

## FINANCE MANAGEMENT PROCEDURES

### NAG 4/1

#### Introduction

The Board accepts that it has a responsibility to protect the cash resources of the School. The Board has agreed on the fundamental principles of this Policy, and has delegated responsibility for the implementation and monitoring of this Policy to the Principal.

These procedures provide for the delegation of control from the Board (Governance) to the Principal (Management) to the School (Administration staff) to operate on a day-to-day basis.

To comply with the Public Finance Act and the Finance Reporting Act, the Board is required to ensure that all persons involved in the financial management of the school acknowledge the need for integrity and accountability.

Compliance with these procedures will ensure sound management of all financial activities, help safeguard against potential misappropriation and increase efficiency.

Adherence to the procedures will provide accountability, security of funds and ensure accurate information is available to the service provider. It will help to reduce errors and will assist in detecting any errors that may be made.

The procedures should be reviewed on an ongoing basis to ensure that all relevant areas are adequately covered and that appropriate compliance testing is monitored.

Where significant changes occur in the operations of the school or in staffing, the procedures may need to be reviewed and adjusted.

#### Cheque and Call Deposit Accounts

*The philosophy behind the authorization of signatories to cheques, direct debit forms and automatic payment forms is as follows:*

- *More than one person must sign*
- *The payment should not be in favour of any person signing*
- *The person signing must feel entitled to question the payment*
- *Requests for signature must be accompanied by the supporting documentation in line with authorised procedures*
- *Expense payments to staff must be authorized by a higher authority*
- *No cheques should be pre-signed with any signatures.*

- 1) The Board agrees that one cheque account shall be operated for Board general receipts and payments.
- 2) The signatories to this cheque account shall be as follows (2 signatures required):
  - the Board Chairperson
  - the Principal
  - the Deputy Principal

Any change in cheque signatories should be approved and minuted by the Board.

If any signatory leaves the employ of the school they should immediately be removed as a signatory and replaced with an approved alternate.

The appropriate bank forms must be completed to achieve this.

Care must be taken to ensure that no unpresented cheques are outstanding which bear the signature of a deleted signatory.

- 3) All cheques for operating expenses shall be signed by the Principal or Deputy Principal or a board signatory.
- 4) Under no circumstances is a cheque signatory to sign a blank cheque. Each signatory should check the attached information before signing each cheque. If a signatory is not completely satisfied that the payment should proceed they should not sign.
- 5) The Payee name entered on the cheque butt, cheque, and cheque payment voucher must always be the same. This facilitates the tracing or cancellation of any cheque.
- 6) All cheques, except those for petty cash reimbursement, must be issued as 'Not Transferable – Account Payee Only'. No "cash" cheques are to be issued.
- 7) All cancelled cheques are to be marked as such and filed in the general ledger file.
- 8) At no time shall the cheque account be operated in overdraft without permission from the bank and the Ministry if the overdraft exceeds the borrowing limits.
- 9) On Call interest bearing deposit accounts shall be operated to hold cash resources not currently required for operating purposes. These accounts are only to be operated by the Principal or Office Manager, with any transactions reported by the Principal at the next Finance sub-committee meeting.
- 10) Direct Debits and automatic payments - Cheque signatories have the same responsibilities when signing direct debit forms and automatic forms as they do with cheques. Each signatory must check all documentation before signing.

The Office Manager has the responsibility of ensuring that stop and start dates of all automatic payments are monitored to ensure that incorrect payments are not debited to the school's account.

Documentation – Copies of documentation to be kept on file:

- Automatic payment authorities
- Cheque signatory authorities
- Direct debit authorities

### **Investments**

- 11) Investments of School funds may only be made in accordance with the terms of Section 73 of the Education Act 1989.
- 12) Notwithstanding the requirements of Section 73, no investments may be made in equity stocks or in synthetic money market products (e.g. Forward Rate Agreements and Interest Rate Swaps).
- 13) Investments may only be made with the written authorisation of the Principal and the Board Chairperson.

### **Fundraising**

- 14) The Board acknowledges that under Section 73 of the Education Act 1989 some professional fundraising contracts constitute an illegal fundraising contract. No such fundraising contract will be entered into by the School. If doubt exists about the legality of a proposed fundraising contract, the Principal will contact the regional Financial Adviser of the Ministry of Education for advice.

### **Monies received by the school**

*The object of this procedure is to ensure that all monies received by the school are:*

- *Correctly processed and recorded*
- *Kept secure*
- *Banked on a timely basis*

- 15) Teachers do not handle money brought to school by students, collection is handled by the office staff. Students bring their money in a named envelope to the office. Payments to the school are likely to include school donations, stationery, trips, competitions, camps etc.

### **Cash Receipts**

- 16) All cash and cheques received must be paid into the school office and recorded in the Student Management system as soon as possible, or weekly monies received register. This includes trading income, other local funds receipts and reimbursements for learning materials.
- 17) No cash received can be used to pay accounts in cash.
- 18) Only delegated staff may handle cash.
- 19) All receipts must be banked as soon as possible.
- 20) All cash and cheques kept on the premises must be kept in the safe. Safe code is only known by the Principal, Office Manager and Teacher Aide with responsibility for banking.

### **School Trips/EOTC Activities**

*EOTC activities may be self-funding, school funded, funded by donations or a combination of any of the above. Most school trips are budgeted to be self-funded.*

### Procedures

1. To ensure that all school trips are planned, authorized, and managed on a sound financial basis, an EOTC Activity Proposal Form is to be completed by the teacher in charge of organizing the trip. The completed form is to be forwarded to, and authorized by, the Principal before any commitments are made on behalf of the school.
2. Care must be taken when costing a trip that the GST status of any supplier is recognized. Where GST may not be claimable against an expense incurred because the supplier is not GST registered an equivalent increase in charges to the students (or fundraising) needs to be made equal to 15% of the unclaimable expense.
3. Mini budgets will be prepared for each activity. This will detail how the activity is to be funded. These will be authorised by the Principal.

### **Banking**

- 21) Cash is to be banked regularly. Banking is prepared by the Office Manager or Teacher Aide responsible for banking and taken directly to the bank.

### **Petty Cash**

- 22) Petty Cash is generally intended for purchases less than \$30.
- 23) When a staff member obtains petty cash from the Office Manager they will be required to sign a petty cash notebook acknowledging receipt of the cash.  
The till docket or receipt, with any change, is to be returned to the Office Manager when she will mark off the receipt in the notebook.  
The staff member is to enter their name on the back of the receipt and reason for purchase.  
No reimbursement for expenses will be paid without a receipt or till docket.
- 24) Petty cash is to be reconciled on an ongoing basis. The completed cheque payment slip should be attached to the Petty Cash Journal Ledger, together with all relevant receipts.
- 25) Petty cash is topped up by raising a cheque to bring the cash on hand back to \$100.00
- 26) Petty cash on hand should be kept secure at all times.

### **Purchasing**

- 27) All purchases are to be made using an order book which is consecutively numbered. Only one purchase book is in use at any time. This is to be held by the Office Manager. The purchase orders must be checked and authorised by a designated person:
- a. Principal
  - b. Office Manager
- 28) The purchase order details must include:
- The name and the supplier
  - Date goods ordered
  - A full description of goods ordered
  - The budget that the expense will be charged against
  - The name of the staff member placing the order

### **Invoices received by the School**

*The object of these procedures is to ensure that:*

- *Invoices do not become lost in the system – copies of invoices from suppliers increase the risk of double payment.*
- *Invoices are linked to purchase orders – if the purchase order is authorized, providing that the invoice is in line with the order, authority to pay should be automatic.*
- *Invoices without purchase orders are approved.*

*In the majority of cases, a school cannot refuse to pay an invoice if the cost has been incurred. It is important to realise that the purchase order is the authority to spend. The authorising of an invoice is to say that the goods or service have been received and priced correctly, not that the cost has been authorised.*

*Providing, therefore, that a disciplined purchase system is established, the subsequent invoice when linked to the order should be automatically passed through the payment system.*

### Procedures:

- 29) When an invoice is received the Office Manager checks the invoice against the relevant purchase order.
- 30) To ensure that the original invoice is not mislaid, when necessary a photocopy of the invoice is given to the staff member who originated the order and that person is responsible for checking the invoice, and

the costs against the goods received. That person then signs the original invoice to confirm that the order is correct.

- 31) When the order is not complete ie. some goods are on back order, the goods received should be marked off on the purchase order, and a photocopy of the purchase order form attached to the invoice.
- 32) Where an invoice is received and no purchase order has been raised the invoice is checked as normal and the principal is to authorise the invoice before payment is made.

### **Accounts for Payment**

- 33) Prompt payment invoices to be paid weekly. All other invoices to be collated and prepared for payment by the 20<sup>th</sup> of each month.
- 34) All accounts for payment, other than expense reimbursements and attendance fees, must be supported by a copy of the:
  - the invoice, with certification by the person ordering that each item has been received, prices and quantities are correct and the payee details are correct
  - the correctly completed cheque ready to be signed.
- 35) The invoice must be certified by the Principal or BoT chairperson.
- 36) Expense reimbursements must be certified by the Principal. An expense claim should be supported by GST receipts or invoices. Claims for the use of private motor vehicle usage must be certified by the Principal or delegate to indicate that approval was given. Scale rates as per the award will be the basis of reimbursement per kilometre.

### **Invoices issued by the School**

*Increasingly schools are required to issue invoices to the MOE, or other entities, for reimbursement of expenses or payment claims. As a GST registered entity, all invoices issued by the school must follow IRD rules.*

- 37) Invoices will be issued from the School's printed, GST numbered invoice book.
  - The current date is to be entered.
  - The full name and address of both the school and the debtor are to be entered.
  - Full details of charge incurred are to be entered.
  - The invoice should show net amount owing, GST component and total.
- 38) When the money is received and banked or supporting bank statement received confirming the internet banking transaction, the details are to be noted on the copy of the invoice remaining in the invoice book.

### **Accounting Records**

- 39) The Principal shall arrange for proper accounting records to be maintained. The records must satisfy all requirements specified in Acts of Parliament, financial reporting standards and other applicable standards.
- 40) The Office Manager processes accounts through to payment, data entry of all income and expenditure into the Musac programme and bank reconciliations.
- 41) The Service Provider will visit the school each month as per contract, and will prepare GST return data.
- 42) The Office Manager will keep the staff informed of their designated budget areas. Budgets will be updated monthly.
- 43) The financial system must be so organised by the Principal that the Principal and Chairperson can sign without hesitation the annual Statement of Financial Responsibility as required by Section 42 of the Public Finance Act 1989.

### **Periodic and Annual Financial Statements**

- 44) For each calendar month the Service Provider (on behalf of the Principal) shall prepare financial reports showing:
  - Statement of Financial Performance, including comparison to budget
  - a summary Statement of Financial Position.
- 45) For each month the Principal or Board delegate shall present a summary of:
  - key (financial) achievements from the previous month
  - expectations for the month ahead and
  - significant matters and/or risks that must be addressed by the School.
- 46) This report shall be presented by the Finance Committee at scheduled meetings, and tabled at the next meeting of the Board.

- 47) Any recommendations made to the Board for the purchase of fixed assets, investments and other use of cash resources must refer to the impact on the School's present cash resources and projected cash flows for the next 12 months.

### **Asset Register**

- 48) The asset register will be maintained, as purchases are made, by the Office Manager. The Office Manager, together with Edtech Consultant, will process depreciation, reconcile the general ledger and carry out annual roll over of the asset register.

### **Security of Assets**

- 49) Site Security  
Cleaners set the alarm if all staff have left when they have completed their work otherwise the last staff member to leave the school at the end of each working day is responsible for setting the alarm.
- 50) Security of Funds  
Procedures covering security of all cash on hand is detailed above.
- 51) Security of Keys  
Each staff and Board member is responsible for the security of any keys they may hold on behalf of the school.  
The Principal holds keys to the cupboard where master keys and spare keys are kept.
- 52) Security of Fixed Assets  
All teaching staff are responsible for the security of their teacher laptops.

The Principal and Office Manager is responsible for ensuring the asset lists are comprehensive and current and that all new asset purchases are entered onto the list.

Any assets lost, stolen or written off are to be entered on an Asset Disposals Schedule by the Office Manager.

When any staff member needs to take an asset off site authorization is to be obtained from the Principal and the details entered into the Asset Notebook kept for this purpose. When the asset is returned this is to be noted in the Asset notebook and signed by the Principal.

### **Compliance Testing**

- 53) When receipting cash the Teacher Aide responsible for banking monies should check that the school trips and school donation envelopes have been completed correctly.
- 54) When the Principal, or nominated alternate, authorizes a purchase order form she should check that the goods being ordered fall within authorized budgeted expenditure, and that the form has been completed correctly as per the written procedures.
- 55) The person placing an order should check that the purchase order form has been authorized by the Principal or her nominated alternate as per the written procedures.
- 56) When a cheque is presented for signing each signatory is to check that all documentation is attached and authorized, as per the written procedures, and that the payment appears appropriate.
- 57) When an authority for direct debit or automatic payment is presented for signature each signatory is to check that the expense fall within budgeted expenditure or has been minuted as approved by the Board.
- 58) When a form authorizing additions or deletions of cheque signatories is presented for signature, each signatory is to check that the changes have been minuted by the Board.
- 59) The procedures should be reviewed on an ongoing basis to ensure that all relevant areas are adequately covered and that appropriate compliance testing is included.