

Policy Rationale

Although CCAE is a not-for-profit organisation it must manage its cash flow and profitability to remain viable. CCAE relies on Government Funded Training paid 4 - 52 weeks in arrears of costs of delivery. Other income is Fee-For-Service. Many clients do accredited programs by paying a deposit and negotiating a payment plan, with some bad debts incurred as a consequence.

Policy Aims

To ensure CCAE maintains control of its finances and minimises risk of defaulting clients or spending beyond its financial means so that CCAE maintains good customer reputation with local community members and businesses.

Procedure

SUMMARY: 9 STEPS to MINIMISE FINANCIAL RISK

1. Budgets are monitored regularly to remain "healthy"
2. Use of a Cash Flow Budget for the Official Account to manage day to day receipts and expenditure
3. Comparison of budgets to actuals to confirm cash flow predictions and amend budget for future periods.
4. Identification of potential surplus (or deficit) funds in advance for decision-making purposes
5. Follow Prudent Investor Tests for investment decisions
6. Lines of responsibility established for financial-related tasks within the College
7. Involvement of Board in payment of debts
8. Adhere to recommendation/s in annual financial audited reports as table at Board of Management and AGM's
9. Complete "*Internal Control*" Checklist in the publication "Internal Controls for Colleges" review and repeat as necessary.

Procedure - Financial Risks

Accounting Controls

Financial security of the College depends upon safe collection and banking of money, with best practice procedures in place to safeguard receipts and ensure money collected is recorded in the bank deposit book and banked promptly.

➤ ***Manual receipts issued from reception***

All cheques received by mail are to be enter on 'S' drive mail in/out documentation, and cheques not already crossed "not negotiable", should be crossed immediately.

Individual receipts are to be issued immediately via VETtrak for all money received. The sequentially numbered receipt should state the purpose of the remittance and the form of the remittance, eg. cash and/or cheque. Each day, the money is counted, and the totals of cash and receipts must agree.

➤ ***Money received away from the clerical office is processed in two ways***

- The person receiving the money can issue an individual receipt. Collections are then handed to the general office (on the same day) and counted immediately by the two people.
- For individual amounts up to \$5 per pupil, a "class list" or facilitators record of collection method can be used. This is usually more convenient for money collected for group activities, such as excursions.

➤ ***Cancelled receipts***

Receipts that are cancelled, are to be endorsed "cancelled", together with a brief reason for the cancellation. Alterations are not to be made on duplicate copies. File the documents in an appropriate book/file for future reference, request from auditor etc.

➤ ***Duplicate receipts***

Duplicate receipts must not be issued. If a receipt is lost and a request is made for a duplicate, the payer is to be provided with a letter giving details of the original receipt, including the receipt number.

➤ ***Personal cheques***

Personal cheques are not to be cashed for any member of staff. Consequently, the cheques and cash banked will always agree with the breakdown on the duplicate receipts.

➤ ***Cash payments - Approval***

Authorisation of expenditure is limited to the Manager or Office Administrator or others delegated by CCAE Board of Management with access to budgets. Purchase approval is dependent funds available to meet the payment (fund sufficiency).

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➤ **Purchase order forms**

Order forms must incorporate CCAE's name, address and telephone number. It is recommended that purchase order forms be prepared in duplicate, so that:

- ✚ the original can be sent to the supplier
- ✚ a copy can be kept in the order book

Copies of the order forms are cancelled when payment is made, so that the order cannot be resubmitted and an account paid twice. All cheques are made out to the payee, never to cash (except for petty cash) and at no time should a blank cheque be signed.

➤ **Petty Cash**

The current maximum for petty cash on a single item is \$250.00. Each petty cash item should be supported by a petty cash voucher completed and signed by the Finance Officer. When the petty cash is nearing depletion, the remaining cash should be reconciled against vouchers and details entered into the petty cash book before reimbursing the fund.

➤ **Bank Reconciliation Statement**

Cash balance for CCAE operated bank accounts is to be reconciled with bank statement/s each month, and verified by independent person (Manager/Board). Purpose of bank reconciliation is to reconcile CCAE's cash records (MYOB) with those of bank. It is an independent verification that CCAE cash records are correct - a vital part of the College's internal control system.

To perform bank reconciliation, total cash receipts and total cash payments recorded as banked, are compared with the amounts displayed on bank statement. Discrepancies will be either deposits by CCAE not credited at bank [+] and un-presented cheques written by CCAE but not yet presented for payment by the receiver (-). Result should equal the College bank balance record/s.

➤ **Cash Control**

Cash planning anticipates future cash coming in and going out to produce an expected cash balance at the end of a nominated period. An organisation's survival can depend on its cash "flow" and this is often described as the "acid test", because the ability to meet short term commitments if they all became due at once, would determine survival. Generally, cash planning results in more efficient and tighter cash control which in the long run, benefits the College community.

There are several particular warning signs which may indicate that a close examination of financial performance is necessary, either to curb expenditure or to adjust the budget. These include:

- ✚ collections for the period are much lower than anticipated
- ✚ payments for some budget items are higher than anticipated
- ✚ cash book balance is low and large payments remain to be made.
- ✚ a close watch on the commitments
- ✚ statements and knowledge of investment funds available will assist in this comparison
- ✚ an increase in the cost of supplies for sale to students, with collections from students at low levels
- ✚ profits from the canteen, or donations from outside bodies are below expectations

➤ **Banking**

All money collected is to be counted before being banked, and the total must agree with the total of receipts issued. All money is to be banked in the form collected, ie. cash, cheques, bankcard vouchers, etc, The general office is to process cash collections in time for them to be banked on the same day. In any event, money is not to be left on College premises over a holiday period.

➤ **Commitment Control**

Purchase orders/outstanding invoices entered on MYOB are the official commitments incurred by a College. This may involve planning to delay purchases or payments, or arranging funds transfers to the official account to meet the cash shortfall.

➤ **Investments**

Maximising available financial resources is the aim of CCAE with surplus funds. The "Prudent Investor Test" essentially means that Colleges need to satisfy themselves that investments are made with institutions which are:

- ✚ prudentially sound and secure
- ✚ professionally managed
- ✚ have strong financial status in its reserves, liquidity and profitability

Before investments are made, College council should have an "Investment Policy" in place (see sample). Details should include:

- ✚ level of funds to be invested
- ✚ term of the investment/s
- ✚ type of investment/s in relation to the College's cash flow requirements

The policy should be reviewed regularly in line with current investments. All investment decisions should be approved by College council and authorised by the Manager and a College council office bearer.

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➤ **Administrative Controls**

Effective management control provides for:

- validity and completeness of financial transactions i.e. when reporting on a particular area/s, the data contained in the report represents the entire period for which the report has been generated.
- properly authorised transactions carried out by people acting within their designated authority e.g. as mentioned earlier, approval to incur expenditure should be granted by personnel having access to relevant budgets for fund sufficiency purposes
- correct valuations of assets and liabilities to show the College's true financial position i.e. the asset register and commitment details are accurate in terms of historical cost recording and fully complete items contained in each
- appropriate classification of accounting information for reporting purposes i.e. the College level chart of accounts reflects accurately and completely, correct coding, use of predominantly predefined codes at levels 2 and 3, program and subprograms consistent with College council approved budget or amendments
- correct timing to record transactions as close as practical to the time of occurrence i.e. processes are in place to ensure that: commitments are identified and processed in accordance with suppliers terms, monies received are recorded and receipts issued immediately, full advantage is taken to assist cash flow in favour of the College (encourage incoming cash as quickly as possible and delay outgoing payments without compromising due dates for payment or forfeiting discount)
- adequate security i.e. all attractive and accountable assets are securely housed, exterior doors, windows, gates etc and interior doors leading to attractive and accountable assets have good key/alarm controls to deter theft
- evidence of physical existence i.e. conduct a stocktake minimum once a year to provide evidence of physical location. Attractive and accountable assets should be monitored regularly, or at random, to safeguard the security of items.
- Accounting controls are designed to provide *reasonable assurance* that:
 - ✚ Transactions are properly authorised
 - ✚ Transactions are recorded in a way which will:
 - permit the preparation of financial statements which will provide information useful to the users of those statements, whether they be internal or external users, and
 - maintain accountability for assets. This is known in accounting as *the stewardship function*, in which those in control of assets are to ensure that they are safely kept and used for their proper purpose.
 - ✚ Access to assets is only permitted in compliance with College policy, and that proper authorisation is obtained for their use i.e. keys loaned to staff and others are recorded in a register and monitored for both long and short term loan. Student access to specific assets is either under staff supervision or limited to specific personnel
 - ✚ Accounting records of the College's assets are compared with the physical assets at reasonably frequent intervals, to enable appropriate action to be taken in a timely manner in case of discrepancies i.e. a stocktake based on the latest updated asset register report and physical evidence of existence. (refer to attached Flowcharts and Asset Register details/forms)
- An organisation chart identifying personnel responsible for key duties and showing a link in the chain of command, will assist to ensure that all appropriate personnel are aware of individuals' specific roles and responsibilities. A written description of these responsibilities should be provided to each officer to ensure a clear understanding of the various duties. Amend the chart when necessary e.g. change of staff, permanent rotation of duties etc.

Evaluation

This policy will be reviewed bi-annually

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