

### Board Financial Governance Policy

BPM-005

Application	Board only
Purpose	This policy describes the responsibilities of the Board and its approach to financial governance
References	Associations Incorporation Reform Act (2012) Whistleblowers Protection Act (2001) (Vic)
Associated policies/procedures	BPM-002 Board Work plan, Committees and Office Bearers Policy BPM-003 Board and CEO Relationship Policy BPM-006 Risk and Quality Policy BPM-007 Managing Conflict of Interest Policy BPM-009 Delegations of Authority Policy
Associated forms	N/A
Thorne Harbour Health	The Victorian AIDS Council Inc ( <b>VAC</b> ) and the Gay Men's Health Centre Inc ( <b>GMHC</b> ) are separate legal entities and 'incorporated associations' for the purposes of the <i>Associations Incorporation Reform Act 2012</i> (Vic). Each of VAC and GMHC is overseen by independent volunteer directors, elected or appointed under the Constitutions for each entity. The entities operate under the trading name of Thorne Harbour Health. Each of VAC and GMHC is registered with the Australian Charities and Not-for-profits Commission. A reference to 'the Board' refers to the collective or committee of directors of both VAC/GMHC.

#### Policy scope

This policy describes the responsibilities of the Board and its approach in respect to financial governance.

This policy should be:

- understood in context of board members' legal and fiduciary duty under the *Associations Incorporation Reform Act (2012)* and other relevant legislation and in common law
- read in conjunction with the organisation's constitution/rules of incorporation
- read in conjunction with the delegations to and role statements of the Finance, Risk and Audit Committee (BPM-002, item 5.1.1), the Treasurer (BPM-002, item 6(c)) and BPM-003 Board and CEO relationship policy

#### 1. Financial governance responsibilities of the Board

1.1 In order to ensure sound financial governance, the Board directly or through delegation will:

- provide support and professional development opportunity to all board members to ensure each member has the level of financial literacy necessary to consider financial reports and contribute to governance decisions of a financial nature or with financial implications
- ensure any conflict of interest in respect to financial decision-making or financial transactions is identified and appropriately addressed in accordance with board policy (see BPM-002 Board work plan, committees and office bearers policy and BPM-007 Managing Conflict of Interest policy)
- ensure strategic plans and directions address requirements for financial viability and capture opportunity to enhance the organisation's financial position in a manner that is congruent with its purpose/objectives

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- d) set the parameters within which the annual budget must be constructed, formally approve, monitor and regularly review the annual budget; budget parameters will include consideration of grant funding, fee for service activity and self-generated income, including through fundraising or commercial activity; depreciation and/or replacement of assets (as required) will also be provided for
  - e) determine if, in any year or period of time, there is a need for a separately identified capital expenditure budget
  - f) on an annual basis, determine its financial reporting requirements, indicating both the nature of the information required and the schedule on which it is required, ensuring that financial reporting requirements are reflected in the annual work plan of the Board
  - g) specify investment options that are acceptable to the Board and form part of the Board's Financial Strategy, ensuring that the options are low risk, maximise yield and take into account any ethical issues for the organisation
  - h) require a simple initial proposal by way of a Board paper business for any proposed/new initiatives – either funded or income generating – that are valued over \$100,000 per annum or have a potential value of over \$100,000 per annum. The Paper will address rationale, linkage to Strategic Plan, resourcing and risk.
  - i) for successful proposals or demonstrably viable business propositions (valued at over \$100,000 per annum or have a likely value of over \$100,000 per annum) a full business case or copy of the tender/funding submission is required by the Board and formal approval by the Board is required to proceed to implementation.
  - j) ensure that recommendations made to members at the Annual General Meeting on the appointment of the auditor are based on best evidence in terms of reputation, competence and value
  - k) directly relate to the auditor in respect to the audited financial statements and associated letter of management
  - l) ensure the robustness of internal financial management and administration processes; this will include commissioning independently conducted internal business process audits from time to time
  - m) ensure that provisions of the Constitution are met and all other necessary safeguards are in place in respect to the accounts of the organisation so that funds are used for legitimate and approved purposes only and resources are protected
  - n) require an explanation and costing as set out in a board paper for any proposed staff redundancy offer. This is to be approved by the Board prior to action by the CEO
  - o) ensure that reimbursements to board members for reasonable expenses incurred as a result of role-related duties are transparent and based on agreed and explicit cost structures.
- 1.2 The Board may at any time add to or amend its specific financial governance responsibilities (listed above) in order to ensure the focus of its effort assures probity and achieves best financial results for the organisation in a manner aligned with purpose.

## **2. Financial delegations**

- 2.1 The Board provides for specific financial delegations to the CEO as detailed in the Delegations of Authority Policy BPM-009 and any later amendments made thereto.
- 2.2 All other financial matters including in respect of income and expenditure that is outside of budget and which is not covered in the delegations provided for above will be addressed by the full Board unless the Board makes a specific once-off delegation in respect to a particular matter.
- 2.3 The Board may review its financial delegations at any time.

## **3. Donations and bequests**

- 3.1 The Board will determine priority given to generating income through donations and bequests as part of setting the strategic directions for the organisation and will incorporate income projections from this income stream into annual budgets.
- 3.2 Specific purpose donations and bequests will be applied only to the donor-specified purpose unless permission has been gained to vary the purpose to which the funds can be applied. Budget and reporting arrangements will tie the income to agreed purpose to enable good faith reporting including to donors.
- 3.3 If an occasion arises where a bequest to the organisation is (legally) challenged, the Board will determine whether or not to pursue the dispute taking into account ethical issues, reputation and matters of financial efficacy in its decision-making.

## **4. Prevention of fraud and corruption**

The Board actively seeks to prevent fraud and corruption within the organisation and will ensure:

- a) all associated risks are identified, mitigated and monitored as part of the organisations risk management planning (See BPM-006 Risk and Quality Policy)
- b) the provisions of the Whistleblowers Protection Act (2001) (Vic) are made to known to staff, management and board members and are fully adhered to
- c) internal and external audits are regularly completed and advice on business process security is both sought and acted on
- d) Board financial delegations, budget and reporting processes are adhered to and regularly reviewed.