

# Financial Management Policy

## Purpose

The purpose of this policy is to clearly state how the funds of Water East Timor Inc (WET) are managed, and what measures are in place to prevent fraud or error.

## Introduction

WET is committed to ensuring that all funds and assets obtained by WET are used only to further the purpose of WET, and that funds are expended in a responsible manner.

## Scope

This policy applies to members of the WET Committee of Management and volunteers representing WET.

## Regulatory context

As a registered charity, WET is required by the Australian Charities and Not-for-profit Corporation (ACNC) Governance Standards to ensure that its funds are used for its charitable purpose. Committee of Management members are also required to act with reasonable care skill and diligence, ensure financial affairs are managed responsibly and prevent insolvent trading.

WET has additional obligations under the ACNC External Conduct Standards as a registered charity with overseas activities. This includes taking reasonable steps to maintain internal control procedures relating to resources and funds. It also entails:

* ensuring resources and funds are being used consistently with WET’s charitable purpose and character as a not-for-profit entity
* minimising the risk of corruption, fraud, bribery or other financial impropriety within WET.

## Policy statement

1. WET must use its funds (and ensure that its funds are used by third parties with whom it collaborates) only to further the purpose of WET and not for personal use or gain.
2. WET funds and assets must be dealt with in a responsible manner, being reasonable and authorised.
3. WET will operate according to a budget forecast.
4. WET will keep clear and accurate financial records.
5. WET will ensure funds transferred overseas are received and accounted for.
6. WET welcomes donations from the broader community and from members. Requests may be made to tag donations to particular projects or cost items, but all such requests must be approved by the Committee of Management, must be consistent with the WET Strategic Plan, and must not contravene the WET Code of Conduct policy.

## Responsibilities

It is the responsibility of the Treasurer to ensure the Committee of Management has the information and reports required to assess the use of WET funds.

## Annual budget (forecast)

1. It is the responsibility of the Committee of Management to conduct a budget planning process each year as part of its annual strategic planning.
2. The budget will be regularly monitored and reviewed by the Committee of Management.
3. WET’s budget will be flexible in responding to unforeseen events, including possible reductions in cash flow.
4. WET will budget for a reserves ratio of between 15% and 25% of annual income to cover operational and development costs from year to year and ensure there is a minimum of $2000 in its account at all times.

## Expenditure

1. All decisions about expenditure must be approved by the Committee of Management.

## Bank

1. All money is to be stored in a bank account or accounts in the name of WET.
2. At least two individuals nominated by the Committee of Management are to be the eligible bank signatories.
3. Withdrawals or electronic transfers made from WET’s bank accounts must be approved by two approved Committee of Management Members.
4. Cheques must be signed by two eligible signatories.
5. Expenditure must be documented adequately. A list of all expenditure each month, featuring amount, recipient and explanation must be recorded.

## Overseas transactions

1. Funds transferred outside of Australia must be transferred using a formal banking system (where available).
2. The Project Manager or Treasurer must obtain and verify written confirmation that the funds transferred have been received.
3. If formal banking systems are not available due to geographical, political, social, economic or other reasons, funds may be transferred by other means providing:

* a risk assessment is undertaken
* the Committee of Management approves the transfer
* confirmation of receipt is obtained.

## Financial management - third party programs

1. WET pursues its charitable purposes in part through collaborating with a third party or third parties to deliver programs overseas.
2. WET is required by the ACNC External Conduct Standards (**ECS**) to ensure that resources given to third parties are applied with reasonable controls and risk management processes in place.
3. As part of its **ECS** risk assessment, the Committee of Management will determine what level of oversight is required in relation to the financial management of third parties, with reference to matters including the:

* level of risk associated with the operations;
* relationship with the third party;
* financial management procedures within the third party; and
* consequences of poor financial management by third parties.

1. The Project Manager and Treasurer, on behalf of the COM, must consider whether it is appropriate to:

* impose financial management obligations on third parties through a Memorandum of Understanding or other agreement;
* offer training to third parties on financial management;
* require third parties to produce a financial management policy or procedure (or provide one for them to adopt); and/or
* implement WET’s own controls and monitoring systems to oversee the third party’s financial management.

## Financial records

1. WET must retain financial records for seven years that correctly record and explain:

* how WET spends or receives its money or other assets; and
* WET’s financial position and performance.

1. The financial records should allow for true and fair financial statements to be prepared and reviewed by the Committee of Management.
2. For operations and activities outside of Australia (in Timor Leste), financial records showing income and expenditure must be prepared.
3. WET Committee of Management will appoint an independent auditor at the Annual General Meeting (AGM).
4. The auditor will provide

* an audit report of the financial accounts for Committee of Management,
* and financial reports to be submitted to WET members at the AGM, and the Australian Charities and Not-for-profits Commission or other bodies as required by legislation.

## Breaches of this policy

If the Committee of Management has reason to believe that this policy has not been complied with, they must investigate, and refer non-compliance to relevant authorities where appropriate.

People engaged in WET projects or activities should be aware that breaches of this policy may be punishable under local laws and regulations.

If WET Committee of Management becomes aware of any breaches of this policy, action will immediately be taken to remove the person from the WET project or activity, and consideration will be given to reporting to law enforcement agencies.

## Communication

It is the responsibility of the Committee of Management to ensure that committee members and volunteers are aware of this policy.

The Committee of Management must comply with this policy and review compliance as part of its standard self-evaluation.

This policy will be provided to WET auditors to review compliance as part of the WET annual financial audit.

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| **Version number** | 2 |
| **Date approved by the WET Committee of Management** | 12 July 2023 |
| **Date of next review** | June 2024 |
| **Related policies and documents:**  WET Constitution  WET Anti-terrorism Policy  ACNC Standards | |