# te rūnanga o arowhenua

# Financial Responsibilities Of The Board

## Policy Purpose

To provide guidance to Board members, on their roles and responsibilities in relation to overseeing financial control of the Runanga.

## Procedures

Annual Planning & Budgeting

At the time the Runanga produces its annual business plan, the Treasurer/Marae Manager will present a draft budget for the ensuing year along with the Business Plan (around June each year for the following financial year). This budget should itemise:

* How the funding income to the Runanga is intended to be used to achieve strategic goals and business objectives and where the funding is to come from (e.g. contracts)
* The operational budget for the Runanga (e.g. salaries, rent, phones etc)
* Projected surpluses or investments for the year including capital purchases

The Board members job is to review the budget, confirm through the Treasurer/Marae Manager whether the projected income is guaranteed or estimated, and then to assess whether proposed expenditure fits within the income levels and is being wisely appropriated. Board members may think too much is being allocated in a particular area (e.g. in travel) or they may think not enough is being allocated based on the previous year’s performance. A review of last year’s budget will identify significant changes.

Once any issues are clarified, Board members will approve the budget and the Marae Manager will operate the budget within their delegations.

**Monthly Monitoring**

At each monthly meeting, the Board members will be presented with a financial report by the Treasurer. This will have been produced from the financial software based financial system (MYOB) operated by the Runanga viewing the accounts shows symptoms – it does not show causes or problems (such as why there is more income than expected or why there is more expenditure than expected). Board members must investigate further by questioning the Treasurer if there are discrepancies.

The standard reports each month shall include:

* Balance Sheet
* Income and Expenditure Report (Profit and Loss Report) against budget for the whole Organisation
* Accounts Receivable (debtors – people who owe the Organisation money)
* Accounts Payable (creditors – people the Organisation owes money to)

In addition, the Board members may request a copy of the latest PAYE and GST return to satisfy themselves that tax returns are being made and that payments are current. The value of expenditure on tax within the “expenditure report” should also identify a growing expenditure each month to show that tax payments are going out of the organisation.

Once financial reports are received, Board members should look for:

* Any significant under or over expenditures against budget
* Any areas where money is not being spent, to identify whether this should be reallocated elsewhere
* Outstanding debtors or creditors (people who have not been paid, or have not paid the Organisation) over 30 days, and question what action has been taken to resolve outstanding income or payments. If a funder has not paid the Organisation on the due date, the contract should be checked to see whether penalty interest can be charged to the funder on outstanding funds.
* Whether the Assets (what the Organisation owns) in the Balance Sheet exceed the Liabilities (what the Organisation owes), and whether the Equity position is “positive”. Negative equity theoretically means the Organisation is insolvent. This should be checked in case some financial transactions have not been entered. A high level of liabilities should be questioned if it looks extraordinary.
* Check whether the bank account balances in the Assets component of the Balance Sheet are in credit. A negative amount means the bank account is in overdraft and the Organisation will be charged overdraft interest on this amount.
* Whether the report is current for the previous month or is an older report – for instance a financial report for January being submitted to an April meeting. This may reveal that financial processing is not up to date. The Treasurer should be required to ensure financial processing is current.

Full Monthly financial reports should be filed with the minutes of that meeting.

**Annual Monitoring**

Each year after 30 June, the Organisation will submit its accounts for audit. The Board members should select the Auditor and ensure the Marae Manager completes a Letter of Engagement for the Audit. The Marae Manager’s responsibility is to ensure the Auditor’s requirements for information are provided by the staff concerned. All paperwork and documentation required by the Auditor should be supplied. The audit financial report will include:

* Balance Sheet as at 30 June
* Full years Income and Expenditure report for the Organisation.
* Asset Schedule and depreciation calculation
* Auditors notes

Once the draft Audit financial report is received (at least by end of September each year), this will be accompanied by a Management Report identifying any audit issues found by the auditor. The Board members should check for:

* Any significant issues in the Management Report that the Marae Manager should be directed to fix
* Any significant income or expenditure items that have not been picked up in monthly meetings
* Any significant items that are usually reviewed monthly (per list above)

The Board members may approve and sign the audit report once they are satisfied that it represents a fair picture of the Organisation’s financial status. Once approved and signed by the Chairperson, the Board members will then require the Marae Manager/Treasurer to prepare a draft Annual Report for approval, and after this is authorised and published – to convene the Annual Hui.

Updated: 13th September 2015\_\_\_\_\_

Due for Review: September 2016\_\_\_\_\_\_\_\_\_

