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Finance and Accounting Policy Manual

Version 1.0

Document History

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| Version Control | | | |
| Ver No. | Date | Author | Update information |
| V1.0 |  |  |  |
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# OBJECTIVES

## This Finance and Accounting Policy Manual (“FAPM”) provides policies on the management and control of the financial and accounting operations of ABC (the organisation). The manual also stipulates accountability and fiduciary responsibility over the finances and assets of the organisation.

## The over-arching basis for the Financial and Accounting Policy Manual are a set of principles for code of conduct that is consistent with the Code of Governance, whereby the Board, committee members and employees of the organisation shall:

### conduct themselves honestly and act in good faith, in line with the Code of Governance.

### act in the best interest of the organisation and shall declare, prevent and address conflict of interest that could affect the integrity, fairness and accountability of the organisation.

### will not directly or indirectly participate in payments or receipts of funds or assets for any unlawful or unethical purpose;

### be responsible for the safeguarding of the organisation’s assets including all confidential information and preventing their disclosure to unauthorized individuals.

## The Board is responsible for keeping the FAPM up-to-date and relevant.

## Changes made to the FAPM must be approved by the Board / Finance Committee.

## Detailed processes and procedures may be developed as supplements/addendums to the FAPM.

# BUDGETING

## Budgeting Philosophy

The annual operating budgeting process is the responsibility of and is carried out by the Executive Director (“ED”) in consultation with the Board committee heads.

The annual Budget is a vital planning tool for the long-term management of the organisation’s finances. It is a tool to aid the organisation in sustaining cash flow and surpluses for its ongoing operations. It is also a risk management tool to the extent it helps the organisation meet future financial obligations.

In summary, the objectives of this process are to:

1. Allow planning ahead for the optimum use of the organisation’s resources and reserves planning;
2. Spearhead and support activities to promote activities in line with the Vision and Mission of the organisation; and
3. Foster a culture of accountability and timely financial management.

## Basic Reports

The Budget includes the following basic reports relating to the fiscal year under forecast:

1. Statement of Financial Position;
2. Statement of the Movements in Reserves;
3. Variance Analysis against previous year; and
4. Qualitative reports as necessary.

## Budget Development Process

Each year’s budget preparation process shall address the specific objectives that are pursued by the organisation during that year as well as the long-term strategic plan so that:

a. Adequate resources can be determined and systematically allocated for the achievement of these objectives; and

b. The Board can assess the net cost and overall impact on the organisation’s reserves position of such resource allocation in advance.

## Approval Process

During the approval process, the Board shall make a proper consideration of each project, event or activity and operating expenses, whether these can be adequately met from planned revenue and if there are plans for funding from grant applications or reserves.

## Budget Revisions

For any project where the variation exceeds SGD$10,000 or 10%, whichever is the lower, approval from the Board or the Executive Committee, after providing them with the basis for the revision, and in the case of an overspending variance, where alternative funding can be procured to cover the negative balance.

Funding of new expenditure initiatives not previously in the annual approved budget must be approved by Board / EXCO, regardless of amount.

## Budget review and look-back

This is the last phase of the budgeting process and takes place after the close of the fiscal year. The actual versus budgeted amounts for the entire year under review are presented to the Board for consideration in preparing the next year’s Budget.

# FUNDRAISING

## Any **public or private fundraising** for **overseas** beneficiaries, programs or projects, would require a fundraising permit from the Commissioner of Charities, and must be coordinated through CHARIS.

## CHARIS shall provide necessary guidance, including the execution of necessary agreements and compliance with prescribed Standard Operating Procedures (SOP) for each fundraising event.

## CHARIS may establish specific restricted funds to meet donor/beneficiary niches or projects, including Member Organisation fundraising that is focused on funding its overseas program and operating needs.

## Any **adhoc donations** for **overseas** beneficiaries or purposes must NOT be deposited into individual’s bank accounts, but deposited into ring-fenced accounts with CHARIS.

## Donors should be informed to have any cheques made payable to designated account of CHARIS, with intentions indicated behind the cheques where relevant and as advised by CHARIS.

## Donors should be discouraged from sending cash donations through the post.

## Cash and cheques should be counted and witnessed by at least 2 separate people in a secureenvironment and held in a secure place until handed over to CHARIS or banked in.

## Donor records should be promptly captured during the counting process, as per CHARIS SOP.

# PROCUREMENT, DISBURSEMENTS AND REIMBURSEMENT

## General Procurement & Disbursement

Proper documentation is required for all stages of the procurement & disbursement process. The following are the anticipated stages of the process:

### Determine the requirements and value of the intended procurement/disbursement

### Ensure that there is a budget available for the purchase/disbursement

### Obtain prescribed approvals from the designated authority for intended procurement/disbursement

## Procurement Process

### Purchases/disbursements for any single purchase > SGD$3,000 or for any fixed assets or improvements should be made after obtaining competitive quotations from at least three independent vendors.

### The quotation selected shall be the one which is lowest priced for an item of acceptable quality from a firm/party able to meet delivery requirements within the required period.

### Where 3 quotes are not obtained, justification is needed for the waiver of 3 quotes and to document the justification when submitting the purchase request for approval.

### All procurements must first be approved by the relevant authorities before committing to vendors/suppliers.

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| **Procurement Expenditure Level** | **Proposer** | **Approver** | **Remarks** |
| Up to $1,000 | Head of department or staff-in-charge | ED  (or in the absence of the ED, either the Board Chairman / Vice-Chairman / Treasurer) | Number of quotations to be obtained at ED’s discretion |
| >$1,000 to $3,000 | ED | Board Chairman / Vice-Chairman / Treasurer | 3 or more quotations\*, or supported by documented waiver to quotation |
| >$3,000 to $20,000 | ED | Finance Comm / EXCO | 3 or more quotations\*, or supported by documented waiver to quotation\*\* |
| >$20,000 | ED | Board | 3 or more quotations\*, or supported by documented waiver to quotation@ |

\* All quotations must be obtained from different independent vendors.

\*\* Any waiver to 3 or more quotations to be approved by the Finance Committee/EXCO (email approval accepted).

@ Any waiver to 3 or more quotations for amounts greater than $20,000 are to be approved by the Board (email approval accepted).

## Disbursements Process

### Products and services are to be inspected to ensure that they correspond with orders placed and invoiced. Person inspecting goods should acknowledge receipt of products and services on the delivery note.

### All invoices are to be matched with purchase orders or order confirmation and acknowledged delivery notes, and computations and pricing are to be verified, before approval for payment.

### Invoices are to be paid in a timely manner and in accordance with all purchase orders and contracts.

### No “Cash Cheques” shall be issued and there shall be no counter-signing for any amendments or corrections made to cheques. Erroneous cheques are to be voided by the ED and kept with cheque stubs, and new cheques issued in replacement.

### Payment Approvals and Limits (Electronic Payments, Cheques and Cash)

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| **Payment Amounts** | **Approver (Payment Voucher)** | **Required Signatories** |
| < $1,000 | Finance Manager / Executive **or** any person in Category C may assume this role) | 1 from Category C (or if C is Approver any Signatory from any Category), and 1 from any other Category |
| $1,000 - $5,000 | From Category C (in the absence\* of whom any person in Category A or B may assume this role) | Any 2 signatories from Category A or B |
| > $5,000 | From Category C together with Finance Committee | 1 from Category A (who is not in Finance Committee), and 1 from either Category A or B who may be a member of the Finance Committee |

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| **Category** | **Designation** |
| A | Chairman, Vice-Chairman |
| B | Treasurer, Assistant Treasurer (or Designated Board Member) |
| C | ED |

## Staff Expenses Reimbursement

### All expenses reimbursement should be supported by receipts signed off by recipient, verified by admin/finance/HR executive, and approved by ED.Approval by any one of the Board Director should be obtained for ED’s reimbursement.

### Approval by any one of the EXCO should be obtained for staff expenses reimbursement that exceeds $2,000.

### Recipient will endorse on Expense Reimbursement form to acknowledge receipt of cheque

## PAYROLL

### Staff must be employed under a proper contract of employment.

### Salary levels have to be properly authorized by the EXCO and recorded.

### There should be segregation of duties between personnel performing payroll processing and recording and payroll payments.

### Personnel records are to be kept for each staff member, and these are to be separate from the payroll records.

### Yearly reconciliations between personnel records and payroll payment records should be performed.

### Payroll is to be reviewed before payments are made.

### Annual leave, medical leave, overtime and time-off are to be properly approved and recorded.

### Personnel and payroll records and reports should be treated with confidentiality and adequately safeguarded.

### Any changes in personnel salaries and payroll must be approved by the ED.

### The appointment and compensation of the ED must be approved by the EXCO and/or the Board.

# ONLINE PAYMENT PROCESS

## **Create Beneficiary/Payee Accounts**

### The organisation’s online payment process will only allow for creation of payment transactions to “pre-approved” beneficiaries i.e. beneficiaries with crediting account numbers duly verified and approved.

### For vendors/suppliers, organisation’s Admin to collect bank account details stated in company letterhead or bank statement of the vendors/suppliers.

### For staff accounts, organisation’s Admin to collect either bank statement or online banking screen-shot containing staff name and account number.

### Once supporting documents have been collected, organisation’s Admin to obtain ED’s approval via email to proceed with the creation in electronic banking platform.

### Once Bene Accounts have been created, organisation’s Admin will email authorised Bene Approvers, attaching ED’s approval email & supporting documents, for the Bene Accounts to be approved in electronic banking platform.

## Approve Transactions:

### Organisation’s Admin to email scanned or e-invoices to ED to seek approval for Invoice payment and creation in electronic banking platform.

### Prior to each payment run, organisation’s Admin will prepare a consolidated Payment Listing along with approval emails and supporting docs attached, and send to Authorisers to approve in electronic banking platform.

### Once approved, organisation’s admin to access electronic banking platform to retrieve electronic Payment Advices, to be sent to Vendors

### Authorisers and Approval Mandate in electronic banking platform will be in accordance to organisation’s Banking Mandate as approved in Board Resolution for the operation of respective accounts.

# CUSTODY OF ASSETS

## Bank & Cash

### Monies shall not be collected, retained and disbursed through any individuals’ personal account(s). All monies must be channeled through an organisation’s bank account, and be accounted for with proper procedures and reporting.

### Proper records must be maintained for all bank accounts.. Signing conditions for all accounts is per clause 4.3 (including sub-clauses).

### Cheque signatories and authority limits are to be approved by the Board.

### Cash and cheques should not be left unattended or in an unattended environment.

### Bank reconciliations are to be reviewed monthly by an employee or a Finance Committee member who is not involved in cash receipt and payment procedures.

### Bank account opened by CHARIS in trust for member organisation :

* + - 1. Where the bank account is opened by CHARIS in trust for ABC (the organisation), the latter shall operate the bank account independently, including having its own bank signatories which are in Addendum A.
      2. Banks signatories will be submitted to and approved by CHARIS.
      3. CHARIS shall exercise due care and diligence by having oversight on the transactions that pass through the bank accounts by taking the following measures :

### Monthly bank reconciliations must be submitted by ABC (the organisation) to CHARIS for review in a timely manner,

### As an account holder, CHARIS reserves the right to query on any bank transactions where it deems necessary,

### If the bank transactions are not conducted satisfactorily in accordance with CHARIS governance standards or the bank account is no longer required, CHARIS has the right to terminate the bank account(s) and refund the bank account balance to ABC (the organisation) with no further recourse.

## Safekeeping of Cheque book/Safe

### Physical control of cheque books and cheques is to be maintained by someone other than persons originating payment requests.

### Cheque books are to be kept under lock-and-key and in the control of designated employee.

### There should be no blank cheques prepared.

### When any cheques are issued, the date, payee name, cheque number and amount paid should be properly recorded on the cheque butt by designated employee(s).

### Spoiled or voided cheques are to be retained and records maintained.

## Fixed Assets

### Effective controls are to be established to maintain as detailed listing of all Fixed Assets & Supplies (i.e. building, furniture, equipment, electronic and electrical appliances, stationery etc). Date of acquisition and date of disposal are to be recorded.

### Supplies & Fixed Assets are to be used properly and for authorized purposes only. Controls are to be established to ensure that such supplies & fixed assets are not to leave the possession or premises of the organisation except under proper authorisation.

### An actual physical inventory count of all supplies and equipment should be made annually. Causes for differences between quantities determined by physical inspection and those shown on accounting records are to be investigated and reported.

### Detailed records of all fixed assets and supplies should be kept and those records are to be brief but descriptive enough to allow for identification and location of such assets.

### Condition of these assets should be inspected regularly to ensure that they are still in good condition and of use.

### Insurance cover should be arranged for fixed assets and supplies, where deemed necessary by the Board.

# FINANCIAL RECORDS AND REPORTS

## Storing of records

### Donor records are to be stored in a secure location and are not to be made available to those who are not authorized to have access.

### There must be a back-up of soft-copy data, with precautions made to protect the data from technical failure or damages caused by fire, water or the like.

### Financial records are to be kept for at least seven years. For all other records, record keeping practices must comply with all contractual, regulatory or legal requirements.

## Financial Reports

### Every entry in the accounts shall be duly supported by documentation and be capable of verification.

### A full set of financial statements comprising of the balance sheet and a profit and loss statement should be produced at the close of each financial year.

### Where applicable, the appointment of external auditors must be approved by the Board. The Board should consider rotation of external auditors every five years.

### Where there are any fundraising activities, the organisation shall provide to CHARIS audited statement of accounts in respect of each fund-raising activity at the end of the accounting year.

# RELATED PARTY TRANSACTIONS

## Definition of related party transaction

### The definition of related party transaction shall be in accordance with that as stipulated in Charities Accounting Standards (CAS), which states that a related party is:

* 1. A person or a close member of that person’s family is related to the reporting entity if that person:

1. has control or joint control of the reporting entity;
2. has significant influence over the reporting entity; or
3. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
   1. An entity is related to a reporting entity if any of the following conditions applies:
4. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
5. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
6. Both entities are joint ventures of the same third party.
7. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
8. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
9. The entity is controlled or jointly controlled by a person identified in (a).
10. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
11. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### Organisations where board members of the organisation have ownership or control over decision-making of these organisations, are deemed to be related parties.

### Procurement of contracts for goods and services should be on an arm’s length basis. The organisation should not procure goods and services from a board member or board member’s relative on less attractive terms than could have been obtained from the open market.

## Registration of conflict of interest

### Employees and board members are to disclose any interests they may have in companies doing business with the organisation. Any contracts entered into with related parties must be reviewed and approved by board members and officers not involved in the transaction.

### Potential conflicts of interest identified must be documented and approved by the Board.

### Where a conflict of interest arises, the Board member concerned shall not vote on the matter.