearing account (money market), and amounts required for expenditure transferred to current account when required. **Deficits may not be accumulated** i.e. funds should not be allowed to build up in the money market account while a deficit accumulates in the current account. In the case of a grant awarded for expenditure over several years, it is prudent to capitalize a portion of interest each year in order to retain the purchasing power of the grant.

4.6. INVOICING AND COLLECTION OF EXTERNAL DEBTS

Invoices may be issued from the company, which is responsible for collecting amounts. Records are maintained of all transactions.

4.7. EXPENDITURE

4.7.1 PERSONNEL COSTS

An amount for expenditure on personnel is allocated by the Board each financial year. The Chief Executive and staff are paid monthly directly, via debit order. When general salary increases are awarded the approval of the Executive Committee must be sought for the increase in the salaries of staff, and the CFO is advised accordingly.

Claims for over-time worked are initiated via the company Claim Form, authorized by the Chief Executive, and submitted to the Personnel Office.

4.7.2 OPERATING EXPENDITURE

An amount is allocated by the Board annually. Expenditure items include rent, electricity, telephone, postage, stationery, travel, maintenance, auditor's fees, staff training, bank charges, etc. Allocations are based on actual expenditure in the previous year. Payments are made by the company office on receipt of invoices or accounts, and all transactions are recorded on the financial statements tabled at Chief Executive and Board meetings. Purchases are approved by the Chief Executive. In the case of major items of expenditure (over R100 000), confirmation will be sought from the Executive Committee.

A petty cash facility is maintained to facilitate small purchases for the office. It is monitored by one of the staff, and till slips for all purchases are checked by the Chief Financial Officer / Chief Executive.

4.7.3 PURCHASES MADE

Purchases made from the company are paid for on receipt of an invoice.

4.7.4 REIMBURSEMENT OF TRAVEL COSTS

The Chief Executive and members duly delegated by the Executive Committee or the Board to conduct business or represent the company may claim travel and accommodation expenses. Vouchers/receipts must be submitted with the claim.

The staff may claim petrol expenses incurred in attending meetings outside the area. The rate per kilometer is determined annually by the Executive Committee.

4.10 ANNUAL FINANCIAL STATEMENTS / ANNUAL AUDIT

A statement of income and expenditure during the previous financial year, as well as a balance sheet of the company financial position at the end of said year, are prepared by the **Bookkeepers** External auditors audit the financial statements at the end of each financial year, and produce reports for Financial Statements together with the Auditor's Reports are presented at the Annual General Meeting.

Accounting procedures in the office are in line with the requirements of the auditors

5. COMMUNICATION OF POLICY

The Financial Management Policy will be distributed to all Managers and all personnel responsible for financial management and accounting. A workshop will be conducted for all staff within the organization to familiarize them with the policy.

6. EVALUATION AND REVIEW

This policy will be evaluated on a regular basis and reviewed once a year by the Financial Personnel in conjunction with the Management Team.

7. DOCUMENTATION

- An approved master copy (hard-copy) of the Financial Management Policy
- An electronic copy of the Financial Management Policy
- A signed circulation list of employees that received the Policy.