



# Financial Governance

## 1. Overview

**Effective Date:**

**Revision Date:**

The overall purpose of a fiscal management policy in the organisation is to ensure the long-term financial viability and sustainability of the organisation.

The objectives of the fiscal policies and procedures are:

- To ensure role clarity throughout the organisation's regarding responsibilities and accountability
- To safeguard the financial assets and resources of the organisation.
- To ensure that all the assets and resources are utilised effectively towards the attainment of organizational objectives
- To ensure that assets and resources are utilised in an accountable and transparent manner

The objectives of documenting the policies and procedures of the organisation are to formally record the policies of the organisation and provide a clear and comprehensive reference document containing both policies and the procedures devised and approved to implement those policies.

Management of an organization's financial resources and assets is a critical capacity. Good management of budgeting, financial record keeping and reporting is essential to the overall functioning of the organization. It also inspires confidence in funders interested in financial accountability and sound financial management. Financial management involves the planning, implementation, and monitoring of the monetary resources of an organization. Along with human resources, it provides the major inputs upon which an organization builds its products and services. Taking care of and accounting for the finances of the organization are prerequisites for external trust. This normally occurs within a highly structured, rule-based system that is transparent and verified through various monitoring procedures. The resolution of grievances, subject to the following procedure, is line management's responsibility. Human Resources may be approached at any stage concerning advice on the use of this procedure.

Many writers state that the attitude towards money is of particular importance in NPO – including the willingness to be accountable for funds available. In addition, literature reflects that even though an agency income is important (it sets the parameters of agency operation – it is not all-important). Efficient and effective use of the money available is of the utmost importance. The organisation will plan its activities and prepare realistic budgets relating to



those activities on an annual basis, following the procedures set out in this manual. This annual plan, and the resulting budgets, will be updated on an ongoing basis during the financial year, based on the realistic expectation of funding for the year and changes in operational circumstances. The above persons are required to then refer the reported grievance to Human Resources for action through the procedure.

## **2. Policies**

### **2.1. Purpose**

An overall Financial Governance Policy establishes guiding principles for fiscal accountability and sustainability. The principles guiding Org X's financial management policy include:

#### **Code of Conduct**

- Safeguarding the assets and resources of the organisation
- Ensuring that all assets and resources are used in the most effective way towards meeting the organisational objectives.
- Spending funds received according to the purpose for which they have been given.
- Conducting its affairs in an accountable and transparent manner
- Conducting all business in an ethical and responsible manner

#### **Delegation of authority**

- In the first instance – full responsibility for internal control within the various operating departments rests with the board, The Board is responsible for
  - Ensuring that appropriate and adequate controls exist within the organisation to safeguard all assets.
  - Ensures that all staff members comply with the policies, procedures, and guidelines and
- The Board determines appropriate structures for authorization.
- The Board may delegate certain specific authority to the director.
- The director in turn specifically delegates authority to others within the organisation

#### **Accountability and independent check**

- Wherever possible a particular post-holder is given responsibility for a task or area of work so that it is clear who must account for the relevant actions or transactions. In order to ensure that all policies and procedures have been followed, independent checking and review of work is practiced.
- The evidence of checking is shown on the relevant documents in the form of a signature.

#### **Separation of duties**

- The organisation applies separation of duties wherever possible.



- This means that the following responsibilities are separated in relation to a particular transaction:
  - Authorization
  - Physical control of the relevant asset(s)
  - Recording

### **Conflict of interest**

No employee, officer or other person involved in the organisation shall participate in the selection, award, or administration of a contract if a real or apparent conflict of interest would be involved

## **2.2.Scope of Applicability**

The policy applies to all board members, staff and managers

## **2.3.Definitions/Classifications**

Concepts and definitions relating to the overall financial Management Policy of the organisation include:

- The **Board** - the governing body of the organisation
- The **Director** - the chief executive officer appointed by the board to manage the daily running of the operations of the organisation
- The **management team** - the team of persons charged with the operational management of the organisation
  - The CEO
  - Operational Manager
  - Project Lead
- **Financial year** - the period of twelve months that covers the financial reporting cycle of the organisation
- **Financial year-end** - the last day of February
- The **memorandum and articles of association** - the governing documents that set out the rules of the organisation.
- **Administrative Office**- the Head office of
- **Imprest system:** The impress system is a tried and tested way of safe-guarding petty cash. The basic idea is that you periodically top up your cash box back up to a predetermined level of cash.



## 2.4. Responsibilities

### Board

- The powers, duties and responsibilities of the board are set out in the memorandum and articles of association of the organisation.
- The board meets at least quarterly
- Minutes of meetings are prepared and retained by at Administrative Office
- Duties
  - To ensure that policies and procedures are established and effectively carried out for the safeguarding of the assets and resources of the organisation.
  - To promote and oversee the fundraising activities of the organisation.
  - To approve the annual budget.
  - To approve expenditure and contracts in terms of the Authorization Tables and in line with the meeting of organizational objectives.
  - To ensure that regular independent checking of systems and financial records is carried out, including the annual external audit.
  - To conduct an annual risk assessment and ensure risks are satisfactorily addressed.
  - To appoint an appropriately skilled national finance manager to oversee the financial management of the organisation.
  - To receive and examine, at every meeting, financial reports on the financial position and performance of the organisation

### Management Team

The financial responsibilities of the management team, in summary, include the following

- To ensure implementation of the policies and procedures and other regulations
- and instructions of the board.
- To ensure that realistic budgets are prepared for approval by the board and for submission to funders.
- To ensure that all expenditure is authorized in terms of the Authorization Tables and procedures contained in this manual.
- To ensure all income is properly and correctly managed and accounted for.
- To ensure economic and efficient use of resources towards meeting the objectives of the organisation.

## 3. Procedures

### 3.1. Authorisation Table

#### Expenditure Approval limits

Financial authority limits for the organisation is set in term of:

- Budget approved by the board
- The amounts prescribed in the authorisation table



The organisation is authorized to operate within the limits of the approved budget and this authorization table. The director of the organisation is responsible for

- ensuring that the organisation operates within these limits.
- All purchases should be preceded by a sequentially numbered purchase order.

The duly completed order must be authorized by the delegated official(s) before any financial commitment is made

#### **Purchases for specific Programme activities**

- Less than R 5000 - by Provincial Manager
- Less than R20000 - by Deputy Executive Director
- Less than R 50000 - by the CEO
- Above R 50000 - by minuted board approval

#### **Purchases for non-programme activities**

- Less than R 5000 - by relevant Department Manager alone
- Less than R 50000 - by the CEO
- Above R 50000 - by minuted board approval

### **3.2.Modalities for Procurement**

#### **Bank Mandates**

All bank mandates must be signed by the chair of the board and one other board member and must be supported by a board minute approving the opening of the relevant bank account(s).

#### **Cheque signatories**

In line with the banking mandate authorised by 2 board members, any two of the following may sign cheques within the limits as specified:

- Chair of the board
  - Other nominated board members
  - CEO
  - National Finance Manager
  - Deputy Executive Director
- One authorised staff member and the CEO can together sign cheques up to, but not exceeding, the value of R00000
- All cheques exceeding R00000 must be signed by at least one board member and the CEO.



### **Electronic Payment: Password holders**

- In line with the banking mandate authorised by 2 board members, any two of the following may use their passwords/codes to verify and release payments:
  - o Chair of the board
  - o Other nominated board members
  - o CEO
  - o National Finance Manager
- The maximum monthly total of payments by electronic payment /transfer is set at R 00000
- This limit can be increased by written notification to the bank signed by the director and one other of the cheque signatories.
- Individual payments over R 00000 must be released by at least one board member in addition to the CEO

### **Cash cards**

Cash cards issued in the name of .....to specified staff members will have a single withdrawal limit of R800 and a maximum number of withdrawals of 5 per month

### **Staff Advances/ Loans**

- No staff loans are allowed as this would not be appropriate use of funder or Org X money
- The maximum amount of a staff salary advance is limited to one-half of that staff member's net salary.
- Advance applications must be authorised and signed by the relevant line manager or, where the director is the applicant, the chair of the board.

### **Expense Claims**

- All expenses claims must be checked and signed by the relevant regional manager or the Deputy Executive Director.
- For non-program-related expenses, the line manager must check and sign the expense claim.
- For expense claims of the regional manager, the CEO must check and sign.
- For all other managers and for all claims exceeding R 00000 or older than two months, the claim must be checked and signed by the CEO
- Expense claims of the CEO must be checked and signed by a nominated board member.
- For expense claims of board members, claims must be checked and signed by the chair of the board. The chair's expenses will be checked and approved by the Member of Finance.
- No claims for expenses older than 6 months will be accepted or paid.



### **Petty Cash**

- All petty cash expense floats are maintained on the imprest basis.
- The maximum float amount for petty cash at any location is R00000 and the maximum amount for a single transaction that can be reimbursed through petty cash is R 00000
- The procedure to be followed is as follows:
  - Reimbursements of less than R00000 can be authorised by the petty cash holder her/himself.
  - Reimbursements up to R00000 can be authorised by the relevant manager or the finance officer.

### **Legal Contracts**

- All legal contracts involving income or expenditure that exceed the limits shown below [or unless specified otherwise in a board minute] must be signed by two persons - the CEO and the chair of the board or another nominated board member.
- Example of contract authorizations can include:
  - Funding contracts – contracts for less than an annual amount of R 00000 can be signed by the CEO alone.
  - Leases on property and equipment - contracts for a value of less than R 00000 can be signed by the CEO alone.
  - Employment contracts – will be signed by the talent development manager, unless they relate to a management position, when they will be signed by the CEO.

### **Consultancy contracts**

- Contracts for program-related work up to a value of R 00000 can be signed by the CEO or Deputy Executive Director
- Other consultancy contracts to this value can be signed by the relevant Departmental Manager.
- For contracts in excess of this amount must be signed by the CEO.
- Contracts over an amount of R 0000 must be signed by board of directors