

**Policy Title:** Financial Management Policy

**Classification:** Finance

**Monitored by:** Finance Officers

**Approved by:** GM Operations

**Effective Date:** November 2021

**Review Date:** November 2023

**Objective:** To outline the conditions and constraints under which the Association and kindergartens will operate financially.

**Commitment:** HCK is committed to ensuring the ongoing financial viability of the Association by maintaining high standards of financial management that can withstand annual financial auditing.

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### Related Documents

- Internal Controls for Financial Processes (attached)
- Schedule of Delegations
- Governing Board Operations Policy

### Policy Details:

#### Section 1: Delegation of Financial Management

1. The Board delegates the authority for day-to-day financial management of the Association to the General Manager Operations.
2. The Schedule of Delegations provides details of the financial limits.
3. The General Manager Operations will prepare the annual operating and capital expenditure budget, based on the approved Business Plan.
4. The maximum limit for spending funds and incurring costs (including entering into contracts) is equal to the total approved annual budget, and includes all personnel, occupancy and administration costs.
5. The General Manager Operations will provide quarterly financial reports to the Board so they can monitor the Association's financial performance and position.

#### Section 2: General Manager Operations responsibilities

1. The General Manager Operations must:
  - Ensure Association funds are only used to achieve the Association's strategic plan.
  - Not spend beyond the Association's reserves.
  - Follow payment approval authorities as details in the Internal Controls for Financial Processes (attached).
  - Use standard accounting practises to record all financial transactions.
  - Coordinate an annual financial audit by a practising Chartered Accountant, approved by the Board.
  - Ensure kindergarten financial processes are simple, transparent and able to protect funds from misuse.
  - Make schedules of financial responsibilities available to kindergartens, defining the costs that will be met by either the Association or the kindergarten.
  - Make regular training and support available for all staff involved in financial processes.

- Monitor Association and kindergarten spending to ensure the appropriate use of funds and the correct allocation of resources.
- Investigate any allegations of financial misuse at the Association or a kindergarten in a timely manner.

### **Section 3: Investment Control**

1. The Association's investment assets are to be invested in a way that maximises long term total returns with low-risk risk tolerance.
2. Any deviation from this strategy requires approval by the Board.

#### **Review:**

This policy will be reviewed biennially.

# Internal Controls for Financial Processes



## Association Operating Income/Expenditure

### Income

- Bulk funding income is received in the months March, July and November into the Association cheque account.
- The General Manager Operations reviews the funding from the MOE reports received and Infocare reports.
- Term deposits are then set up for the next four months – signed off by the General Manager Operations and the General Manager Professional Services.
- All other income is recorded in the accounts system, when an invoice is raised either by the Finance/Operations Officer or the General Manager Operations.

### Payments

- Invoices are received and checked/approved for payment by either the General Manager Operations or the General Manager Professional Services, up to \$20,000.
- Any invoices over \$20,000 must also be signed off by the President of the Board.
- Staff reimbursement requests (including details of expenditure and receipts) are approved for payment by either the General Manager Operations or the General Manager Professional Services.
- Invoices/reimbursement requests are entered for payment by the Finance/Operations Officer.
- Contracts which require a monthly Direct Debit payment must be signed off the by the General Manager Operations.

### Payment Runs

- These are generally completed once a week on a Friday and on the 20<sup>th</sup> of the month.
- They are set up by the Finance/Operations Officer.
- They require two authorised signatories to approve the payment in the Internet Business for Banking IB4B system, the Finance/Operations Officer and the General Manager Operations.
- All IB4B payment batches are signed by the General Manager Operations before authorisation.
- There is a two part security system for logging into IB4B – Step 1 Account number, User name and Password – Step 2 Individual Netguard token with PIN.

### Eftpos/Flexi Debit Card Expenditure

- All Association staff have an eftpos/flexi debit card.
- All transactions require a receipt.
- The Finance/Operations Officer reconciles the eftpos account at the end of the month and check all receipts are received.
- The eftpos bank statement is sighted by the General Manager Operations and signed off.
- Any purchase made by the General Managers are signed off by the Board President.
- The Finance/Operations Officer prepares a transfer of funds from the cheque account to the eftpos account, which is approved by the Finance/Operations Officer and the General Manager Operations.

### Expenditure concerns

If there are concerns with any expenditure the Finance/Operations Officer will raise these with the General Manger Operations.

## Kindergarten Income/Expenditure

### Income

- Income is recorded when it is received in the kindergartens individual bank accounts, by weekly bank reconciliations completed by the Kindergarten Finance Officer.

## Payments

- Invoices up to \$500 are received and checked/approved for payment by the Head Teacher.
- Invoices between \$500 and \$1,000 are received and checked/approved for payment by the Head Teacher and an approved member of the Kindergarten Management Committee.
- Invoices over \$1,000 require pre-approval by the General Manager Operations. Once approved, they are processed for payment.
- Invoices are emailed to the Kindergarten Finance Officer once approved for processing,
- Staff reimbursement requests (including details of expenditure and receipts) are approved for payment by the Head Teacher. Head Teacher reimbursement requests are approved by the General Manager Professional Services.
- Invoices/reimbursement requests are entered for payment by the Kindergarten Finance Officer.
- All kindergarten invoices due on the 20<sup>th</sup> of the month should be received at the Association by the 15<sup>th</sup> of the month.
- In certain circumstances, a person may be given a koha instead of a fee. Koha can be money or vouchers. The kindergarten finances will record the details of any koha given.

## Payment Runs

- These are completed once a week on a Friday and on the 20<sup>th</sup> of the month.
- They are set up by the Kindergarten Finance Officer.
- They require two authorised signatories to approve the payment in the Internet Business for Banking IB4B system, the General Manager Operations and the Kindergarten Finance Officer.
- All IB4B payment batches are signed by the General Manager Operations before authorisation.
- There is a two part security system for logging into IB4B – Step 1 Account number, User name and Password – Step 2 Individual Netguard token with PIN.

## Eftpos Expenditure

- Kindergarten eftpos accounts have a \$400 limit.
- All permanent kindergarten staff can have an eftpos card once approved by the Head Teacher.
- All transactions require a receipt. If this is not a possible, a letter explaining the expenditure is required.
- For any larger expenditure items/online purchasing, a request is required for additional funds and should be signed off by the Head Teacher.
- An Eftpos Summary Form (including all receipts) is completed and signed off by the Head Teacher, and sent to the Kindergarten Finance Officer.
- The Kindergarten Finance Officer checks the expenditure and processes a transfer of funds, which is approved by the General Manager Operations and the Kindergarten Finance Officer.

## Donated goods and services

Financial accounts will show the value of all donated goods and services. This will be done in a manner approved by the Association auditors.

## Expenditure concerns

If there are concerns with any expenditure the Kindergarten Finance Officer will raise these with the General Manager Operations.

## Payment/Banking authorisers

- *Authorised persons to create payment batches:*  
Wendy Price, Charmaine Hakaraia – Kindergarten Expenditure  
Kristine Allen, Charmaine Hakaraia – Association Expenditure
- *IB4B Online Banking Payment authorisers:*  
Wendy Price, Charmaine Hakaraia, Norma Roberts – Kindergarten Expenditure  
Kristine Allen, Charmaine Hakaraia, Norma Roberts – Association Expenditure

## Payroll Processes

- Weekly staff returns from Infocare are checked and signed off by the Head Teacher.
- Staff leave is applied for through the online Datapay system and approved by the appropriate Manager/Senior Teacher.
- The Payroll Advisor checks and processes the timesheets and any outstanding leave requests.

- Any queries are referred to the relevant Manager/Senior Teacher.
- The Payroll Advisor is assisted by the HR Manager and General Manager Operations who can provide backup.
- Payroll variance and costing summary reports are checked by the HR Manager and General Manager Operations.
- Payroll is approved by the General Manager Operations.
- Any changes in employment or addition of new employees must have supporting documentation and be signed off by the HR Manager and General Manager Operations, where appropriate.
- New staff members are added into the Datacom pay system by the HR Manager.

### **Financial Reporting – Association**

- Month end bank reconciliations are completed by the Finance/Operations Officer.
- Month end journals are completed by the Finance/Operations Officer.
- The General Manager Operations prepares the monthly report.
- The General Manager Operations and General Manager Professional Services have a monthly meeting to review the financial reports.
- The General Manager Operations prepares the Financial Report which is presented to the Board each month, including commentary for any variances above 5% compared to the budget.

### **Financial Reporting - Kindergarten**

- Bank statements are reconciled weekly for each kindergarten by the Kindergarten Finance Officer.
- Month end journals are completed by the Kindergarten Finance Officer.
- Monthly reports are prepared by the Kindergarten Finance Officer and reviewed by the General Manager Operations.
- A copy is emailed to Head Teachers for their information and to present at their committee meetings.

### **GST Returns**

- The GST accounts are reconciled at the end of each GST period, before the return is submitted.

### **PAYE and FBT**

- PAYE is managed by the payroll service provider with the gross amount being paid to them for processing and payment to IRD.
- Hutt City Kindergarten Association does not have any FBT items and returns are not required.