AUCS Inc Board – Financial policy 2.1

Internal Accounting Policy

1. **Investments/Funds management**

   Each Centre shall operate the following four types of Accounts:

   a) **Operating account (cheque account)**
      i) Purpose: to be used to deposit income and from which to pay salaries and other operating expenses.
      ii) Balance: balance should be maintained at approximately equivalent to one month's operating expenditure plus the current year's AUCS Budget.
      iii) Term: money should be accessible immediately.

   b) **Business Online Saver**
      i) Purpose: to deposit surplus funds in an account which earns a higher interest rate than the Operating account, but which is available on call to be transferred as needed to the Operating account.
      ii) Balance: should be no greater than the equivalent of one month's operating expenditure.
      iii) Term: money should be accessible immediately and without penalty.

   c) **Term deposit/cash management account**
      i) Purpose: to deposit surplus funds in an account which earns a higher interest rate than the Operating account and Business Online Saver account.
      ii) Balance: should approximate the sum of the Provisions for Annual Leave and Long Service Leave.
      iii) Term: 1-2 years, but be able to be accessed if required in an emergency (ie term deposit to be cancellable).

   d) **Term deposit/cash management account**
      i) Purpose: to invest surplus funds which may be earmarked for future capital projects, future growth or to fund programmed maintenance.
      ii) Balance: balance of funds available after accounts 1,2 and 3.
      iii) Term: can be invested for a longer term in order to earn higher interest rate but should still have the ability to be called upon if required in an emergency.

2. **Signatories**

   The Director of each Centre must maintain at least 2 signatories who have been approved by the Board for each account at all times, and ensure timely replacement of signatories when Board or staff members leave. A record must be held of current signatories.

3. **Comm Biz banking system**

   The Centres use Comm Biz to process electronic transfers for payments of Invoices and for payment of Salaries:

   a) This should be structured such that it requires two electronic signatures/passwords/toggles to approve any payments and Direct Debit arrangements (fee payments).

   b) The Business Administrator may be approved as an electronic signature/password/toggle holder.

4. Processing and Payment of Invoices (Accounts Payable)

   a) The Director has delegation to approve purchases which are within Budget, or unbudgeted up to $5,000. Outside of these limits, approval needs to be sought from the Chair or Board.

b) Key cards – Key cards may be provided to the Centre Director and Chef.

c) Reimbursements to staff – If purchases need to be made which can't be paid for with the normal payment processes, staff may seek approval from the Centre Director prior to the purchase to pay for it personally and seek reimbursement.

d) Reimbursement to Centre Directors - If the Centre Director needs to make purchases which can't be paid for with the normal payment processes approval should be sought from the Board Chair prior to the purchase. Both Centre Directors have a reimbursement limit of $1000 per calendar month.

5. Salaries

a) Salaries should be processed in the payroll system.

b) Electronic payments – payments are processed electronically via the bank's CommBiz system. The Centre Director must review and validate the payment run approved by two authorities (in accordance with clause 3 above).

c) Leave provisions in the Balance Sheet are to reflect the staff entitlements as per the payroll system. Annual leave and Long Service Leave provisions should be updated monthly.

6. Service Providers

If a Centre has a requirement to engage the paid services of someone who is related to a Centre staff member, the Centre Director should seek the approval of the Board prior to the engagement. The terms of the engagement should be at commercial terms.

7. Revenue

a) Child care Income –Fee income can be received via Direct Debit or EFT transfer.
   i) Direct Debits – CommBiz should be structured such that 1 person is required to set up a Direct Debit which is then required to be authorised by 2 approvers.
   ii) A weekly reconciliation between Spike and the bank account is required to be reviewed and signed off by the Centre Director.

b) Interest on Term Deposits is to be recognised in the month of or following expiry or rollover of each term deposit.

c) **Bank Reconciliation**
The Centre Director must review and sign a monthly Bank Reconciliation.

d) **Assets/Capitalisation**
When the Centres purchase an asset, it should be capitalised to the Balance Sheet at the time of purchase, and depreciated as part of the year end process.
Definition: for the purpose of the accounts, Asset refers to any individual item which has a useful life of more than one year and which purchase cost is greater than $1,000 (excl GST). It can include:
- Plant and equipment – loose items such as furniture, computers
- Leasehold improvements – items of improvements of a fixed nature to structural buildings eg plumbing, painting, fixtures, electrical

Depreciation:
- Plant and equipment to be depreciated in accordance with the pooled method applied by the auditor in the year end accounts
- Leasehold improvements – to be amortised over the life of the building lease.

Budget:
As part of the budgeting process a capital plan for the ensuing year should be presented for consideration and approval by the Board.

e) **AUCS expenditure**
In order to cover the annual expenses of AUCS a levy is to be charged to each Centre. The levy will be calculated as a % of Total Revenue. The budgeted levy will be processed monthly, and adjusted at year end to reflect the actual Total Revenue for the year.

f) **Contingency**
Each Centre's budget is to provide for a contingency, in order to provide some risk mitigation in the event of unforeseen expenses arising during the year. The contingency budget shall be calculated as a % of Total Revenue in each Centre. This is a budget item only, providing capacity within the annual budget for unexpected costs, and does not require any processing of actual charges.

g) **Financial reports**
   a) Financial reports for the previous month must be provided to the AUCS Board at the monthly meetings.

   b) These reports must include Profit and Loss for the month and Year to Date, showing $ and % variances to Budget, and the Balance Sheet. Written commentary needs to be provided to the Board explaining the variance to Budget for Total Child Care Income and Employment expenses, and for other Revenue and Expenditure items a comment is required if variance to Budget is equal to or greater than both $2000 and 20%.

   c) Definitions:
      i) Total Child Care Income includes income from ISS and Universal Access and any other income received as a direct result of child enrolments
      ii) Employment expenses is the Total Employment Expenses reduced by any Wage Reimbursements

h) **Application of this Policy**
This Policy is supported by the Internal Accounting Procedures.

Internal Accounting Procedures

1. Processing and Payment of Invoices (Accounts Payable)

a. Upon the receipt of goods or services, the person who ordered same should check the delivery docket and sign to signify that it matches the goods/services provided. The delivery docket should be provided to the Business Administrator. The Business Administrator should validate the invoice against the delivery docket. If no delivery docket is available then the invoice should be checked, signed and dated by the person who received the goods/services. Invoices should then be provided to the Centre Director for review and approval, signified by signing and dating the invoice.

b. Invoices should be entered into the accounting system by the Business Administrator.

c. Payments for accounts must be processed only after
   - i) for Centre accounts: written authorisation by the Director in accord with step above
   - ii) for AUCS accounts: written authorisation by the Board Chair or Treasurer or in accord with a Board minute or Policy.

d. Electronic Payment runs – invoices which are due for payment should be selected in the accounting system. The file is processed as a bank file through Comm Biz. A report showing the payments and the total $ should be printed, and signed and dated by the two authorities who approved the payment run. The relevant supporting documentation (invoices) should be batched and attached to the report. This should then be provided to the Centre Director, for review and approval, signified by signing and dating the report.

e. Cheques must be:
   - i) processed by computer only (not handwritten)
   - ii) prepared by the Business Administrator and
   - iii) signed by two cheque signatories. Cheques for signing must be attached to the respective invoices and cheque signatories must check the details of each cheque against the invoice prior to signing.

f. Key cards - Receipts for every purchase must be provided to the Business Administrator. The receipts must be matched and attached to the statement, which is subsequently provided to the Centre Director for approval.

g. Prepaid Visa cards - Receipts for every purchase must be provided to the Business Administrator. The receipts must be matched and attached to the statement, which is subsequently provided to the Centre Director for approval.

h. Reimbursements to staff - If purchases need to be made which can’t be paid for with the normal payment processes, staff may seek approval from the Centre Director prior to the purchase to pay for it personally and seek reimbursement. If no receipt is provided, a form needs to be completed. The reimbursement will be processed through the accounting system and paid electronically in the next payment run. If the Centre Director needs to make purchases which can’t be paid for with the normal payment processes approval should be sought from the Board Chair prior to the purchase.

2. Salaries

a. Salaries should be processed through the payroll system.

b. Electronic payments - payments are processed electronically are via the bank’s CommBiz system. A file is processed from the accounting system to the bank. A report showing the payments processed should be printed from CommBiz. This report should be signed and dated by the two authorities who approved the payment run. This should then be provided with supporting documentation to the Centre Director for review and validation, verified by signing and dating the report.

c. Leave provisions in the Balance Sheet are to reflect the staff entitlements as per the payroll system. Annual leave and Long Service Leave provisions should be updated monthly.

3. Revenue

a. Child care Income - fee accounts are raised in Spike.
b. All Fee revenue should be receipted into Spike.
c. A weekly reconciliation between Spike and the bank account is required to be prepared and provided to the Centre Director for review and sign off.
d. Interest on term deposits is to be recognised as revenue in the month of or following the expiry or rollover of the term deposit.

4. Bank Reconciliation

The Business Administrator should prepare a monthly bank reconciliation and provide to the Centre Director. The Director should review and sign such reconciliation.

5. Assets/Capitalisation

When the Centres purchase an asset, it should be capitalised to the Balance Sheet at the time of purchase, and depreciated as part of the year end process.

Definition: for the purpose of the accounts, Asset refers to any individual item which has a useful life of more than one year and which purchase cost is greater than $1,000 (excl GST). It can include:

- Plant and equipment - loose items such as furniture, computers
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As part of the budgeting process a capital plan for the ensuing year should be presented for consideration and approval by the Board.

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In order to cover the annual expenses of AUCS a levy is to be charged to each Centre. The levy will be calculated as a % of Total Revenue. The budgeted levy should be journalled monthly, and adjusted at year end to reflect the actual Total Revenue for the year.

7. Contingency

Each Centre's budget provides for a contingency, in order to provide some risk mitigation in the event of unforeseen expenses arising during the year. The contingency budget shall be calculated as a % of Total Revenue in each Centre. This is a budget item only, providing capacity within the annual budget for unexpected costs, and does not require any processing of actual charges.

8. Financial reports

a. The Business Administrator must regularly check their own work to ensure that journal entries are correct, especially when completing monthly reports. For example: Fees and CCB can be checked against year to date figures from Spike.
b. Financial reports for the previous month must be provided to the AUCS Board at the quarterly meetings.
c. These reports must include Profit and Loss for the month and Year to Date, showing $ and % variances to Budget, and the Balance Sheet Written commentary needs to be provided to the Board explaining the variance to Budget for Total Child Care Income and Employment expenses, and for other Revenue and Expenditure items a comment is required if variance to Budget is equal to or greater than both $2000 and 20%.

d. Definitions:

   i) Total Child Care Income includes income from ISS and Universal Access and any other income received as a direct result of child enrolments
   ii) Employment expenses is the Total Employment Expenses reduced by any Wage Reimbursements.

Approved by the AUCS Board on 28 May 2024