

Financial Management Policy and Procedure		
Code: B3.04	Area: Non-Academic B	
Policy Owner: Board of Directors	Version #: 2.2	Date: 26 Mar 2021
Policy Developer/Reviewer: QAM	Review date: 25 Mar 2024	

VERSION HISTORY

Version	Updated by	Approval Date	Details
1.0	BoD	11 Mar 2015	Document creation
1.1	BoD	20 May 2015	Minor edits to align with VET provider Standards
1.1	Finance Manager	11 May 2017	Regular review (no amendments)
2.0	BoD	7 Jan 2020	Comprehensive review and update against the HESF15
2.1	BoD	3 Apr 2020	Updated 2.2.4 (Credit Cards) to permit the use of certain personal credit cards
2.2	BoD	26 Mar 2021	Clarified staff reimbursement requirements and that bank reconciliations occur <i>at least</i> weekly

PURPOSE AND SCOPE

The aim of this policy is:

- Provide guidance on financial planning and review at SITCM.
- Outline the procedures for financial transactions at SITCM.
- Outline SITCM's approach to financial security.
- Provide guidance on regulatory compliance at SITCM.

This policy applies to Sydney Institute of Health Sciences Pty Ltd, trading as the Sydney Institute of Traditional Chinese Medicine (SITCM).

1 OVERVIEW

This policy outlines the financial controls, procedures and processes in the prudential financial management of the Sydney Institute of Traditional Chinese Medicine (SITCM).

SITCM promotes and is committed to honesty and integrity in all aspects of its financial management processes. The Board of Directors have, as a part of SITCM's corporate monitoring and accountability and pursuant to the requirements of the Higher Education Standards Framework (Threshold Standards) 2015, a responsibility to ensure that SITCM and its business model remains financially viable.

This policy has been informed by the *Higher Education Standards Framework (Threshold Standards) 2015*, in particular Sections 6.2 Corporate Monitoring and Accountability and 7.3 Information Management, the *Corporations Act 2011*, and the *Tertiary Education Quality and Standards Agency Act 2011*, particularly Section 27. The policy also helps SITCM satisfy the requirements of the *Standards for Registered Training Organisations (RTOs) 2015*, particularly Section 7.2.

2 POLICY

2.1 FINANCIAL PLANNING

2.1.1 RESPONSIBILITY

- 1) The Board of Directors are required to annually review and approve financial projections and to provide general guidance to the Chief Executive Officer (CEO).
- 2) The CEO is responsible for the development and review of financial plans (refer to Clause 3.4 of the *Quality Assurance Framework*).

2.1.2 PLANS

The following plans are considered when preparing the annual financial projections in the *Business Plan*, which is developed in accordance with the *Quality Assurance Framework*. Unless otherwise specified, all plans are reviewed and approved by the Board of Directors annually.

- 1) *Strategic Plan*: This plan articulates SITCM's Vision, Mission and Values and outlines its strategic objectives for the coming years.
 - a. The *Strategic Plan* is reviewed and updated annually, and receives half-yearly reviews of plan actions.
- 2) *Marketing Plan*: SITCM's *Marketing Plan* is developed to ensure that SITCM's total marketing effort is integrated, that its products and services continue to meet and satisfy customers' needs, and that enrolment targets are met. If enrolment targets are not met, the Board of Directors will direct the CEO to take appropriate responsive action.
 - a. The *Marketing Plan* is reviewed and updated annually, and receives half-yearly reviews of plan actions.
- 3) *Workforce Plan*: Workforce planning is undertaken by SITCM to ensure that the present and future demands for different types of staff are in place including appropriately qualified leaders, academic and operational/support staff. The *Workforce Plan* is reviewed and updated annually and must be reviewed and approved by both the Academic Board (for academic staff) and the Board of Directors (for all staff).
- 4) *Business Continuity Plan*: This plan outlines how SITCM will continue to operate or provides alternate options for students to continue their studies, during an unplanned disruption to normal operations.

2.2 FINANCIAL TRANSACTIONS

2.2.1 RECEIPTS

- 1) All material financial transactions involving income must be receipted.
- 2) All receipts raised will be matched against the bank deposits as part of bank reconciliations, which occur at least weekly. Any discrepancies will be reported directly to the CEO.
- 3) Normal trading terms for debtors are 14 days.
 - a. Invoices that exceed normal trading terms will be followed up weekly by a staff member nominated by the Finance Manager.

2.2.2 DEBT RECOVERY

- 1) In cases where debt relates to student fees, refer to the *Fees Policy*.
- 2) In all other cases:

- a. When an invoice is overdue by two (2) months, the Finance Manager will send a written reminder to the debtor.
- b. When an invoice is overdue by three (3) months, the Finance Manager will send a warning letter to the debtor.
- c. When an invoice is overdue by six (6) months, SITCM will engage a debt recovery agency to recover the debt.

2.2.3 EXPENDITURE

All financial transactions involving expenditure must be documented and appropriately authorised.

- 1) Creditors must be paid within their normal trading terms, when reasonable, and in the case of unforeseen delays no more than 7 days overdue.
- 2) All statutory obligations must be paid before the due date.
- 3) To protect the integrity of financial transactions involving expenditure the following applies:
 - a. Capital expenditure over \$20,000 (not including GST) must be approved by the Board of Directors. Capital expenditure under \$20,000 may be approved by the CEO.
 - b. All purchases of over \$500 must be supported by a signed purchase order.
 - i. Purchase orders for amounts of \$5,000 or over must be signed by the CEO.
 - ii. Purchase orders for amounts under \$5,000 may be signed by the Finance Manager.
 - c. All payments must be supported by a tax invoice and authorised by two of the authorised signatories listed below, one of which must be either the CEO or Finance Manager:
 - i. CEO.
 - ii. Finance Manager.
 - iii. Another authorised signatory who has been nominated by the Board of Directors.
 - d. All recurring non-capital expenditure must be supported by a contract or agreement signed by the CEO or delegate.

2.2.4 CREDIT CARDS

- 1) SITCM may use credit cards to facilitate the payment of certain company expenses such as flight bookings, accommodation and related incidental expenditure.
 - a. A credit card used for SITCM expenses must be either:
 - i. A corporate credit card; or
 - ii. A personal credit card owned by either the CEO or the owner representative member of the Board of Directors.
 - b. Other than corporate credit cards issued to the CEO, a written authority signed by the CEO is required for the issue of any corporate credit cards.
 - c. Approval for expenditure on credit cards follow the same procedures as financial transactions involving expenditure (refer to Section 2.2.3).
- 2) The Finance Manager will authorise and verify transactions of the issued credit cards monthly.
- 3) Any expenditure incurred on credit cards that are not properly authorised will be the responsibility of the card holder.

2.2.5 STAFF REIMBURSEMENT

- 1) Out-of-pocket expenses reasonably incurred by staff in the course of their work duties shall be reimbursed by SITCM, including (but not limited to):
 - a. Parking;
 - b. Taxis;
 - c. Travel allowance and motor vehicle allowance for kilometres travelled;
 - d. Rental cars;
 - e. Airfares;
 - f. Incidental travel costs;
 - g. Meals and incidentals;
 - h. Meeting/ entertainment expense; and
 - i. Incidental office consumables.
- 2) Staff must send a written reimbursement request to the Finance Manager and:
 - a. retain receipts, including ABN numbers, and provide these to the Finance Manager when applying for reimbursement.
 - b. if approved, the Finance Manager shall deposit the reimbursement in the staff members bank account in the next pay cycle.
- 3) For out-of-pocket expenses less than \$100, a staff member may seek reimbursement of such costs from petty cash.
- 4) For work-related travel outside of Sydney, staff may be eligible for a *per diem* (a daily allowance) of:
 - a. \$75 per full day for meals and incidentals.
 - b. \$50 per part day for meals and incidentals.
 - i. this could apply to a staff member where the duration of the particular work activity does not require coverage for all three main meals (breakfast, lunch and dinner).

2.2.6 PETTY CASH

- 1) SITCM holds a petty cash float of up to \$500 to cover minor expenses incurred on a day-to-day basis.
- 2) The petty cash float is secured and maintained by the Finance Manager or, if absent, the Registrar.
- 3) Reimbursement from the petty cash float will only be made when evidenced by appropriate supporting documentation (e.g. a receipt or paid invoice).

2.3 FINANCIAL COMPLIANCE

2.3.1 FINANCIAL STATEMENTS

- 1) The Financial Statements of SITCM are prepared annually in accordance with the *Corporations Act 2001* and in compliance with the *Australian Accounting Standards*.
- 2) The Financial Statements will be reviewed and approved by the Board of Directors.
- 3) The Financial Statements will be audited by an independent company auditor (within the meaning of the *Corporations Act 2001*).

2.3.2 EXTERNAL AUDIT

- 1) An independent audit of the Annual Financial Statements shall be undertaken each financial year, as required under:
 - a. *Tertiary Education Quality and Standards Agency Act 2011*, Section 27.
 - b. *Vet Student Loans Rules 2016*, Section 113.
 - c. *Corporations Act 2001*, Section 301.

- 2) The auditor will provide an Independent Auditor's Report, for inclusion in the SITCM *Statement of Financial Standing* (refer to paragraph 2.3.3).

2.3.3 STATEMENT OF FINANCIAL STANDING

- 1) Section 7.3.1d of the *Higher Educations Standards Framework (Threshold Standards) 2015* requires higher education providers to make publicly available the current financial standing of the provider.
- 2) SITCM shall publish an annual *Statement of Financial Standing* on the SITCM Profile page of the SITCM website, which includes:
 - a. general information;
 - i. Company name.
 - ii. ABN number.
 - iii. Date of the *Statement of Financial Standing*.
 - b. a Directors declaration;
 - c. a signed Independent Auditor report; and
 - d. Tuition Assurance information.

2.4 FINANCIAL SECURITY

2.4.1 FINANCIAL RECORDS

The Finance Manager is responsible for the maintenance of financial records at first instance.

- 1) Electronic financial records are maintained in MYOB. Access to this software is limited to authorised personnel through the use of passwords and 2-factor authentication process. Anti-virus software, firewalls and other security measures are employed.
- 2) Daily backups of electronic financial records are stored on the SITCM server. This server is manually backed up twice a year to an external storage drive. An additional external backup is put into a bank safety deposit box.
- 3) All hard copies of financial records are filed by the Finance Manager and kept in a locked filing cabinet.
- 4) An effective alarm system and accessible fire extinguishers are installed in the case of a fire.
- 5) Hard copy financial records are destroyed after seven (7) years, in accordance with SITCM's *Records Management and Policy*.

2.4.2 DETECTING AND PREVENTING FRAUD

Fraud is defined as dishonest activity causing actual or potential financial loss to SITCM.

- 1) Specific instances of fraud in a financial sense include but are not limited to:
 - a. Misappropriation of funds.
 - b. Impropriety in the handling of money.
 - c. Impropriety in the reporting of financial transactions.
- 2) To mitigate the potential for financial fraud, SITCM has put in place financial controls and processes (refer to Section 2.2).
- 3) Oversight of financial processes by the Board of Directors as part of its governance responsibilities is part of SITCM's risk management process.
- 4) SITCM's financial statements are audited annually by an external auditor appointed by the Board of Directors.
 - a. This provides an additional level of independent oversight of the financial processes and transactions of SITCM.
 - b. The auditor's role is to validate the financial transactions that make up the financial records of SITCM.

2.4.3 FINANCIAL SAFEGUARDS

- 1) To protect students in the event that SITCM ceases to provide a course of study, ceases to operate as an education provider or suffers a major incident affecting its operations, SITCM has in place appropriate tuition assurance arrangements as outlined in the *Course Discontinuation Policy and Procedure*.
- 2) SITCM has also put in place the following financial safeguards:
 - a. Maintaining minimum cash reserves to cover six (6) months of fixed expenses.
 - b. An owner's Deed of Guarantee covering all liability incurred by SITCM that SITCM is unable to meet, up to \$600,000.

2.5 GENERAL INFORMATION

- 1) For information about payroll, please refer to the *Payroll Management Policy and Procedure*.
- 2) For information about tuition fees, please refer to the *Fees Policy*.
- 3) For information about refunds, please refer to the *Refund Policy and Procedure*.

3 PROCEDURES

3.1 CAPITAL EXPENDITURE PROCEDURE

- 1) If the capital expenditure is under \$20,000, the CEO may approve it.
- 2) If the capital expenditure is over \$20,000, the CEO must notify the Board of Directors and provide a report outlining the scope of the expenditure.
- 3) The Board of Directors must approve the expenditure either in a scheduled Board of Directors meeting or out-of-session if there is an urgent need.

3.2 DEBT RECOVERY PROCEDURE

- 1) When an invoice is two (2) months overdue, the Finance Manager sends a written reminder to the debtor.
- 2) When an invoice is three (3) months overdue, the Finance Manager sends a warning letter to the debtor.
- 3) When an invoice is overdue by six (6) months:
 - a. If the debtor is not a student, the Finance Manager notifies the CEO, who will engage a debt recovery agency to recover the debt.
 - b. If the debtor is a student, the Finance Manager notifies:
 - i. The IT Officer, who will remove their access to the learning management system Moodle; and
 - ii. The Registrar, who will ensure the student is not recommended for graduation in any Course Completion Report.

When the student has paid the debt in full, the Finance manager immediately notifies the IT Officer and Registrar so the above penalties may be lifted.

4 RELATED POLICY AND OTHER DOCUMENTATION

- 1) Higher Education Standards Framework (Threshold Standards) 2015.
- 2) Corporations Act 2001.
- 3) Tertiary Education Quality and Standards Agency Act 2011.
- 4) Standards for Registered Training Organisations (RTOs) 2015.
- 5) Quality Assurance Framework.
- 6) Business Plan.

- 7) Strategic Plan.
- 8) Workforce Plan.
- 9) Marketing Plan.
- 10) Business Continuity Plan.
- 11) E2.14 Fees Policy.
- 12) Australian Accounting Standards.
- 13) VET Student Loans Rules 2016.
- 14) Statement of Financial Standing.
- 15) E2.23 Records Management Policy.
- 16) Course Discontinuation Policy and Procedure.
- 17) E2.25 Payroll Management Policy and Procedure.
- 18) E2.14 Fees Policy.
- 19) E2.15 Refund Policy and Procedure.

5 APPENDIX

5.1 FINANCIAL DELEGATIONS

Table 4: FINANCIAL MATTERS			
Delegation	Delegate	Authority	Record
1.1 Developing financial forecasts	CEO	Board of Directors	Quality Assurance Framework Financial Management Policy and Procedures
1.2 Approving capital expenditure - over \$ 20,000 - under \$20,000	Board of Directors CEO	Board of Directors	Financial Management Policy and Procedures
1.3 Approving recurrent non-capital expenditure	CEO	Board of Directors	Financial Management Policy and Procedures Contract/agreement
1.4 Approving non-capital expenditure - over \$5,000 - under \$5,000	CEO Finance Manager	Board of Directors	Financial Management Policy and Procedures Purchase Order
1.5 Approving payments	Two signatories authorised by Board of Directors (one of which must be the CEO or Finance Manager)	Board of Directors	Financial Management Policy and Procedures Board of Directors meeting minutes