

# Finance Policy

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## **Quality Area 7: Governance and Leadership**

**Standard 7.1:** Governance supports the operation of a quality service.

**Standard 7.2:** Effective leadership builds and promotes a positive organizational culture and professional learning community.

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## **POLICY STATEMENT**

Arabanoo is committed to ethical, clear, and transparent financial procedures, record keeping and reporting.

This document explains Arabanoo's financial governance and controls through practices and policies. The policy ensures the Service adheres to and outlines the responsibilities of key financial stewards that contribute to the Service's ongoing financial sustainability.

## **RATIONALE**

The Service is defined as a non-for-profit incorporation. We do not aim to profit from our members, but rather remain solvent while enabling the highest possible quality of ongoing care for the children.

Arabanoo maintains strict adherence to the Australian Taxation Office, Superannuation and Payroll legislation.

The Service adheres to best practice standards of financial management and record keeping in line with CPA guidelines for not-for-profit organisations and the lodgment of financial records with the Department of Fair Trading.

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**CONSIDERATIONS:**

Education and Care Services National Law & Regulations	<a href="#">National Quality Standard</a>	Other Service policies/documentation	Other
<a href="#">Education and Care Services National Regulations:</a>  168, 170, 171, 172, 181, 183	4.1, 4.2.2, 6.1.1, 7.1, 7.2 7.1.1, 7.2.1	Fees Policy Confidentiality Policy Governance and Management Policy	<a href="#">Income Tax Assessment Act 1997 (Cth)</a> <a href="#">Superannuation Guarantee (Administration) Act 1992 (Cth)</a> <a href="#">Superannuation Guarantee Charge Act 1992 (Cth)</a> <a href="#">Superannuation Industry (Supervision) Act 1993 (Cth)</a> <a href="#">Children’s Services Award 2010</a>

**ENDORSEMENT BY THE SERVICE:**

**Approval date:** Sept 2024

**Date for Review:** Sept 2026

**Policy History**

Version 1.0

December 2005, May 2006, March 2007, May 2007, February 2009, August 2010, May 2011, March 2012.

Version 2.0 Overhaul of policies following regulatory changes in 2012. Drafted from the Network template and using the Current Arabanoo Policy Handbook by Sarah Evans. Reviewed by Ruth Scott and Stuart Findlay, May 2013.

Version	Date reviewed	Who by	Area changed	Changes made	Authorisation
3.0	April 2019	Rowan Friend Jack Grundling Kate Sellick Holly O’Driscoll	Split Policy from Procedure  Standards  Other Service policies/documentation	Split Policy from Procedure  Updated to the new NQS  Added Fees, Confidentiality, Governamnce and Management Policies	Kate Sellick – 8 May 2019
4.0	May 2024	KW OSHC Consulting	Rationale	added - explains why the policy is needed, evidence from legislation & NQS. Outlines what is included in policy / procedure	Rowan Friend – 3 Sept 2024

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## IMPLEMENTATION

At Arabanoo, staff must adhere to this policy in conjunction with the other policies outlined in the section above.

Members of the Parent Management Committee (PMC) have various responsibilities under this policy to ensure finances are managed accordingly.

## PROCEDURE

### Scope of responsibilities

#### **The Parent Management Committee (PMC) will:**

- Provide clear records of all financial information and transactions to the members of the Association, relating to the operation of the Service including a balance sheet, profit and loss statement, debtor's reports, and budget analysis.
- Ensure controls and governance standards are in place to safeguard assets.
- Ensure procedures are defined to control expenditure and banking transactions.
- Commission annual external financial audits required due to the size of gross turnover.
- Set and agree to financial targets to achieve defined benchmarks for stable ongoing operations and solvency.
- Determine and define how any profit earned is distributed to associated parties.
- Determine and define how any surplus profit is allocated or re-invested.
- Provide accessible and transparent information on all fees.
- Set out guidelines for approving any capital and operational expenditure by key appointed delegates.
- Maintain a chart of accounts.
- Communicate financial information to members at Annual General Meetings and any Extraordinary General Meetings.
- Our insurance policy covers all committee members, as individuals, under our Public Liability clause.

#### **The Service Treasurer will:**

- **Ensure compliance with and the delivery of the above Finance Policy responsibilities.**
- Maintain commercial oversight of the Service's financial position and providing guidance where necessary.
- Ensure there is correct accounting and financial record keeping processes to effectively oversee the Service's financial operations.
- Support and liaising with the Service Operations Manager sufficiently to ensure financial processes are being effectively managed and adhered to.
- Co-sign all bank transactions including fortnightly payroll, intra-bank transfers, and purchases. The Service Operations Manager has authority for purchases up to \$1000. The Committee has given the Service Operations Manager discretion for Vacation Care expenditure over \$1000.
- Liaise and providing guidance to work with any external financial recording keeping organisations.

#### **The Service Operations Manager and the Service's Financial Administrator are responsible for:**

- The operational upkeep and maintenance of recording financial transactions, bank statements, income, and expenditure.
- The timely payment of wages and other external expenditure.

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- Preparing the Service's key financial reports and statements.
- Promptly reporting any abnormal financial information.
- Ensuring systems used to manage financial information are robust and that data is backed up and appropriately archived in accordance with Australian Taxation Office [requirements](#).

## **Financial breakdown**

### **Financial Management Activities**

Arabanoo uses a Cash Accounting methodology. This means income is recognised when received into the Transaction Account and expenses are paid out of the bank account.

### **Income**

Income is generated through term fees, vacation care fees and late fees for children using the Service. The Service keeps a separate Fee Policy that covers these sources of income. This income is used to finance the Service's operations.

Other sources of income include fees for:

- Additional activities, e.g. archery, tutoring,
- Late fees, hat hire, laundry fees and non-notification fees,
- Grants from the Department of Education and communities,
- Fundraising, and
- Voluntary donations.

Any arrangements required to finance the Service's operations from short term liabilities would only be used under exceptional circumstances and be approved by the PMC.

Income is recorded in the CCMS program and Xero. Income is reported in the Profit and Loss Statement and Treasurer's Report.

## **Operational expenditure**

### **General and administrative expenditure**

This covers all related expenditure on items to support the Service's administrative functions.

- Items purchased must be recorded in Xero and receipts are to be retained.
- Any extraordinary expenditure not budgeted for requires approval by the PMC.

### **Insurance**

The Service's Insurance is to be reviewed annually by the PMC and where appropriate, independent legal advice should be provided. The use of a broker to provide competitive rates is required and Certificate of Currencies are to be obtained and kept on file.

### **Operating expenditure**

- Expenditure on consumables items including food, activities materials, medical aid, and equipment must be approved by the Service Operations Manager or acting Director and all items are to be recorded in Xero.
- Purchasing items not budgeted for require approval by the PMC (Treasurer or President).
- Receipts for items must be entered/saved into Xero.
- Purchasing items not used for the direct benefit of the Service is not permitted.

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- Internal controls must be in place to ensure food deliveries are handled by trusted staff.

## **Rent**

Rent is to be paid quarterly at an annual rate as specified in the Lease Agreement with the Department of Education & Communities.

## **Repairs and maintenance**

Any costs exceeding \$1000 to repair equipment, plants, or buildings, not covered by BHPS, for a single unrelated item requires approval from the PMC (Treasurer or President).

## **Employment expenses**

Arabadoo is governed by the [Children's Services Award](#), which requires us to pay a minimum of Award rates. With the approval of the PMC, above Award rates may be paid to attract and retain talent and key skills. All educators and administration staff are paid 10% above Award. The Service Operations Manager and Assistant Director are paid a minimum of 20% above Award.

Arabadoo pays staff on a PAYG basis. Contract employment is not encouraged and must only be considered in exceptional circumstances with the approval of the PMC. In such an instance, PAYG withholding requirements and payment of superannuation remains the responsibility of Arabadoo. Any external contractors must provide an ABN number and Certificate of Currency. Please refer to Remuneration Policy for more information.

The Operations Manager, Assistant Director and the outsourced Financial Administration Company are to maintain current working knowledge of the Children's Services Award, and always seek the advice of Fair Work Australia where subjective decisions are required.

## **Budget and review**

Salary and wages expenditure is budgeted annually and reviewed as needed. Expenditure is managed in line with key staff ratio requirements to meet the legislation and the guidelines set by the PMC.

As salaries are the main cost of the Service, this expenditure must be managed prudently to ensure the Service remains viable on a long-term basis.

## **Payroll**

- Staff are paid in accordance with the Award rate for their grade and level of responsibility.
- Pay rates may change according to the national minimum wage each year in July.
- Working hours are recorded by all staff by signing into Deputy and signed off by the Service Operations Manager or Assistant Director.
- Payroll is prepared by the Assistant Director and sent to the Service's Financial Administration Provider and checked for accuracy by the Service Operations Manager.
- Payroll payment is prepared by the Service Provider and co-signed by the Treasurer/Assistant Treasurer. In the absence of the Treasurer/Assistant Treasurer the President co-signs.
- Time records including part-time hours are electronically stored for all staff for 7 years.

## **Staff expense reimbursement**

Expenditure incurred by staff on behalf of Arabadoo must have prior approval of the Service Operations Manager.

All expenses must be receipted and signed off by the Service Operations Manager using the Expense

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Reimbursement Form.

## **Superannuation**

Arabadoo is responsible for the payment of superannuation on behalf of its employees to their nominated Superannuation Fund. Superannuation is paid on a quarterly basis. The superannuation clearing house is used to facilitate this payment process, which is a requirement of the Australian Taxation Office.

## **Staff training**

Training expenditure is budgeted annually and monitored termly in accordance with the training objectives approved by the PMC.

## **Profit utilisation**

Arabadoo is an incorporated non-for-profit entity and has the objective of managing income and expenditure to provide the best quality care for children while offering this service for competitively priced fees. To achieve this, the Service aims to spend less than it receives.

At the end of each financial year (calendar year) the Service will retain these earnings in an interest-bearing, low-risk, liquid financial institution such as a term deposit. The PMC will determine annually whether to either reinvest the profit in the Service or to contribute to the BHPS Parents & Citizens (P&C) for the improvement of the school facilities. This assessment will be conducted by the PMC in March each year at the conclusion of the Audit of the end-of-year Financial Statements.

## **Investing activities**

Unbudgeted expenditure for purchase of plants, equipment, and property must be approved in advance of purchasing by the PMC. Investments of any retained profits or surplus cash are to be approved by the PMC.

## **Cash management**

The Service operates a process for managing cash flow to ensure current liabilities can be met and reserve funds are held in sufficiently liquid financial accounts to meet any potential unplanned expenses.

## **Banking**

Below is a breakdown of Arabadoo's bank accounts.

### **Bank: Westpac**

- Everyday Account - all income & most expenditure on invoices moves through this account, as well as transfers to replenish debit cards.
- Debit Card (3 Cards) - used for day-day purchases.
- High Interest Account - Department of Education Payments with CCS deposited into this account. Surplus funds not required for day-to-day use are transferred into this account.
- Term Deposit (fixed interest rate) - Reserved for Contingent Liabilities. These funds are reinvested at the current rate.

Cosigning access – The Treasurer, Service's financial administration service provider, Service Operations Manager, and any other committee member with the agreement of the PMC have access to these bank accounts. A cosignatory is in place for all transactions made within the accounts.

## **Budgets and Forecasts**

- Budgets are set once a year.

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- Forecasts are updated at least three times in a calendar year to make any changes to operational income and expenditure (e.g. taking into account vacation care income).

## Security of Financial Information and Virus Protection

Arabanoo prioritises the security of financial data through various measures:

- Virus Protection: Windows 10 includes Microsoft Security Essentials (Windows Defender), eliminating the need for additional antivirus software.
- Financial Information Storage: All financial data is securely stored within the CCMS software, Xero, and the Westpac Bank system.

## Back-up

Three categories of data have been classified as critical:

1. Customer records on CCMS program (cloud-based software).
2. XERO accounting records (stored on Sharepoint (cloud-based)).
3. Office365 (cloud-based assets).

**Note:** A test of back-up systems to ensure data can be restored effectively from XERO should be performed quarterly. CCMS program and Office365 are cloud based.

## Access to Systems & Data

A minimum of three staff with administrative responsibilities must be trained and proficient with all practices involving updating, storing, and retrieving all financial information.

- Xero data files are stored in Dropbox and can be accessed by the Service Administrator and Service Operations Manager, the Treasurer and the external Bookkeeping Advisor & Auditor as required.

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3.0	April 2019	Rowan Friend Jack Grundling Kate Sellick Holly O’Driscoll	Split Policy from Procedure  MYOB       Banking       Back up    Standards   Payroll & Banking/Westpac	Split Policy from Procedure  MYOB removal, Xero added  Hubworks removal, QIKKIDS added  Added Cosigning access Removed Jo Bromilow  Microsoft 365 and QIKKIDS added  Updated to the new NQS  Added in Centre’s Financial Administration Service and removed Centre Administrator	Kate Sellick – 8 May 2019
4.0	May 2024	KW OSHC Consulting	Implementation  Procedure	Added - for clarity of responsibilities  Added subheadings throughout to make more clear and easier to read	Rowan Friend – 3 Sept 2024