

# Merri Creek Management Committee

## Proposed Finance Policy

### Accounting & Audit Cycle

The MCMC Annual General Meeting is conducted each year in December.

The MCMC financial year is between 1<sup>st</sup> October and 30<sup>th</sup> September. Between the 30<sup>th</sup> September and the AGM an audit of MCMC accounts is completed. On receipt of the draft audit the Finance Subcommittee convenes and reviews the previous year's financial position. The audit is conducted on the general ledger accounts of the organisation. Splits of general ledger accounts between jobs are not audited.

MCMC finances are managed and reported upon on a quarterly basis. Adjustments are calculated on an accrual basis and processed quarterly – Dec-Jan, Feb-March, April-June & July-Sep. The Finance Subcommittee meets six weeks after the end of each quarter and then reports to the full committee.

All payments are prepared by the finance officer and authorised by two signatories – Manager and one Exec member. Payments may be by cheque or electronic transfer ie wages

MYOB is the computerised finance package used by MCMC for the management of its finances. The system is protected by the use of passwords and used by the Manager, Admin Officer & the Finance Officer.

### Finance Subcommittee

The Finance Subcommittee meets quarterly around 6 weeks after the end of each quarter to allow time to process the quarter's accounts. Terms of Reference have been set for the Subcommittee which can be found in the MCMC Terms of Reference for Standing Committees document.

### Cheque expenditure

All payments with the exception of those made electronically are to be made using MCMC's chequebook.

A signature from each of 2 of the 3 signatories to MCMC's bank accounts is sufficient to authenticate a cheque. The signatories are to be: the Manager, the Treasurer and either the Secretary or the President.

A triplicate order book will be used and the yellow copy kept with receipts/invoices as evidence of the proper expenditure. For each cheque a green cheque requisition form will be prepared by the Finance Officer which will be initialed by each signatory.

A separate cheque requests/ordering procedure has been developed. The following staff are authorised to authorise expenditure according to the following table:

| <b>Department</b>        | <b>Relevant Authorised persons</b>  |
|--------------------------|---|
| Parkland Management Team | Parkland Management Team Coordinator (\$1,000 limit)<br><br>Conservation Program Manager (\$1,000 limit for non-budgetted items, \$10,000 for budgetted items)<br><br>Nic (\$500 limit) |
| Management               | Manager (according to MCMC purposes and budget)<br><br>Admin/Info Officer (\$500 limit)   |

|                   |   |
|-------------------|---|
| Catchment Program | Catchment Program Manager (expenditure within Approved Catchment Program budget)<br><br>Manager (according to MCMC purposes and budget) |
|-------------------|---|

## Electronic banking - Payments procedure

Adopted by Finance Subcommittee 12/2/02

1. All payments are processed by completing a Cheque Requisition form initialled by the finance officer, signed by a COM signatory and counter signed by the Manager.
2. A Funds Transfer Form is completed noting the total value of payments and including any wages payments total. This form is signed by a COM signatory and counter signed by the Manager. The total amount is transferred from the Ethical Investment Fund to the Cheque Account after it is faxed to the bank and processed.
3. The software used for transfer and processing of all electronic banking is MYOB Payroll-Electronic Processing and Securelink banking package. Securelink contains its own security procedure and protection when transferring data.

The security password is to be changed on a 6 monthly basis.

Fax confirmation of the transaction to be checked and signed by the Manager prior to the electronic transfer.

4. A bank statement for the Cheque Account is received and reconciled on a weekly basis.
5. Payroll Cheque Account is used for processing all wages and is reconciled in each payroll period.
6. Cheque Requisition Form and the Funds Transfer Sheet are stapled together and filed in date order with other cheque requisition forms.

## **Budgeting Procedure**

### ***Budget structure***

A budget will be maintained using an excel spreadsheet. The main body of the spreadsheets will be a set of sheets, each representing one job number, equivalent to those used in MYOB. Each sheet will list accounts as listed in the Chart of Accounts in MYOB, and will show the budgeted GST-exclusive expenditure and income in each quarter, and the total for the year.

These core spreadsheets will be consolidated by Department (Management, Catchment Program and Creeklands Program), consolidated into an MCMC-wide sheet, which is summarized into a single sheet showing income and expenditure for the 3 departments and one for shared operational expenses.

In addition the budget spreadsheet will include a sheet indicating the depreciation expected for the year, a sheet listing current pay rates under the applicable agreement, and a sheet listing budgetting assumptions including the rate for Workcover, Superannuation, etc.

Each year in July a new budget spreadsheet will be prepared by the Manager. The responsibility for filling in, and amending, budget figures for jobs within the Departments lies with the Departmental Manager, and is to be completed by the MCMC meeting in mid-August (and reviewed if necessary as information comes to hand).

New budget figures for a coming year are to be presented to the Finance Subcommittee and Committee of Management with the actuals from the previous year and the most recent budget figures from the current year.

Note that the budgetted income is to show how cash income is to expected to be spent across the year, as opposed to reflecting cash flow<sup>1</sup>. The split of income between quarters shown in the budget will be used as the basis of accruing the income in MYOB across quarters.

### ***Budget cycle***

After approval (and possibly amendment) by the Committee of Management, the budget is to be considered the "Approved Budget". Approved Budget figures are to be recorded by the Manager for later reference and comparison with amended budget figures.

Subsequent approvals of contracts and grants are to be treated as authorised amendments to the budgets (hence allowing expenditure to be made on those contracts and grants according to staff authorisations). Budgets amended in this way are considered "Interim" budgets.

Departmental Managers are to ensure that that all invoices are written and that the budgetted income for each job within their Department is as complete as possible by one week after the end of the quarter. This work should include spreading income across quarters to reflect work done/to be done in each quarter, as this spread is used by the Finance Officer to accrue income in the quarterly accounts.

Upon publication by the Finance Officer of a quarter's actual income and expenditure, each Departmental Manager will enter the actual figures into the relevant quarter's budget, and revise budgets for remaining quarters accordingly, so that a revised budget can be mailed out with the agenda for the Finance Subcommittee meeting which discusses the quarter's accounts, generally scheduled 6 weeks after the end of the quarter.

Budget revisions will take into account authorised amendments as well as projects running late or early, or requiring more or less labour or materials, or other changes to costs or income.

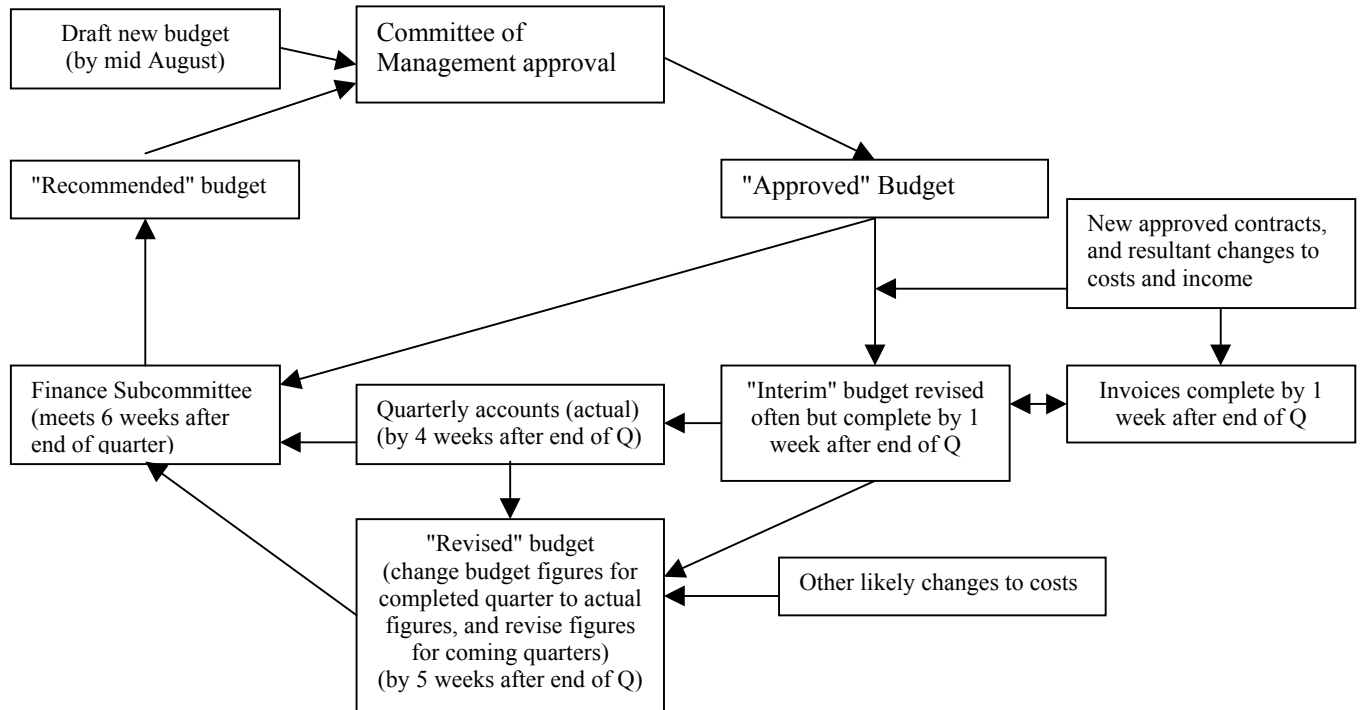
In order for the Departmental Managers to have time to process budget revisions, and so that timely information is available, the Finance Officer will aim to have Actual income and expenditure statements

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<sup>1</sup> i.e. don't show all the amount of an income item in one quarter unless you want to spend it all in that quarter.

complete within 5 weeks of the end of a quarter. This allows one week for budget revisions and agendas and reports including the "Revised" budget to be circulated to Finance Subcommittee members.

After approval and possible amendment by the Finance Subcommittee (which is advisory only), the "Recommended" budget is to be presented with the Finance Subcommittee minutes to the next Committee of Management Meeting for approval. At that stage the figures presented become the "Approved" Budget and the quarterly cycle begins again.



## **Accrual of income and expenses**

### Work in progress

Where significant work has been done on a project, and the income for the project can not be invoiced at the end of a quarter (perhaps because of payment schedules in a contract or grant agreement), the payroll officer should be requested to process a "work in progress" accrual. This request should be backed up by written material demonstrating there is a real commitment from a client to pay for the work undertaken, and specifically demonstrating the value of the work undertaken on the project. This has the effect of recording income for the quarter even though the income has not been received or even invoiced.

### Advanced receipts

The converse of work in progress is where MCMC has received cash payment for work it is not yet ready to undertake, as can happen when a Council pays its contribution in the first 3 months of its financial year, but before the start of MCMC's financial year. In this case the Finance Officer should be asked to process an advanced receipt to transfer the income to the following year.

## **Payroll**

MCMC's payroll is processed through MYOB by the Finance Officer.

Staff must be appointed according to the Appointment of staff procedure, and must fill in a Tax declaration form, provide their tax file number, fill in the staff information form, and provide details of a bank account into which pay can be paid.

A timesheet must be filled in day by day and left at the end of the fortnight in the TimeSheets folder in the Management office prior to 9am on the Monday pays are processed. Timesheets must be signed by the member of staff and authorised by the supervisor of the member of staff.

Pay rates and conditions will be according to MCMC's Enterprise Bargaining Agreement in force at the time.

A procedure for MYOB Payroll, vendors and electronic transfer processing has been developed separately.

## **Cash flow**

The finance officer will maintain a spreadsheet analysing weekly cash flows and forecasting cash flows 3 months in advance. The spreadsheet will be reconciled to bank accounts on a monthly basis and will be provided to the Treasurer (after checking by the Manager) on a monthly basis. The spreadsheet will be provided to the Finance Subcommittee when it meets.

A procedure for reconciling the cash flow has been developed. Enough "Cash Reserves" should be retained at all times to cover 2 months anticipated expenses.

# Proposed Investment Policy

## **Introduction**

This policy has been designed to address a number of issues which have been identified for MCMC. They include

- How should ethical principles relate to MCMC's investments
- What level of risk is acceptable for which of MCMC's funds?
- What level of reserves is it appropriate for MCMC to set aside, and for what purposes
- How should negative cash flows be provided for.

## **Policy**

### General Principles

MCMC funds can be divided into three categories:

- General operating monies and monies from government grants;
- Reserve monies including Long Service Leave entitlements (LSL)
- Merri Creek Environment Fund donations.

### Risk

MCMC's General and Reserve monies are to be kept in low risk investments

### Ethical investment

MCMC is committed to ethical investment principles as follows:

- Funds are used for environmentally or socially beneficial projects, and not used for environmental destruction or socially destructive activities

### 1. General Operating Monies

#### Sources

The major sources of general operating monies are:

- Members contributions (paid in advance near the start of MCMC's financial year)
- Income from contracts or fee for service arrangements (paid in arrears)
- State & Federal grants for projects (mostly paid in arrears)
- Income from sale of books and sundry items
- Interest income from investment of operating funds
- Income from sponsorship
- Bequests

#### Investment objectives

1. to ensure that an adequate level of cash is available to service the approved MCMC activities at all times;
2. to invest, short term, the balance of any operating monies so as to ensure the security of the amount invested, and to maximise the income received, without supporting unethical or environmentally damaging activities.

#### Policies for investment

1. Monies should only be invested in Executive Subcommittee approved investments
2. In general, no operating funds should be invested for periods longer than 3 months.
3. Enough funds for one months' operating should be kept immediately available at all times.

#### Strategies to achieve investment objectives

1. Bendigo Bank Ethical Investment account

The bulk of MCMC's general operating monies are to be kept in a Bendigo Bank Ethical Investment Account.

Cheque payments will not be made directly from this account; transfers will be made regularly to the Bendigo Club Cheque Account to ensure payment of all outstanding cheques and payroll. Transfers from this account to the Club Cheque Account can be made by Fax to the Bendigo Bank (authorized by the signature of 2 signatories).

## 2. Bendigo Club Cheque Account

All cheque payments relating to MCMC general operations and payroll electronic fund transfers are to be made through this account. Enough funds are to be maintained in this account to cover payroll and all outstanding cheques.

## 2. Reserve monies

### Sources

The sources of reserve monies are the same as for operating funds. Operating funds are set aside to meet liabilities such as long service leave (consistent with section 243 of the Local Government Act 1989), and as security for the Payroll Direct Debit Service.

### Investment objectives

- To ensure the availability of funds when required for long service leave, and other liabilities
- To ensure the security of reserve funds

### Policies for investment

A 12 month term deposit be maintained containing Long Service Leave funds whose balance is updated at the end of each financial year according to the formula (L23) listed in the MAV Labour Relations Manual.

A 12 month term deposit be maintained containing \$10,000 to act as security for the payroll electronic funds transfer service.

### Strategies to achieve investment objectives

## 3. Payroll Security Account

\$10,000 is to be maintained in a 12 month term deposit account at the Bendigo Bank to act as security for the payroll direct debit arrangement. Long service leave taken during the year will be paid from the general operating monies, and the end of year reconciliation will take this into account.

A 12 month term deposit be maintained at the Bendigo Bank containing \$10,000 to act as security for the payroll electronic funds transfer service by Funds Transfer Services (part of the Bendigo Bank).

## 3. Merri Creek Environment Fund

### Sources

Donations from individuals and trusts, not sponsorships or bequests.

### Investment objectives

Funds be invested ethically, with a proportion to be distributed annually as per the rules to projects which accelerate the program of restoration of the Creek

Target is \$1m held

Timeline \$1m raised in 2 years of approval of tax-deductible fund

Policies for investment

Bulk of funds to be maintained in ethical investments

Strategies to achieve investment objectives

Merri Creek Environment Fund monies are to be kept in an Ethical Investment Fund account at the Bendigo Bank.