

**FINANCIAL OPERATING PROCEDURES**  
**February, 2023**

**THIS DOCUMENT INCLUDES PROCEDURES FOR:**

- 1 The operation of bank accounts
- 2 Purchase of goods and services
- 3 Accounts payable
- 4 Amounts receivable – MMICT - short term leases  
- MCF - donations
- 5 Asset registers – fixed assets  
- share house chattels
- 6 Employment of staff and salary matters
- 7 Computerised accounting functions
- 8 Conflicts of interest
- 9 The operations of entities within the Group
- 10 The preparation of Annual Financial Reports
- 11 Documentation relating to:
  - any loans made to the Company by any related Trust or other persons
  - any loans made by the Company to any related Trusts or other persons
  - any leasing arrangements between the Company, as lessor, and any related Trust or other person
  - any leasing arrangements between the Company, as lessee, and any related Trust or other person
  - management/service fees paid to a related Trust or members of the Company's Governing Body
  - management/service fees paid by a related Trust or members of the Company's Governing Body
  - charges to related Trusts or other persons

Annexure

## GENERAL PROCEDURES

### 1. Operation of Bank Accounts – for Montessori Children’s Foundation and the Trusts< Masterman Montessori Indigenous Children’s Trust; Montessori Indigenous Children’s Trust and Montessori Children’s Foundation Scholarship Fund (the Group)

- a) All bank accounts to be in the correct legal names of:
  - i. the Company - Montessori Children’s Foundation;
  - ii. the Trusts – Masterman Montessori Indigenous Children’s Trust;
    - Montessori Indigenous Children’s Trust;
    - Montessori Children’s Foundation Scholarship Fund.
  - iii. In addition, to assist in the payment for minor items for the sharehouses, an office account linked to a debit card will be maintained.
- b) There will be at least 2 signatories to each account, and at least 2 of the signatories are to sign each transaction.
- c) The authority to open and transact business on behalf of the Company and the Trusts should be supported by a resolution of the Company's Board.
- d) Electronic transfers will be made after meeting the control procedures required by the Company's bank. Each individual payment will be checked and authorised by 2 cheque signatories.
- e) Documentation to support bank accounts details, i.e. BSBs and account numbers will be retained. These bank details will be stored in a secure place and appropriate authorisation will be in place to ensure any changes to bank details are correctly authorised.
- f) Bank accounts will be reconciled on regular basis by the CFO.

### 2. Purchase of goods and services

(Note: Goods and services that are not specifically for the use of the Group are not to be purchased through the group's procurement process)

- a) The limits of the delegation to staff, other than the CFO and CEO, will be \$5,000.
- b) Appropriate requirements where goods are supplied under a contract to be provided over a period of time are to be implemented. This will include such items as insurances and will include Board approval where notification is received that terms and conditions or costs are to be substantially altered.
- e) Prior to purchases on the office account amounts greater than \$500 will require CEO to ensure that the purchase is in order and it will not result in the set budget for that category of expenditure being exceeded.

- f) The Group will develop an approved supplier list over time, based on quality of product or service, competitiveness, reliability, after sale service and warranty provided. The list will be reviewed by the CEO annually, ensuring that those listed are still appropriate.
- g) Any person who is related to or associated with any employee of the Group including Directors of the Board will not be used to supply goods and services to the Group unless first approved by the appropriate individual/s nominated in the delegation's annexure. If there is a relationship with any employee of the Group or Director of the Board, this approval will only be given if there is absolute certainty that the transaction is being undertaken at arm's length and no more than "market " price is being paid for the goods or services.
- h) The Group will determine in the delegation annexure to this document the \$ value above which quotes are to be obtained for goods and services.
- i) Guidance on the calling of tenders, especially for building projects should be obtained from the practice note issued by the Royal Australian Institute of Architects "Calling, Receiving and Negotiating Tenders". <http://www.architecture.com.au>
- j) Tenders will be delivered to a 'locked' box and opened and receipted in front of 2 persons from those nominated in the delegations manual. The selection process will be on the basis of overall value for money which may include:
  - Price
  - Capabilities /Experience
  - Ability to complete on time
  - Financial stability
  - References
  - Previous work undertaken for the Group
- k) The outcome of the tender process will be clearly documented and signed by the individual/s nominated in the delegations appendix to this document.
- l) Those who tendered will be advised of the outcome as soon as possible after the close of tenders and the decision being made.
- m) Formal documentation, signed in accordance with the delegations annexure to this document will be on hand to cover continuous contracts such as cleaning, property maintenance, royalties etc. The documentation is to include period, nature of service rate charged. For royalty payments, the nature of the intellectual property received will be detailed. All suppliers should quote their ABN; provide evidence of registrations if appropriate, and details of insurance covers if applicable. Tax invoices will be provided to cover the supply.

### **3. Accounts Payable**

- a) All payments are to be authorised by two signatories in the relevant account in the groups' banking system.

- b) All payments are to be automatically uploaded to the groups computerized accounting system by the group's bank and the matching invoice/account is to be uploaded to the system by the authorised personnel.
- c) For reimbursement of expenses etc, the supporting tax invoices or dockets will be attached to the relevant payment in the group's computerized accounting system. All reimbursements will be paid through banking system and signed by two authorised signatories.

#### **Debit/Credit Cards**

- m) The Board will authorise the process for issuing of debit/credit cards in the name of individuals and a register of card holders and their limits will be held by the group.
- n) All supporting tax invoices for amounts appearing on credit cards will be agreed with the entries appearing on the periodic statement and each card holder is responsible for retaining tax receipts until required.

#### **4. Amounts receivable – MMICT - short term leases**

- a) Each renter will be included in the relevant file once their contract has been confirmed.
- b) Their details will include the following information:
  - Name of relevant share house
  - Renter's name
  - Renter's contact details
  - Contract details, including:
    - Type of room
    - Starting and finishing dates
    - agreed weekly rent
    - Required rent in advance, ie first and last two weeks
    - Required security deposit
- d) A listing of rent in advance, security deposits outstanding rent is to be produced on the last day of each quarter, ie 30<sup>th</sup> June, 30<sup>th</sup> September, 31<sup>st</sup> December and 31<sup>st</sup> March, or more regularly if required.
- e) The group's rent collection policy for collection of outstanding rent will be followed.
- f) The person responsible for the renters' ledger will only process credits against fee accounts when authorised by the CEO.
- n) It is noted that rents may be paid by electronic transfer, credit card or by cash. Direct electronic transfers and credit card payments are automatically transferred to the MMICT computerized accounting system by the bank daily. Cash amounts received should be banked as soon as possible. Rents received in the MMICT accounting system should be reconciled on a weekly basis by the delegated individual.

### **Amounts received – MCF – donations**

As MCF holds DGR status donations are to be received by MCF. Upon receipt of the donation the CFO is to prepare the required receipt in accordance with DGR requirements. The receipt is to be issued to the donor by the CEO with the appropriate appreciation letter.

## **5. Asset Registers – Fixed assets**

- a) A separate asset register will be maintained by the Group, and all additions will be recorded at the time of purchase.
- b) The asset register will be reconciled to the relevant fixed asset account in the Group's general ledger on an annual basis.
- c) Prior approval as provided in the delegation's appendix to this document will be obtained for the sale of the group's assets. A record will be maintained of the basis of determining the sale price for any of the assets with reference to what would be considered "market value". If goods or services are received in kind for the assets, details of these will also be recorded, ensuring that they relate to the running of the Group.

### **Share house chattels**

- d) Although share house chattels are included as expense items rather than being recorded on the asset registers due to their size and nature, a routine stock take on a cyclic basis will be undertaken sighting the chattels previously recorded. The relevant report is to be prepared in relation to losses, breakages, required replacements etc.

## **6. Employment and Payment of Staff**

- a) A separate employee file will be maintained for each staff member and the following documents would be kept on file for each employee:-
  - Employee's resume at the date of application.
  - Certified copies of documentation demonstrating qualifications and experience.
  - Copy of signed contract of employment, including a confidentiality statement and declaration regarding potential conflict of interest.
  - Copy of Income Tax file number and any other rebate declarations.
  - Evidence that the employee has been provided with Choice of Superannuation.
  - Documentation, duly signed to support current rate of pay.

- Summary of salary packaging arrangements, if any.
- b) A record of annual, sick, maternity or paternity leave, leave without pay and long service leave application forms will be maintained.
- c) The computerized payroll systems will have a level of password protection to ensure that no unauthorized person has access to the system.
- d) Two persons, one of whom is authorised and is not physically involved in the payroll preparation process, will authorise all additions and deletions of employees from the system's master file and changes to rates of pay, bank account details etc.
- e) Electronic transfers of payrolls will be authorised by two cheque signatories, after reviewing the listings of salaries and confirming reconciliation of the totals remitted with the salaries listing. A report from the transferring bank will be obtained and reviewed by the authorising officers, compared with the original listing and signed to indicate that this check has been conducted.
- f) All staff records will be retained for a period of at least 7 years to meet Australian Taxation Office requirements. To ensure that records are retained in a way that meets relevant requirements, they will be readily accessible for future reference and have adequate controls to safeguard their security and integrity, minimising the risks of inadvertent destruction, corruption or unauthorised tampering.
- g) Any general ledger accounts for salaries, PAYG; salary sacrificing will be reconciled monthly to the payroll master file records and the general ledger payroll budget.
- h) The salaries general ledger account will be reconciled at least twice per year with the Annual PAYG summary.
- i) The provisions of the Privacy Act will be considered in regard to the access and retention of employee records.

## **7. Computerised Accounting.**

- a) All modules of the school's computerised accounting system will be password protected to ensure access to the various modules is only available to authorised persons.
- b) It is noted that in addition to the password, users of the system are required to use the authenticator code on a 24 hour basis.

- c) Individual computer terminals will be timed out after a short period to avoid unauthorised access.
- d) Appropriate virus protection software is in place for the group's computerised accounting system.

## **8. Conflict of Interest Guidelines**

**Preamble:** These guidelines set out the suggested requirement that all persons involved with the Group be aware that where a conflict of interest does or may arise, this should be disclosed to an appropriate person. Wherever possible the person with the conflict should not play a role in the decision making process which involves the matter where the conflict does or may exist.

Conflicts of interests are not wrong in themselves, and cannot always be avoided, but it is important that there is no perception that the person involved in any decision regarding the transaction has or should benefit from it occurring.

**Definition:** A conflict of interest involves a conflict between the duties of an Director/employee etc of the Group and his /her private interests which could improperly influence the performance of the Director/employee etc in carrying out his/her responsibilities in regard to the Group.

**Disclosure:** All new employees, board members etc are required to be provided with a copy of the Group's Conflict of Interest policy document and also complete a Conflict of Interest Disclosure Statement at the time they take up their role with the Group. A copy of the disclosure statement should also be given to the employee's etc. immediate supervisor.

Where the Director/employee's etc circumstances have changed since the existing disclosure was submitted, an updated statement should be completed.

**Application:** Where a conflict of interest arises the person should not be involved or attempt to influence the decision making in regard to a transaction in which the conflict of interest exists.

**Whistle Blowing:** If a member of staff/Director has knowledge that leads them to the assumption that a conflict of interest exists that may not have been disclosed they should refer their concern to the Board Chair.

**Confidentiality:** The Group should ensure that disclosures are to be kept as confidential as possible within the requirements of the law.

## **9. Operations of all entities in the Group and associated entities**

In relation to all entities in the Group, the following records will be maintained:



- Name, ABN, TFN, DGR and corporate status of individual entities
- Details of the Board members
- Details of cheque/EFT signing authority for the entity
- Transaction authority levels for payment and receipt of funds by the Group on behalf of the associated entity.
- Approval of donations to the Group from the associated entity – copies of relevant minutes etc.
- Detailed analysis of transactions making up statutory account third party notes from prior years financial statements.

#### **10. Preparation of Annual Financial Reports**

A consolidated Annual Financial Report is prepared for Montessori Children's Foundation and the 3 trusts. A separate Annual Financial Report is prepared for Masterman Montessori Indigenous Children's Foundation. These reports are general purpose accounts complying with Australian Accounting Standards. Accrual accounting has been adopted and amongst other disclosures, disclosures regarding material related party transactions are made. The reports are to be filed with the ACNC before the stated due dates.

#### **11. Related Party Transactions**

The Group notes the following and will take the appropriate action, if required:

Agreements to cover any loans made to the entity in the Group by any related organisation or other persons require:-

- Formal documentation to support the loans which would include term, and interest applicable.
- Approval of loans should be undertaken in accordance with Group's delegation's policy.
- Details of security provided (if any).
- Evidence that if interest is being charged, it is at market rate.  
Documentation of benchmark rate applicable to similar borrowings if taken through one of the major banks to support the rate charged should be on file. Rate could depend on whether loan is secured or unsecured.

Agreements to cover any loans made by the any entity in the Group to any related organisation or other persons require:-

Formal documentation to support the loans which would include term, and interest rate applicable.

- Approval of loans should be undertaken in accordance with Group's delegation's policy.
- Details of security provided (if any).
- Evidence that interest is being charged at market rate. Documentation of applicable benchmark rate applicable to similar borrowings if taken through one of the major banks to support the rate charged. Rate could depend on whether loan is secured or unsecured.
- Care to be taken that there is a set term for the loan, and whether an unsecured loan would be considered to be a "market" transaction.

Agreements to cover any leasing arrangements between any entity in the Group and any related entity or other persons. The entity as Lessor requires:-

- Formal lease document to support arrangement.
- Lease to be at market value (unless to Sponsoring body – non-profit and in relation to the running of the Entity)
- Approval of leases should be in accordance with Group's delegation appendix attached to this document.
- Leases should be for a set period.
- If for property, rental assessment should be on file to support amounts charged. The leases should include an annual escalation clause.
- If for equipment basis of rental charged should be documented including implied interest rate used.
- If lease is to a corporation, if appropriate, a bank guarantee or at least guarantees by the Directors should be obtained. If guarantees by the Directors the ability of Directors to meet lease payments should be confirmed.

Documentation to cover any leasing arrangement between any related entity or other persons and any entity in the Group. The entity as Lessee requires:-

- Formal lease document to support arrangements.
- Approval of lease in accordance with Group's delegation appendix attached to this document.
- Lease to be for a set period with appropriate termination clauses.
- If for property, rental assessment to be on file to support amount charged.
- If for equipment basis of rental charged to be documented including quotation from independent supplier.
- For leases from the Sponsoring body, evidence that it is "non-profit" and that it is in connection with the running of the Group or any entity within the Group if the lease is above "market value"

Documentation to cover any management/service fees paid to a related organisation or members of the Group's governing body require:-

- If standard long term arrangement, formal agreement documenting services to be provided, period of arrangement, termination of services and basis of charges.
- Approval of expenditure to be in accordance with Group's delegation appendix attached to this document.
- If to the Sponsoring body evidence that it is "non-profit" if fees are above "market value"

- Tax invoice to provide detailing services provided.

Documentation to cover any management/service fees charged to a related entity require:-

- If standard long term arrangement, formal agreement documenting services to be provided, period of arrangement, termination of services and basis of charges.
- Basis of calculation of charge to be kept on file.
- If recharging expenses incurred by any entity of the Group on behalf of a related entity, appropriate share of on-costs to be included in charge.
- Tax invoice to be provided detailing services provided indicating normal payment terms.

Charges to related entity or other persons require:-

- If standard long term arrangement, formal agreement documenting services to be provided, period of arrangement, termination of services and basis of charges.

## APPENDIX

### DELEGATIONS OF AUTHORITY

Action	To be approved by
Opening and closing bank accounts	Board
Signatories to bank accounts	Board
Group's credit card holders	Board
Limit for electronic transfers	Board
Loans – including those to staff or other persons, including associated organizations	Board
Approval of annual operating and capital budget	Board
Employment of staff – CEO	Board
CFO	CEO/with Board approval
Other Staff	CEO
Salary rates – CEO	Board
CFO	Board
Other Staff	CEO-in line with industrial agreements
Entering into borrowing or overdraft facilities	Board
Rental fees –	CEO
Writing off of bad debts	CEO
Expenditure up to \$1,000 over budget on individual items	CEO and CFO
Expenditure over \$1,000 on individual items	Board
Investment of Funds – Approved policy	Board
Placing – including rate and term	Board
Leasing of capital assets	Board
- Capital cost of greater than \$10,000	Board
- Amounts and period less than above	CEO and CFO (if within budget)
Leasing of real property	Board
Purchase of assets – over \$10,000	Board
- up to \$10,000	CEO and CFO (if within budget)
Asset sale – over \$5,000	Board
- Under \$5,000	CEO and CFO
Sign off on major building tenders	Board
Sign off on tenders for ongoing contractors, etc.	CEO
Honorarium or Ex-gratia payment	Board
Directors fees	Board

Delegation is on basis that approved operating budgets in various categories should not be exceeded in excess of \$1,000. If so, a justification submission should be approved prior to the expenditure taking place in line authority approval limits. Delegation limits apply to the position even if it is being held by a person in an acting capacity.

The delegation limits relate to the gross cost including GST but excluding trade-ins, allowances etc. The transaction should not be considered in parts or by instalments or the cost of individual items.