

2 FINANCIAL MANAGEMENT



**Money is the lifeblood of organisations.
Without it we cannot do what we set out to do.**

Good financial management has four main features

1. Plan what you need.
2. Control with systems and processes.
3. Monitor to keep a close watch.
4. Oversight to build accountability and manage risk.

Plan what you need

Forward plan and develop a budget for the year. Base your budget on:

1. Typical spending in recent years.
2. Planned activities.
3. Estimated or known increases.

Things to think about. Understand where your sources of income will come from. Be careful and honest. Ideally you will have more than one revenue stream:

- Contracts
- Funding grants
- Membership
- Sponsorship
- Fundraising
- Business Activities
- Donations.

Understand your operating costs i.e. what you need to pay to operate:

- Administration/Finance
- Wages/Salaries
- Insurance
- Power/Telephone/Water
- Building rent/Maintenance
- Leases
- Marketing and Promotion
- Information Communication Technology
- Staff Development
- Printing/Stationary.
- Subscriptions



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Understand what new developments you need i.e. capital costs

- Building projects
- Equipment purchases
- Vehicle purchase
- Resource Development
- Website Development
- Cloud Services

Good questions to ask

- Have you got enough money to cover your expected expenses?
- Have you enough surplus to build up reserves for the replacement of equipment, maintenance of premises and unexpected expenses?
- Have you identified risks and how you can manage them?
- How much of your revenue is reliant on successful funding applications?
- Has your organisation run at a loss or a profit?
- Have you enough money in reserve to cover continued loss until you can create a profit?

Control with operational systems and processes

Financial controls are important to both safeguard spending and to understand your finances. Think about investing in a good accounting software package and allocate resources to keep records up to date.

Your system needs to:

- Keep a transparent record of all monies received and payments made
- Manage bank accounts
- Manage cash flow / liabilities & funding allocations
- Provide an accurate trail of transactions
- Provide reports of revenue and spending against budget
- Be simple and straightforward
- Have sufficient controls in place to ensure money is accounted for correctly and in a timely manner.

Monitor to keep a close watch

Once you have control of what your money is doing, you need to closely monitor how it is being spent against your plan. The purpose of monitoring financial performance is to manage risk for the organisation. All systems should work together to paint a picture of the financial health and ongoing sustainability. The level of monitoring will depend on the complexity of the organisation and how regularly money comes in and goes out.

Oversight to build accountability and manage risk

Money is a precious resource that needs to be overseen and accounted for adequately. With regards to finance, oversight is a role of governance. The board does not need to see all the detail, but should be sufficiently confident that whoever is delegated the responsibility is doing so in a responsible manner.

At monthly meetings the board needs to:

- Review profit and loss statements, with:
 - Month and year to date figures
 - Comparison and variation from budget.
- Approve accounts for payment. Note that these may have already been authorised and paid, however the board must view the accounts for payment and approve them
- Monitor other key indicators, such as cash flow, bank balance and liabilities
- Address areas of risk as highlighted by management and/or finance committee
- It is good practice to appoint a treasurer and/or finance committee
- Be aware of the new financial reporting requirements. To find out more go to the Charities Services website.
- If you are concerned about irregularities seek external advice

MORE INFO



BDO	bdo.nz/en-nz/industries/not-for-profit
CommunityNet Aotearoa	community.net.nz
Charities Services	charities.govt.nz
External Reporting Board XRB	xrb.govt.nz
IRD	ird.govt.nz



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