



FINANCIAL AUTHORISATIONS/CONTROL POLICY

INTRODUCTION

An organisation requires that all financial transactions are properly authorised, or assets are safeguarded against improper use and all financial transactions are properly recorded and reported.

PURPOSE

To clearly state authority and procedures for management of financial transactions on behalf of Mountains to Sea Conservation Trust (MTSCT).

POLICY

1. **Signature and electronic authorisations**

All cheques and electronic payments issued on behalf of the organisation must be signed or authorised by one authorised person (trustees or nominated signatories) and documented adequately.

Eligible signatories are Board members or staff members who have been previously nominated and endorsed by the Board.

Any one of the above have the authority to sign cheques or authorise electronic payments.

Signatories cannot sign a cheque or authorise electronic made payable to themselves, or a blank cheque without dual authorization. All details on the cheque or electronic payments must be filled in before signature or authorisation.

2. **Purchase request and payments**

All purchases prior to purchases and payments to suppliers must be authorised by management.

3. **Staff Reimbursements**

All staff expenses must be authorised by their manager before payment requests.

4. **Receipt of payments or donations**

Staff shall not accept monies on behalf of MTSCT unless authorised to do so by the management.

FINANCIAL RECORDS

INTRODUCTION

Mountains to Sea Conservation Trust board and many of the external readers of the financial statements rely on the integrity of its financial reports and processes; this is enhanced by strong internal controls. Management of the organisation at every level is

responsible for designing and implementing internal controls appropriate for key business processes.

PURPOSE

This policy is designed to enable Mountains to Sea Conservation Trust board to demonstrate transparent financial accounting procedures that:

- Provide financial reporting consistent with generally accepted accounting principles
- Provide management with information required for financial planning, co-ordination, and control
- Provide financial reporting required to respond to the various external entities that provide financial support for the organisation
- To ensure that Mountains to Sea Conservation Trust's financial accounting system and records are consistent with generally accepted accounting principles
- To ensure access to accounting software/package has security measures in place.

POLICY

1. Responsibility for Financial Accounting Policies

- I. The co-directors along with the trust board are responsible for the establishment of Mountains to Sea Conservation Trust board financial accounting policies
- II. The Board is responsible for approving the financial accounting policies
- III. The Management Team is responsible for the systems and processes that fall under their sphere of influence. As part of this responsibility, managers must ensure that every process contains activities that ensure certain key objectives are achieved; internal controls
- IV. All staff are responsible for following procedures outlined by management in the Financial Policies and Procedures relative to their job.

2. Current Financial Accounting Policies

- I. Current financial accounting policies of Mountains to Sea Conservation Trust have been established to conform to good accounting practices and accepted accounting principles of the Institute of Chartered Accountants of New Zealand.

3. Responsibility for the Submission of Accounting Data

- I. The co-directors are responsible for the timely and accurate transmittal of Mountains to Sea Conservation Trust financial transactions to the Management Team.

- II. The co-directors have the responsibility for the timely and accurate transmittal of Mountains to Sea Conservation Trust financial transactions to the Board and to the Auditor.

4. Monitoring of Adherence to Financial Policies

- I. The External Auditor will monitor and evaluate adherence to generally accepted accounting principles.

5. Internal controls and Record keeping policies

These are the responsibility of the Pautokomanawa/Co-directors, the Management Team and any staff involved in the transaction

- I. Accuracy:

Accounting records must accurately and properly reflect the true substance of all business transactions on a timely basis and in accordance with Generally Accepted Accounting Principles (GAAP)

- II. Authorisation:

Only those transactions that meet management's criteria are processed. e.g. The manager's signature to be on all transactions being processed: management to review transaction journals: edit checks within the system to detect "unreasonable" transactions, etc.

- III. Timeliness:

Transactions are recorded within the appropriate reporting period. All transactions must be processed within the applicable accounting period and recorded before there is opportunity for amounts to be misdirected

- IV. Chart of accounts:

These are set in line with GAAP and are applied consistently on the basis of the set accounting policies

- V. Clearly Defined Cost/Profit Centres:

Accounting records must reflect the costs and income of each function undertaken by the Organisation or its specific employees or contractors

- VI. Control:

Actual results must be compared with budget(s) and the differences analysed and evaluated in order to improve business results as well as future budgets in subsequent fiscal periods

- VII. Records:

(a) Cash records (Cash receipt, cheque receipt register, cheque disbursement register); (b) General journal; (c) General Ledger; (d) Subsidiary Ledgers; (e) Advance and imprest records; (f) Bank account records; (g) Personnel records; (h) Registers; (i) Purchases Ledger

- VIII. Other records necessary to fully document and explain the financial transaction of the Organisation are required to comply with the Accounting

Regulations in relation to other financially expressed obligations, (for example, budgeting and annual reporting)

- IX. Subsidiary ledgers shall be reconciled with the general ledger at least monthly. There should be adequate and appropriate supervision of employees with sufficient employee backup to ensure that accounts and ledgers are adequately maintained. Those employees working within the accounting function must have the capabilities and training, commensurate with their responsibilities. In no circumstances may erasures of any nature be made in accounting returns and books. All alterations must be made by striking out incorrect figures in ink and writing the correct figures above them; the alterations must be initialled by the responsible officer

6. Financial Records

- I. All records of financial transactions should be kept and maintained in accordance with the Generally Accepted Accounting Principles and should comply with applicable local laws
- II. Records should be taken to include both hard copy records and records stored on electronic media.

7. Books of Accounts

The books of accounts used by the Organisation shall consist of the following: records for transactions in chronological order, known as the journals or books of original entry; and records for classifying and summarising the effects of the transactions on individual accounts, known as ledgers or books of final entry

I. Books of Original Entry

Books of original entry or journals shall be used to record in time sequence, financial transactions and information presented in duly certified and approved accounting documents.

II. Financial Ledgers

The financial ledgers shall be maintained on the principle of double entry book-keeping i.e. that every transaction has a twofold aspect. Thus every debit in the ledger has a corresponding credit, and vice-versa. Consequently, at any moment in time, the total of the debits in the ledgers should agree to the total of the credits. This balancing of totals shall be proved by a Trial Balance.

The main inputs to maintain the financial ledger include

- (1) Cashbook(s): - Showing all cash which has been received & paid out, analysed between the various types of income & expenditures. At the end of each month, the cashbook should need to be totalled and

balanced, and the figures entered on the monthly receipt/payments analysis summary. The financial ledger should be posted from these summaries.

(2) Salaries allocation analysis:

(3) Journal and adjustment vouchers: - All transfers between accounts should be done either via the journal, or on the basis of other laid down procedures for transfers between accounts. As in the case of all other source documents for financial ledger posting, these must be self-balancing.

8. Trial Balance

- I. The Trial Balance should be extracted from the ledgers, by listing all the debit balances, and all the credit balances.
- II. All postings to the financial ledger must be completed, and each ledger folio totalled and balanced.
- III. Balances from every ledger folio must be entered on the Trial Balance form, and then the form is totalled
- IV. The debits should total the same as the credits and thus the Trial Balance agrees

9. Closing procedures

In order to properly recognise and clarify the results of the operations and the financial position, the accounting books should be closed semi-annually. The accounting books shall also be tentatively closed at the end of each month for the purpose of internal analysis and for management reporting requirements. The following closing procedures usually apply.

1. Accounts Receivable:

Accounts Person shall complete accounting processes and reconciliations for Accounts Receivable (AR)

2. Reconciliation Statements:

Accounts Person shall enter and post all invoices, debits, and credits for the accounting period. The Accounts Person shall enter deposits into the bank reconciliation file and shall prepare the AR Aging Report to reconcile report aging balance to the general ledger account balance for AR.

3. AR Aging Reports

Accounts Person shall review bad debts and credits and take the appropriate steps. The Accounts Person shall prepare and send customer statements.

10. Passwords for Accounting software/package

1. Each user of accounting software will be allocated a unique password which will be utilised by the user to access their account.

2. Where external users such as auditors request to review accounts using accounting software, a guest user account with limited access to edit transactions will be provided.

FINANCIAL STATEMENTS

INTRODUCTION

The Mountains to Sea Conservation Trust Board and many of the external readers of its financial statements rely on the integrity of the organisation's financial reports and processes to ensure that it is able to stay financially viable and achieve its mission. The external financial audit, an independent review of an organisation's accounting processes and its financial statements, is an important tool in protecting the integrity of the organisation. The integrity of financial reports and statements is paramount both in terms of protecting the organisation from allegation of misuse of funds but also in ensuring that the organisation can remain viable. This integrity is assured through strong internal controls and enhanced by external controls such as the annual external audit.

PURPOSE

To stipulate responsibility for, and timing of, the required financial statements, reports and audits.

POLICY

1. Financial Statements

- I. The co-directors shall prepare the following financial statements at quarterly intervals:
 - Statement of Financial Position
 - Statement of Financial Performance
- II. The co-directors shall prepare the following financial statements annually:
 - a. Budget and Forecast for the Financial Year
- III. Financial Statements will include Notes to the Financial Statements

The Notes to the Financial Statements amplify or explain the items presented in the main body of the financial statements. These are explanatory notes on the financial statements and/or accounting policies that should give additional information to the financial statements. In the Notes, the Utility should be expected to report the economic substance rather than the legal form of the transactions and to make adequate disclosure.

The Notes to Financial Statements include the following:

- a. Summary of significant accounting policies adopted and followed by the Utility entity;

- b. Narrative descriptions or detailed analyses of amounts shown on the face of the balance sheet, statement of income and expenses and statement of cash flows;
- c. Customary or routine disclosure – which are information about measurement bases of important assets, restrictions on assets, contingent assets/liabilities, important long-term commitments not recognised in the body of the statements, etc.;
- d. Disclosures of changes in accounting principles – changes in accounting principles, practices or methods of applying them; and
- e. Disclosures of subsequent events – disclosure of events that affect the agency directly and that occur between the date of, or the end of the period covered by, the financial statements and date of completion of the statements are necessary; if knowledge of the events might affect the interpretation of the statements, even though the events do not affect the propriety of the financial statements themselves.

2. Auditing:

- I. The co-directors are responsible for recommending an auditor to the Board.
- II. The Board shall approve the appointment of the Auditor and instruct the co-directors to liaise with the Auditor to set up a mutually suitable date
- III. The Board shall create a 'Terms of Engagement' letter. This provides written confirmation of the auditor's acceptance of appointment, sets out the scope of the audit plus the auditor's and management responsibilities
- IV. The Auditor shall gain an understanding of the organisation's activities, identify and assess risks that could have a significant impact on the financial position or performance, perform testing and obtain evidence to satisfy the requirements of the audit program. Testing may include e.g. confirming compliance with the organisation's accounting policies, examining accounting records and verifying the existence of tangible items such as equipment
- V. The Auditor shall create and provide an Audit Report which contains the auditor's opinion on the financial report and basis of that opinion
- VI. The Auditor will present the Audit Report to the Board
- VII. The Board will approve the report

BANKING INTRODUCTION

Mountains to Sea Conservation Trust receives most of income from contracts and grants received electronically. Donations are regularly received at our events. Our focus is having robust internal controls such as the separation of duties, and documentary

evidence of the money trail to ensure that staff are protected from allegations of mishandling money and that the Organisation's funds are secure.

Mountains to Sea Conservation Trust currently banks with ANZ Bank.

PURPOSE

The banking procedure focuses on preventing the mishandling or loss of money, and situations where charges of mishandling money can be raised against Mountains to Sea Conservation Trust. It is intended that the procedure will ensure consistency of money-handling practiced within the Organisation.

POLICY

To provide guidance to authorised staff members with banking responsibilities on behalf of Mountains to Sea Conservation Trust.

1. Only staff with authorised banking responsibilities, allocated by the Board, shall be involved in handling and banking money.
2. All financial transactions shall be promptly and accurately recorded into the accounting system.
3. All payments made to Mountains to Sea Conservation Trust shall be receipted and deposited in the Organisation's bank account on either the same or the next working day.
4. While it is preferable to receive payments electronically, any cash or cheque remittances shall be recorded in the correspondence list by the Administrator, then forwarded to the Accounts to be recorded on serialised bank deposit slips, prior to being banked by authorised officers.
5. Official monies must not be used to cash personal cheques.
6. Official monies may not be loaned or borrowed.
7. The Poutokomanawa/Co-director shall oversee the implementation of this policy through delivery team meetings and other meetings.

CARDS

INTRODUCTION

The use of financial transaction cards, including credit cards, is a major convenience for Mountains to Sea Conservation Trust and for staff/volunteers, and can, if properly managed, contribute to easier and more secure accounting of expenses. To achieve these benefits a number of precautionary procedures should be put in place.

PURPOSE

The purpose of this policy is to:

- ensure that organisational transactions are carried out as efficiently as possible through the use of credit cards and transaction cards as appropriate.

- guard against any possible abuse of organisational transaction cards.

POLICY

Transaction cards issued to Mountains to Sea Conservation Trust, including those held in the name of any staff, volunteers or officers on behalf of the organisation will only be used for those activities that are a direct consequence of the cardholders' function within the organisation. Their use will be monitored according to the procedures listed below. Any use of the card inconsistent with this policy and these procedures will be grounds for dismissal.

RESPONSIBILITIES

It is the responsibility of the Poutokomanawa/Co-director to ensure that:

- staff and volunteers are aware of this policy;
- any breaches of this policy coming to the attention of management are dealt with appropriately.

It is the responsibility of the all staff and volunteers to ensure that their usage of credit cards conforms to this policy.

PROCESSES

1. Card Issue

Any organisational financial transaction cards may only be issued by the Poutokomanawa/Co-director where their functions and duties would be enhanced by their use. Cards will thus be issued only to people on the approved Organisational Financial Transaction Card List. The list shall be held by the Poutokomanawa/Co-director.

Cards may be issued on a temporary basis and recovered afterwards.

Each financial transaction card will be issued to a specific person, who will remain personally accountable for the use of the card.

2. Cardholder's Responsibilities

The Cardholder shall:

- In all cases obtain and retain sufficient supporting documentation to validate the expense (e.g. tax invoice) or shall in lieu provide a statutory declaration.
- Attach supporting documentation to the monthly statement from the bank.
- Review the monthly statement for inaccuracies
- Verify that that goods and services listed were received.

- Sign the monthly statement to verify that transactions have been made for official purposes.
- Forward the papers to the authorised signatory for approval (the co-directors shall authorise payments and also authorise the expenditure of all other cardholders).
- Notify the bank and the Executive Director immediately if
 - o The card is lost or stolen; and/or
 - o Any unauthorised transaction is detected or suspected.
- Notify the Executive Director and the bank of any change in name or contact details.
- Take adequate measures to ensure the security of the card.
- Return the card to the Executive Director if
 - o The cardholder resigns;
 - o the Executive Director determines that there is no longer a need for the cardholder to retain his or her card; or
 - a. the card has been cancelled by the bank.
- Be personally liable for any unauthorised transaction unless the card is lost, stolen or subject to fraud on some part of a third party.

The Cardholder shall not:

- exceed any maximum limits set for the card from time to time.
 - obtain cash advances through the card.
 - use the card for any proscribed purchases.
 - authorise their own expenditure.
- III. claim double allowances (i.e. request reimbursement for an expense already paid by the card).

3. Card Expenditure

The card will only be used for those activities that are a direct consequence of the cardholders' function within the organisation.

Where coincident and/or private expenditure occurs on the same transaction (where, for example, a person incurs a debt for personal telephone calls during a hotel stay) the cardholder must settle the private expense prior to charging the balance on the organisational card.

Where doubt exists as to whether or not an item is function-related, prior authorisation should be obtained from the Executive Director.

The use of the corporate card for "services of a dubious nature" is expressly prohibited. "Services of a dubious nature" are defined as any goods or services that might bring the name of the organisation into disrepute.

4. Card Misconduct

Wherever a breach in this policy occurs, the Executive Director must assess the nature of the breach and, if significant, report the breach to the police for criminal investigation or, if lesser in nature, institute an appropriate disciplinary process:

- in the first instance, counselling and or verbal warning (and diary or file note created);
- in the second instance, a written warning;
- in the third instance, or if the dollar amount is greater than \$1000, the card is to be immediately withdrawn.

At the next Board meeting the Executive Director shall report:

- the investigation of the circumstances of the breach
- police reports and action (if any)
- disciplinary action taken (if any)

BUDGETING SYSTEM INTRODUCTION

The budgeting system is important as it develops realistic financial plans that should facilitate allocation of resources according to the Organisation's activity priorities. It also provides a control tool to ensure that spending is in line with time plans and budget amounts. Mountains to Sea Conservation Trust Board members, alongside the co-directors, have total responsibility for the budget process. The co-directors consults all staff members on the initiatives of the following fiscal year and uses this information to draw the budget which is then presented to the Board for approval.

PURPOSE

To guide budget preparation and to clarify roles and responsibilities of implementing and controlling budgets

POLICY

- Budgets prepared within Mountains to Sea Conservation Trust must satisfy the following key factors affecting the budgeting process:
 - I. Transparency: the budget documents provide a clear link between objectives and expenditures; all participants in the budget process are clear about their roles and responsibilities; simple, well-documented procedures; well-defined basis of budgeting e.g., incremental, zero-based etc.
 - II. Management: Effective budgeting involves more than simply preparing annual budgets; the management and monitoring of the budget are equally important, with an emphasis on results achieved. Co-ordination and co-operation between all those involved in the budget process are required to ensure links between recurrent and development budgets and the processes in the financial management system

- III. Integration of recurrent and developmental budgets: The recurrent costs arising from the development projects need to be built into recurrent expenditure planning and trade-offs between recurrent and development expenditure considered for sustainability
- IV. Flexibility: The system allows responses to changed circumstances; these responses are built into the system, so that implications of any changes are sufficiently analysed to fit within the entity's overall objectives and priorities
- V. Discipline: Although the system provides flexibility, there is also effective control over expenditures; any changes to the budget are carefully analysed and justified; only limited use of supplementary estimates; and penalties for breach of rules and regulations
- VI. Board involvement: good links between the Board and Management; involvement of accountability of senior managers in all stages of the process; if Management do not believe that they should be held to their ceilings, or if they can easily by-pass normal procedures, the whole process of budgeting can be undermined
- VII. Comprehensive: The budget process and documents need to include all revenues and expenses, including new funding as well as information on previous year's and current year's expenses
- VIII. Performance Measurement: Measuring the impact of the budget through output performance measurements for recurrent and development expenses. Regular budgetary performance analysis to determine the extent of achievement of set budget goals is therefore necessary

- **General Budgeting Policies**

- Budgets Approval and Internal Controls
 - The Operations Manager is responsible for preparing the draft budgets for each portfolio.
 - The Management Team will review the accuracy and completeness of draft plans and budgets
 - All proposed plans and budget/grant spending plans (currently in the form of the financial master plan) shall be reviewed and approved by the Board

- **Budget limits**

- All spending should be within the budget limits and should not run at a loss of more than \$500. This is the responsibility of the co-directors

- **The budget should include:**

- Recurrent expenditure and all that falls under this category

- Capital expenditure budget showing: capital project, total anticipated cost and method of financing, etc.
 - Estimates showing: detailed description and code of items budgeted for, current year approved budget and budget for following year.
 - Estimated cash flow statement for the budget year
 - Detailed working papers substantiating all items included in the budget/grant spending plans
- Expenditure control
 - A complete budgetary/appropriation accounting system shall be used to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriation or budget items
 - The Accounts person shall establish and monitor:
 - a) Effective controls at each stage of the expenditure cycle
 - b) A system for managing multi-year contracts and forward commitments
 - c) Adequate and transparent procedures for competitive procurement and systems for managing procurement and contracting out
 - d) The co-directors shall oversee this process

Governance Policy

Approved by Mountains to Sea Conservation Trust board

Date 29 January 2020