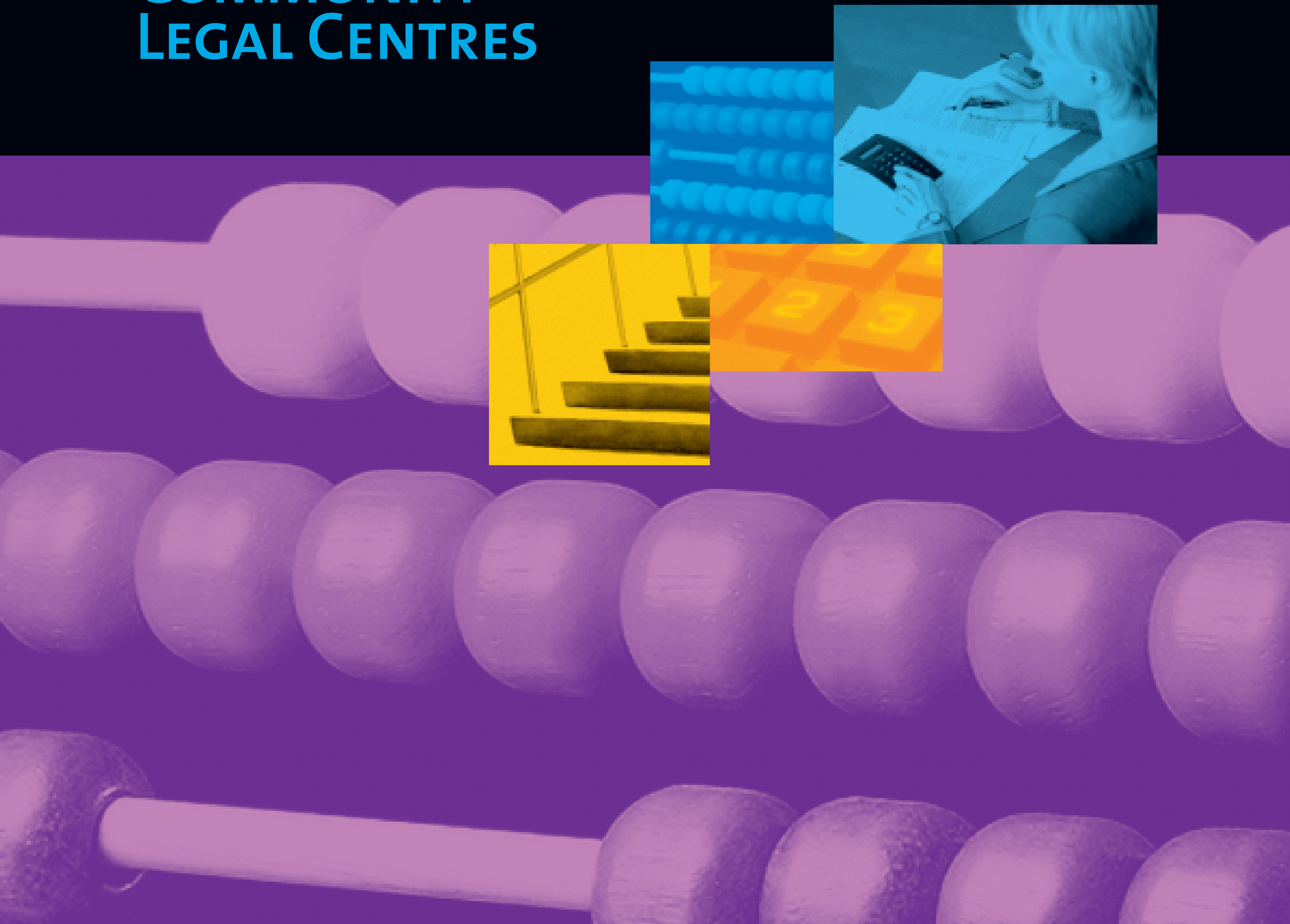
National Financial Management Guide for Community Legal Centres



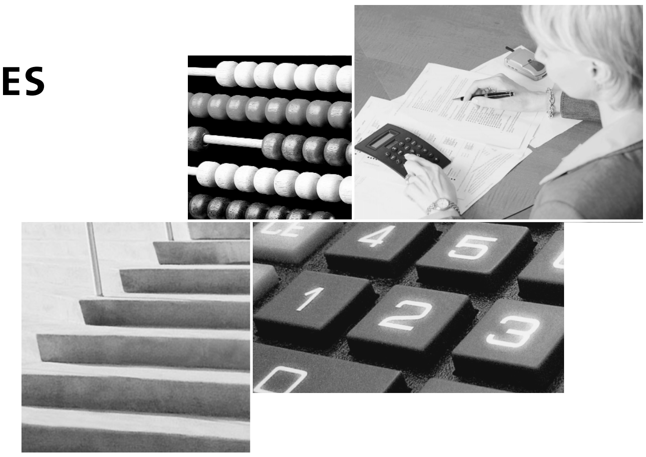
NACLC
National Association of Community Legal Centres

National

Financial Management Guide

for

Community Legal Centres



NACLC
National Association of
Community
Legal Centres

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National Financial Management Guide revised by Rachna Muddagouni

Edited by Carmen Harbour

All accounting and financial information in the National Financial Management Guide has been checked for accuracy by:

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With special thanks to the many centre administrators nationally who assisted the development of the national version with their comments and suggestions.

July 2006

Introduction

The National Financial Management Guide for Community Legal Centres has been produced to assist staff at CLCs meet the financial accountability requirements to their funders. It is also designed to assist staff to better provide centre management committees with the information that the committee needs to perform its management function.

The Guide contains basic how-to information; sample reports, forms and budgets; checklists; and where to find further information. It discusses how to meet the Australian Accounting Standards and the impact of the International Accounting Standards.

The National Financial Management Guide for Community Legal Centres is based on the Financial Management Guide for NSW Community Legal Centres 2003 written by Deborah MacDonald. The national version is published under Licence.

CLC administrators in each state read the NSW Guide and provided advice on what was required to make the NSW Guide useful nationally. Rachna Muddagouni from Fitzroy Legal Service in Victoria used these comments to revise the NSW Guide and turn it into a national document.

The draft version of the national Guide was checked for accuracy by the Canberra office of the national accounting firm, Walter Turnbull.

The draft national Guide was then provided to the Commonwealth Attorney General's Department, Indigenous Justice and Legal Aid Division and each of the Community Legal Services Program (CLSP) State Program Managers for their comments. It was also circulated to all CLCs in electronic format.

In April 2006, the draft national Guide was evaluated. Following evaluation, it was updated by Rachna Muddagouni and edited by Carmen Harbour.

It is envisaged that the National Financial Management Guide for Community Legal Centres will be revised in 2008. NACLC would like to revise the Guide based on your suggestions so that the next version is a more useful tool for centres.

On the last page of the Guide is a Comments Form. Please copy this form, fill it in and send it to NACLC whenever you have an idea about: what else the Guide should cover; what topics are not required and should be removed; which topics require further explanation; which topics require revision; or any other suggestion that you think will improve the Guide.

The Commonwealth Attorney General's Department, Indigenous Justice and Legal Aid Division provided funding for the production of the Guide.

July 2006

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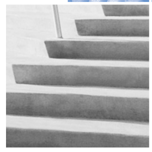


Organisational Structures

Contents

1. Organisational Structure

Non-profit Organisations

Definition

A non-profit organisation is an organisation that is not operating for the profit or gain of its individual members. The gains or profits cannot be distributed to the individual members directly or indirectly.

Purpose

The purpose of a non-profit organisation's is to provide services, activities and facilities to the organisation's members, or in the case of community legal centres, its clients. Although non-profit organisations do not exist to make a profit, one key objective that they have in common with profit-based organisations is that they do not operate at a loss.

Management

Non-profit organisations are usually governed or managed by elected committees, drawn from a cross-section of the community, who have relevant interests or experience in the services provided by the organisation.

Committee members may be either appointed or elected. They usually hold positions such as President, Chairperson, Vice-President, Secretary or Treasurer, or other committee members. The composition of the committee members, their roles and responsibilities should be defined clearly in the Constitution of the organisation.

> *More information about non-profit organisations is available from the Australian Taxation Office (ATO) website at www.ato.com.au.*

Incorporated Organisations

Definition

Most community legal centres are incorporated associations — not-for-profit community organisations with a separate legal identity and a structure regulated by legislation. Each Australian state has Associations legislation (see below).

Advantages of incorporation

- The liability of the members (including the office bearers) of an Association is limited. The members will, generally, not be liable personally for either the debts or liabilities of the Association during its operation or the expenses of its winding up (that is, its ending).
- An Association can enter into contracts, sue (or be sued), buy or sell property, raise or borrow money, invest money, all in its own name.

- An Association has perpetual succession. This means that property acquired by the Association remains with the Association regardless of changes in its membership.

Legislation

The relevant Associations legislation for the states and territories follows.

State / territory	Legislation
ACT	Australian Incorporations Act 1991
Northern Territory	Associations Act 2003
NSW	Associations Incorporation Act 1984.
Queensland	Associations Incorporation Act 1981
South Australia	Associations Incorporation Act 1985
Tasmania	Associations Incorporation Act 1964
Victoria	Associations Incorporation Act 1981
Western Australia	Associations Incorporation Act 1987

What does incorporation mean for non-profit organisations?

An incorporated organisation:

- has the abbreviation 'Inc.' added to the end of its name;
- continues regardless of changes to membership, unless the organisation is wound up or its registration is cancelled;
- can accept gifts and bequests;
- can acquire and deal with property;
- can enter into and enforce contracts; and
- can sue and be sued.

Unincorporated Associations

Definition

Any group is free to decide against a formal structure. In the eyes of the law, an unincorporated association will remain a collection of individuals; the law will (generally) not recognise the group as a separate entity.

Advantages of remaining unincorporated

- The structure is very flexible and is the least costly and time consuming of any form of organisational structure.

Disadvantages of remaining unincorporated

- The liability of members is unlimited.
- There is no perpetual succession. All property acquired by the association belongs to the individual members.
- Similarly, gifts or trusts in Wills cannot generally be made to an unincorporated association.
- The association cannot (generally) sue or be sued in its own name.
- Members of the association may not have clear contractual or proprietary rights in relation to the association.

Constitution

The Constitution (or Model Rules) sets the basic rules under which the organisation operates.

Usually a Centre has operating guidelines that explain operating procedures in more detail. As the Financial Administrator of a Centre it is a good idea to read and understand the organisation's Constitution and operating guidelines to ensure that all areas of financial management abide by these rules.

Register of Members

A non-profit organisation has a listing of members. The register will include the membership status (position held) and whether or not the member is financial.

The Secretary will keep and maintain a register of members in which is entered the full name, address (including email address) and date of entry of the name of each member. The register is available for inspection and copying by members upon request.

As stated in the Constitution, membership may require the payment of a one-off joining fee and an annual subscription fee.

The Minute Book

Minutes are the records of the proceedings of a non-profit organisation's Management Committee/Board meetings. The minute book is the book in which the minutes are recorded; minutes become official when approved and signed at the next meeting of the organisation.

Amongst other things, the minutes should show:

- names of those who attended the meeting;
- names of those unable to attend who had sent an 'apology' for non-attendance;
- some brief details of the events of the meeting; and
- full and accurate wording of any resolutions made and passed at the meeting; this is especially important, as the resolution becomes binding upon the way the non-profit organisation operates.

In camera meeting notes should be kept in safe custody with a designated member of the Management Committee.

Management Committees

Definition

A Board or Management Committee is a group of people with varied areas of expertise from within the community, who volunteer their time. Community legal centres are generally incorporated either as companies limited by guarantee (run by a Board of Directors) or Incorporated Associations (run by Management Committees).

Legal responsibilities

The Board or Management Committee is responsible for:

- developing organisational purposes and strategic directions;
- developing and monitoring policies; and
- working closely with the Executive Officer/Coordinator or with staff to ensure the organisation's objectives are met.

Most community legal centres employ the Centre Coordinator/Executive Officer to manage the organisation on a daily basis; however, the Management Committee or Board's role is to monitor, assist and evaluate the organisation's performance.

Financial responsibilities

The financial responsibilities of the Management Committee generally include ensuring that:

- the organisation has an approved budget for the year and that expenditure is within the budget;
- the organisation has sufficient income to meet budget requirements;
- conditions of any funding agreements are followed;
- funds are properly accounted for and an audit is completed every year;
- financial policies are in place for the running of the organisation;
- financial systems and controls are in place; and
- the Centre's assets are maintained and kept secure.

It also:

- monitors the financial performance of the organisation;
- recruits staff with relevant financial skills to manage and ensure that the organisation's financial obligations are met, which includes upkeep of the financial records and other accounting requirements; and
- sets financial goals and objectives.

Treasurer

For the Financial Administrator, the most important person within the Management Committee is the Treasurer. Taking on the role of Treasurer of an organisation is a huge responsibility and one not to be taken hastily.

Criteria for Treasurer

- A qualified accountant, or one experienced in accounting procedures and reporting.
- Experience with community organisations.
- An understanding of the goals and objectives of the organisation.
- An ability to communicate financial information.
- A willingness to help out and be involved in financial issues within the Centre.

The Board or Management Committee of community legal centres employ a Centre Coordinator or Executive Officer to oversee financial management and support the finance worker in ensuring that financial obligations are met .

Responsibilities

Some of the tasks a Treasurer undertakes are:

- overseeing the organisation's finances and budget. Staff are responsible for keeping accounts and preparing financial reports to the Board;
- keeping adequate books of account;
- producing the budget;
- preparing an audit; and
- ensuring that the Board receives adequate financial advice.

However, in smaller organisations, the Treasurer may also have the additional responsibility of:

- ensuring that financial records are up to date and in order;
- presenting the audited financial statements to members at the Annual General Meeting; and
- sending the audited financial statements and annual returns to relevant statutory authorities (i.e. Department of Fair Trading).

Most community legal centres run on a tight budget with their key emphasis on service delivery. Therefore, the Financial Administrator is often employed part-time and works hard to get the basics of the role completed well. Sound financial management systems are a must to successfully fulfil this role, as is the support of a suitable Treasurer within the Centre's Management Committee.

Financial Sub-committee

Structure

A financial sub-committee can be a great asset to an organisation. The sub-committee should be made up of two or three members of the Management Committee (including the Treasurer), as well as the Centre Coordinator and the Financial Administrator. The financial sub-committee can be delegated a certain level of responsibility and decision-making authority on financial matters and report to the Management Committee at regular Management Committee meetings.

Responsibilities

The advantage of having a financial sub-committee is that this group of interested and financially knowledgeable people can undertake detailed background work on the organisation's financial matters, while the full Management Committee can feel confident that they are receiving sound and considered advice. It also minimises the time spent at Management Committee meetings discussing detailed financial matters, allowing the Committee more time to focus on service delivery and other operational issues.

The Financial Sub-committee generally meets monthly. Its role is to:

- prepare the annual budget and capital budget for Management Committee to approve;
- approve project budgets or specific grants;
- prepare annual financial statements subject to audit;
- receive monthly financial reports for the whole organisation before the results are made available to each Management Committee meeting;
- monitor expenditure according to the budget in all areas;
- establish cost charges between divisions of the organisation;
- detect any errors or unusual trends in reports;
- undertake accountability and financial security checks;
- examine any financial issues arising from the reports and act upon these;
- make recommendations to Management Committee for expenditure that is outside the approved budget and on other financial matters; and
- review internal controls and financial governance of the organisation.

The Finance Sub-committee receives the following items for approval:

- Statement of Financial Position (Balance sheet);
- Statement of Financial Performance (Profit and Loss statements);
- Accounts payables reconciliation;
- Accounts receivables reconciliation;

- Trust account reconciliation — audited;
- Bank reconciliations for all bank accounts;
- Aging accounts receivable (debtors) — including assessment of collectibility;
- Assets register;
- Depreciation rates, including assessment of fixed-asset useful lives to the organisation;
- Employee entitlements;
- Advice that the trust account is signed off;
- Inventory physical existence and net realisable value — two years; and
- Capital budget.

Public Benevolent Institution (PBI)

Definition

As defined by the ATO, a public benevolent institution:

- is established and carried on for the relief of poverty, sickness, suffering, distress, misfortune, destitution or helplessness;
- makes its services available without discrimination to every member of the public that the organisation aims to benefit;
- is administered for the public good without purpose of private gain; and
- provides direct relief for the benefit of a disadvantaged section of the public, e.g. the provision of food and/or shelter for homeless people.

Characteristics

From the above definition, the characteristics of a PBI institution are:

- **It is set up for needs that require benevolent relief**. The condition or misfortune relieved by a PBI must be such poverty, sickness, suffering, distress, misfortune, disability or helplessness as arouses pity or compassion in the community.
- **Its dominant purpose is providing benevolent relief**. Any other purposes and activities must be incidental to that purpose. They will be minor in extent and importance.
- **It relieves those needs by directly providing services to the people suffering from them**. Some organisations are too broad and not sufficiently focused on meeting such needs to be considered PBIs.
- **It is carried on for the public benefit**. PBIs operate for the public. They confer relief on an appreciable needy class in the community.

- **It is non-profit**. A PBI operates on a non-profit basis. That is, its assets or profits are not distributed to members, owners or particular persons, except as reimbursement of out-of-pocket expenses incurred on behalf of the organisation or as proper remuneration for administrative services.
- **It is an institution**. Some of the relevant issues that help decide if an organisation is an institution are: its legal status (e.g. a corporation), activities of the organisation, size, permanence and recognition.

Community legal centres are usually classed as PBIs since they predominantly handle the legal affairs of the needy and underprivileged.

Taxation obligations

PBIs such as community legal centres may be eligible for tax concessions such as exemption from income tax, deductible gift recipient status (DGR, see below), Fringe Benefits Tax (FBT) exemption, Goods and Services Tax (GST) concessions and refunds of imputation credits.

PBIs are also subject to tax obligations. For example:

- to access income tax-exempt status or to register for GST, Centres need an Australian Business Number (ABN);
- as an employer, Centres have PAYG and superannuation guarantee obligations; and
- of registered for GST, Centres must complete Business Activity Statements (BASs).

From 1 April 2001, public benevolent institutions (PBIs) have a capping threshold placed on the amount of FBT-free benefits they may provide to employees. A PBI is liable to pay FBT if the total grossed-up value of certain benefits provided to an individual employee during the FBT year exceeds $30,000.

The $30,000 capping threshold applies even if the employee was not employed by the PBI for the full FBT year. For example, if an employee was employed between October and March, and the total grossed-up value of benefits provided is $25,000, FBT is not payable.

Further information on Public Benevolent Institutions can be obtained from the ATO's website at www.ato.gov.au.

Tax Exempt / Charitable Status

Certain types of non-profit organisations are exempt from paying income tax. However, an organisation's non-profit status does not automatically entitle it to this exemption. Organisations that are charities must meet special requirements to be income tax exempt and must undergo a process of endorsement with the Australian Taxation Office (ATO). Charities that are endorsed as income tax exempt are known as Income Tax Exempt Charities (ITECs).

If the ATO gives an organisation notice that it is endorsed as an ITEC, it is exempt from paying income tax and does not need to lodge income tax returns, unless specifically requested.

Endorsement of Income Tax Exempt Charity status

The system of self-assessment or confirmation by the ATO of a charities' gift deductibility status and income tax exempt status ceased on 30 June 2000. Charities must have endorsement as a deductible gift recipient or an income tax exempt charity to receive these concessions.

If you are currently:

- An **income tax exempt charity** you must obtain endorsement as an income tax exempt charity from the ATO to maintain your income tax exempt charitable status.
- An **income tax exempt** organisation and are **not a charity**, or do not meet the definition of a charity, you do not need to seek endorsement and you maintain your income tax exempt status.
- An **income tax exempt** organisation and you are not a charity, **but think you might meet the definition of a charity**, you must apply to the ATO to be endorsed as an income tax exempt charity.

Community legal centres are usually classified as charitable as they meet the following criteria:

- their primary purposes are charitable;
- they operate on a non-profit basis;
- their purpose is for public benefit or the relief of poverty;
- their objectives are not primarily for sporting, recreational or social purposes; and
- their objectives are not primarily for political, lobbying or promotional purposes.

The ATO can advise as to the tax status or tax-exempt category for your Centre.

Further information on tax exempt charity status is available on the ATO's website at www.ato.gov.au.

Non-profit Requirements

An organisation is regarded as non-profit if it is not carried on for the profit or gain of its individual members.

Centres can satisfy the non-profit requirement if their Constitution prevents them from distributing surplus funds or assets for the benefit of particular persons, both while they are operating and on winding up. The organisation's actions must be consistent with this requirement.

A non-profit organisation can still generate a surplus of funds (subject to individual funding agreements). However, any surplus funds must be used to fulfil the objectives of the organisation. Surplus funds must not be distributed to members or other private persons.

Deductible Gift Recipient

Definition

A Deductible Gift Recipient (DGR) is an entity or fund that can receive tax deductible gifts.

There are two types of DGR endorsement:

1. An entity that has DGR endorsement in its own right.
2. An entity that is only a DGR in relation to a fund, authority or institution it operates. In this instance, only gifts to the fund, authority or institution are tax deductible.

There are clear advantages when donors to a PBI are able to claim tax deductions for their donations or gifts. If a PBI wishes donors to be entitled to income tax deductions for the gifts they make to it, the PBI must be endorsed as a DGR.

Endorsement

To be endorsed as a DGR, a PBI must:

- be in Australia;
- have an ABN;
- maintain a gift fund or donation account; and
- apply to the ATO for endorsement.

It is not mandatory for a PBI to be endorsed as a DGR. For example, a community legal centre may not receive gifts, or its donors may not wish to claim income tax deductions for gifts they make to it.

Endorsed DGRs need to regularly review whether they are entitled to endorsement, including whether they are still maintaining a gift fund.

A DGR must tell the ATO if it ceases to be entitled to endorsement as a DGR.

Taxation

DGRs are not automatically exempt from income tax.

All DGRs must provide specific information to the donor when they issue receipts for tax-deductible gifts. Receipts must state:

- the name of the fund, authority or institution to which the gift has been made;
- the DGR's ABN if any; and
- the fact that the receipt is for a gift.

Further information on Deductible Gift Recipients can be obtained from the ATO's website at www.ato.gov.au

Discount from Suppliers

Some suppliers of goods and services offer discounts to non-profit community organisations. These suppliers often ask for information to support the claim to the discount. The ATO can issue the following endorsement documents:

- Endorsement as an Income Tax Exempt Charity (ITEC); and
- Endorsement as a Deductible Gift Recipient (DGR).

It is advisable to have the above documents on hand to show proof of the Centre's status and avoid delays in the purchasing process.

Further information on discounts from suppliers can be obtained from the ATO's website at www.ato.gov.au

Funding / Service Agreements

The income of most Centres is comprised of a number of funding sources and each funder has own its financial requirements. It is important to read, be familiar with and have a copy on hand of each funding/service agreement between your Centre and each funder.

Funding/service agreements set out the funders' requirements for compliance in order for the Centre to receive the funding. Centres can account for each agreement in separate Profit and Loss statements — this will allow easier reporting and acquittal process.

CLSP Service Agreement

As per the Service Agreement for CLCs for the period between 1 October 2005 and 30 June 2008, the clause for use and management of Community Legal Centre Program (CLSP) Funds states:

4.5.1 The Organisation will:

(a) expend the CLSP Funds only in connection with the provision of Services or the acquisition or replacement of assets to enable the Organisation to provide those services as set out in the Guidelines and the terms and conditions of this Agreement and for no other purpose;

(b) use the CLSP Funds efficiently and effectively;

(c) ensure that the CLSP Funds held as cash are held in an account in the Organisation's name, and which the Organisation solely controls, with an authorised deposit-taking institution authorised under the *Banking Act 1959* to carry on business in Australia;

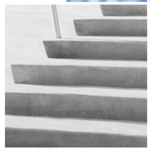
(d) keep proper accounts and records of the receipt and use of the CLSP Funds in accordance with Australian Accounting Standards;

(e) prudently manage the investment of any CLSP Funds not needed for the immediate provision of the Services so that interest is recognised as revenue on these Funds until paid to service suppliers;

(f) be accountable as set out in the terms and conditions of this Agreement for all CLSP Funds; and

(g) comply with the requirements set out at Schedule 5 in regard to the use of CLSP Funds and Assets and the compilation of financial Reports in relation to CLSP Funds

4.5.2 The Organisation will not use the Funds or this Agreement or any of the obligations of the Funding Bodies under this Agreement as any form of security for the purpose of borrowing money.



Reporting Requirements of Incorporated Associations

Contents

2. Reporting Requirements of Incorporated Associations

Introduction

Most community legal centres (CLCs) are incorporated associations. There are a number of reporting documents that each CLC must prepare to ensure that compliance requirements are met.

In this section:

- information is provided about the reporting requirements of incorporated associations;
- a definition of the term 'reporting entity' is provided;
- the financial reporting requirements specified in the Service Agreement for CLSP funding are described; and
- some sample reports are provided at the end of the section.

Sources of authority

The following sources of authority may apply to the preparation of a financial report of an incorporated association:

1. State incorporated associations Acts and Regulations.
2. Australian accounting bodies statements of Australian Accounting Standards (AASs).
3. The Rules or Constitution of the particular association.
4. Requirements of funding agreements or any other legislative body governing the activity of the association.

Reporting Entities

Definition

'Reporting entity' means a company or other organisation that is obliged to prepare general-purpose financial reports complying fully with accounting standards.

Reporting Requirements

Reporting entities shall prepare general purpose financial reports. Such reports shall be prepared in accordance with Statements of Accounting Concepts and Accounting Standards.

Each centre will have to follow the regulations of the Incorporated Acts requirements in the relevant state.

See Section 1: Incorporated Organisations for a state-by-state listing.

The following information is taken from the CLSP Service Agreement 1 October 2005 – 30 June 2008.

Audited Financial Statements	An organisation's financial statements prepared and certified by a registered auditor including: (a) A *Statement of Financial Position* for the organisation for that financial year. (b) A *Cash Flow Statement* for the organisation for that financial year: • where the organisation's primary business is not the services, the organisation will be required to provide additional cash flow information, including assets and liabilities in respect of funds, surplus figures and income and expenditure in respect of the funds. (c) A cumulative and accruals-based *Income and Expenditure Report*: • being the fourth quarterly Income and Expenditure Report required under the Agreement in respect of all funds provided for all funding categories in that financial year and any other income received for those funding categories in that financial year. (d) A *Statement of Financial Performance* in respect of funds.
Australian Accounting Standards	Refers to the standards of that name maintained by the Australian Accounting Standards Board (AASB) created by section 226 of the *Australian Securities and Investments Commission Act 2001*.
Australian Auditing Standards	Refers to the Standards of that name maintained by the Australian Auditing and Assurance Standards Board created by section 227A of the *Australian Securities and Investments Commission Act 2001*.

Financial report format and content

It is important that each centre follows the relevant state Incorporated Acts requirements format.

See Section 1: Incorporated Organisations for a state-by-state listing.

The CLSP Service Agreement 1 October 2005 – 30 June 2008 requires that a *Certificate of Compliance* is to be completed.

CERTIFICATE OF COMPLIANCE

This Schedule is established in respect of the _____/_____ Financial Year

Organisation:

Contact Officer:

Telephone:

The above-named Organisation certifies that:

(i) The Funds have been used for the purpose for which they were provided;

(ii) The Terms and Conditions of this Agreement have been met; and

(iii) The Audited Financial Statements in respect of the Funds have been certified by a person who is registered as a company auditor in accordance with the Corporations Act 2001 and are attached; and

(iv) Salaries and allowances paid to people employed using the Funds are in accordance with award salary rates or the general rates in force at the Organisation.

SIGNED for and on behalf of the)

[*Organisation*])

by ________________________________) ______________________

)

IN THE PRESENCE OF

____

Mandatory audit

Information from the CLSP Service Agreement 1 October 2005 – 30 June 2008 state that:

9.2 Financial Audits

9.2.1 At its discretion, a Funding Body may appoint an Approved Auditor to conduct specific financial audits of the Organisation in relation to this Agreement.

9.2.2 The Funding Body will consult with the Organisation on arrangements for conduct of the audit.

9.2.3 The cost of any audit conducted under subclause 9.2 will be met by the relevant Funding Body.

Audit and certification requirements

9.1 At the end each Financial Year the Organisation will provide to the State Program Manager (SPM):

(a) a certificate from an Registered Auditor that the Funds have been expended for the purpose of the provision of Services in accordance with the terms and conditions of this Agreement and the CLSP Guidelines; and

(b) the Organisation's Audited Financial Statements for the Financial Year. The statements are to be audited by a Registered Auditor in accordance with the Australian Auditing Standards, and must comply with the Australian Accounting Standards.

A sample Auditor's Certification follows.

AUDITOR'S CERTIFICATION

Name of Organisation:	
Financial Year Period:	____ /____ /____ to ____ /____ /____

I hereby certify that:

(a) I am not a principal, member, shareholder, officer, employee or accountant of the Organisation or of a related body corporate as defined in section 9 of the *Corporations Act 2001*;

(b) In my opinion, the attached financial statements which comprise a Statement of Financial Position, a Statement of Financial Performance, a Statement of Cash Flows, and Notes to the Financial Statements of the above-mentioned Organisation (the Organisation) for the stated Financial Year Period are:

- based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia; and
- in accordance with the terms and conditions of the Agreement [*insert names of parties and date of agreement*], a copy of which has been made available to me, in relation to the provision of community legal services.

(c) The Statement of Financial Performance is provided in respect of Funds.

(d) [*This paragraph required where the Organisation's primary business is not the provision of the Services:* Additional Statements of Cash Flow are provided in respect of the Funds, including in respect of the Organisation's assets and liabilities, and income and expenditure related to the provision of the Funds under this Agreement].

This is a qualified/unqualified audit report. *[Delete whichever is not applicable.]*

If the report is a qualified report, the qualified audit report must be attached.

Unless written under separate cover, I hereby further certify that, in my opinion, there is no conflict of interest between myself and the Organisation or its Management Committee.

AUDITOR DETAILS

Full Name:	
Name of Company (if applicable):	
ACN or ABN Number:	
Registered Company Auditor: ☐ Yes ☐ No	*If Yes:* Registration No.: ________________
If not a Registered Company Auditor, state if a member of CPA Australia: ☐ Yes ☐ No	*If Yes:* Membership No.: ________________
If a member of the Institute of Chartered Accountants in Australia: ☐ Yes ☐ No	*If Yes:* Membership No.: ________________
Signature:	
Date:	_____ / _____ / _____

Further information on the Auditing Requirements of the CLSP Service Agreement 1 October 2005 – 30 June 2008 can be found at www.ag.gov.au/WWW/cclsphome.nsf

Timing of AGM

This information is provided in the Constitution or the Rules of reporting requirements for incorporated associations.

In most cases, the AGM is held:

- within three to six months after financial year end; and
- the first AGM must be held within 18 months of the date of incorporation and within six months after the financial year end.

Annual return lodgment

An annual return is required. It is to be lodged within one month after the AGM is held.

Lodge the annual return with a certificate signed by two members stating that the financial statements were those submitted to the members at the AGM.

Further information on reporting requirements can be found through the relevant state offices/departments for incorporated bodies or your Centre's external auditor.

Model Reports for a Non-Reporting Entity

The following pages show model reports for non-reporting entities, as required of incorporated associations.

____________________ LEGAL CENTRE (non-reporting) INC.

INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

		Note	2006 $	2005 $
	INCOME			
	Members subscriptions		1000	500
	Operating grant		1000	500
	Donations		1000	500
	Dividends		1000	500
	Interest		1000	500
			5,000	**2,500**
	EXPENDITURE			
	Accounting		200	100
	Amortisation of leased asset		200	100
	Audit		200	100
	Bank charges		200	100
	Depreciation		200	100
	Electricity and Gas		200	100
	Interest – finance lease		200	100
	Loss on sale of fixed assets		200	100
	Marketing		200	100
	Office expenses		200	100
AAS 17	Rental expense on operating leases - minimum lease payments - contingent rentals - rental expense for sublease		 200 200 200	 100 100 100
	Superannuation		200	100
	Wages		200	100
			3,000	**1,500**
	Profit from ordinary activities before income tax		2,000	1,000
	Income tax expense		-	-
	Profit from ordinary activities after income tax		2,000	1,000
	Retained profits at the beginning of the Financial year		4,000	3,000
	RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		**6,000**	**4,000**

_______________ LEGAL CENTRE (non-reporting) INC.

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 $	2005 $
CURRENT ASSETS			
Cash		1,000	500
Receivables	2	1,000	500
Prepayments		1,000	500
TOTAL CURRENT ASSETS		3,000	1,500
NON-CURRENT ASSETS			
Investments	3	10,000	5,000
Fixed assets	4	10,000	5,000
TOTAL NON-CURRENT ASSETS		20,000	10,000
TOTAL ASSETS		23,000	11,500
CURRENT LIABILITIES			
Creditors and accruals		1,000	500
Lease liability		1,000	500
Grants received in advance		1,000	500
Provisions		1,000	500
TOTAL CURRENT LIABILITIES		4,000	2,000
NON-CURRENT LIABILITIES			
Lease liability		10,000	5,000
TOTAL NON-CURRENT LIABILITIES		10,000	5,000
TOTAL LIABILITIES		**14,000**	**7,000**
NET ASSETS		**9,000**	**4,500**
MEMBERS' FUNDS			
Capital profits reserve		3,000	500
Retained profits		6,000	4,000
TOTAL MEMBERS' FUNDS		**9,000**	**4,500**

EXAMPLE FROM NSW:

____________________ LEGAL CENTRE (non-reporting) INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

Note 1: Statement of Significant Accounting Policies

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the Associations Incorporation Act NSW. The Committee has determined that the association is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AAS 3	Accounting for Income Tax;
AAS 5	Materiality;
AAS 8	Events Occurring After reporting date;
AAS 17	Accounting for Leases.

(Other accounting policy notes should be included if appropriate to the entity and the disclosures made in the financial report e.g. inventories)

No other applicable Accounting Standard, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.

a) Income Tax

The association adopts the liability method of tax-effect accounting whereby the income tax expense shown in the income and expenditure statement is based on the operating profit before income tax adjusted for any permanent differences.

b) Fixed Assets

Leasehold improvements and office equipment are carried at cost less, where applicable, any accumulated depreciation.

The depreciable amount of all fixed assets are depreciated over the useful lives of the assets to the association commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

c) Leases (AAS 17)

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the association, are classified as finance leases. Finance leases are capitalised recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the association will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Note 2: Receivables

		2006 $	2005 $
	Sundry debtors	500	250
	Subscriptions receivable	500	250
		1,000	**500**

Note 3: Investments

	Non-current		
	Investments in listed corporations at cost	10,000	5,000
		10,000	**5,000**

Note 4: Fixed Assets

	Capitalised leased assets	4,000	2,000
	Less accumulated amortisation	1,000	500
		3,000	1,500
AAS 17	Leasehold improvements	4,000	2,000
	Less accumulated depreciation	1,000	500
		3,000	1,500
	Office equipment	6,000	3,000
	Less accumulated depreciation	2,000	1,000
		4,000	2,000
		10,000	**5,000**

The NSW Act requires the disclosure of any mortgages, charges and other securities affecting the assets of an association.

____________________ LEGAL CENTRE (non-reporting) INC.

STATEMENT BY MEMBER OF THE COMMITTEE

The Committee has determined that the association is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of the Committee the financial report as set out in the balance sheet and income and expenditure statement and notes thereto:

1. Presents fairly the financial position of __________________ Legal Centre Inc. as at 30 June 20___ and its performance for the year ended on that date;

2. At the date of this statement, there are reasonable grounds to believe that ___________________ Legal Centre Inc. will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Committee and is signed for and on behalf of the Committee by:

PRESIDENT ____

(name)

TREASURER ____

(name)

Dated this day of 20____

____________________ LEGAL CENTRE (non-reporting) INC.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LEGAL CENTRE INC.

Scope

We have audited the financial reports, which consist of the Balance sheet and Income and Expenditure Statement and notes to the Financial Statements, being a special purpose financial report, of _________________________ Legal Centre Inc. for the year ended 30 June 20____. The Committee is responsible for the financial report and has determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the Associations Incorporation Act NSW and are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of _________________________ Legal Centre Inc. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for the purpose of fulfiling the requirements of the Associations Incorporation Act NSW. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1 so as to present a view which is consistent with our understanding of the Association's financial position, and performance as represented by the results of its operations and its cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report presents fairly in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of _________________________ Legal Centre Inc. as at 30 June 20____ and the results of its operations for the year then ended.

Name of Firm ______________________________

Name of Partner ______________________________

Date ______________________________

Address ______________________________

____

This form is required for the Association's annual statement lodged with the Department of Fair Trading, NSW.

____________________ LEGAL CENTRE (non-reporting) INC.

CERTIFICATE BY MEMBER OF THE COMMITTEE

I, ______________________________ of ______________________, NSW and

I, ______________________________ of ______________________________, NSW

certify that:

a) We are members of the Committee of _______________ Legal Centre Inc.

b) We attended the annual general meeting of the association held on 30 November 20____

c) We are authorised by the attached resolution of the Committee to sign this certificate.

d) This annual statement was submitted to the members of the association at its annual general meeting.

Dated this 23rd day of December 20____

(COMMITTEE MEMBER) ____

(COMMITTEE MEMBER) ____

EXAMPLE FROM VICTORIA:

INC. ____________________

ABN: ____________________ Reg no. ____________________

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 1. Statement of Significant Accounting Policies

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the Associations Incorporation Act (Victoria). The committee has determined that the association is not a reporting entity. The financial report has been prepared in accordance with the requirements of the Associations Incorporation Act (Victoria) and the following Australian Accounting Standards:

AASB 1018	Statement of Financial Performance
AAS 4	Depreciation
AAS 5	Materiality
AAS 8	Events Occurring After Reporting Date
AAS 15	Revenue
AAS 17	Leases
AAS 28	Statement of Cash Flows
AAS 36	Statement of Financial Position
AASB 1041	Revaluation of Non-Current Assets

Australian Accounting Standard AAS6: Accounting Policies, has not been applied but certain provisions of this standard have been adopted.

No other applicable Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Boards have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Income Tax

The Association is an Income Tax Exempt Charity in terms of Subdivision 50-5 of the *Income Tax Assessment Act 1997*.

(b) Inventories

Inventories consist of publications and are measured at the lower of cost and net realisable value. Costs are assigned on a specific identification basis and include direct costs and appropriate overheads, if any.

(c) Property, Plant and Equipment

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by the Association to ensure it is not in excess of the fair value.

Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over the useful lives of the assets to the Association commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset Depreciation Rate

Computer equipment 25–30%
Office furniture equipment 10–20%

(d) Employee Benefits

Provision is made for the Association's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave, which will be settled after one year, have been measured at their nominal amount. Annual leave is recognised with expected future increases in remuneration. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. No provision for sick leave benefits has been recognised as amounts expected to be claimed are not anticipated to exceed benefits accruing in future periods. Sick leave is non-vesting.

Contributions are made by the Association to employee accumulated superannuation funds and are charged as expenses when incurred. The particular funds have no unfunded liabilities.

(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand, at bank and on deposit.

(f) Revenue

Grants are recognised on an accrual basis. Any grants received and provided for special purposes are

recognised to the extent funds are expended on projects. Grants received for future financial periods are treated as grants in advance under current liabilities to the extent of the unspent grant where there is an obligation to repay the unexpended portion of the grant.

Revenue from membership fees are recognised upon receipt.

Revenue from the sale of goods is recognised upon delivery of goods to customers.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included, where applicable.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(i) Comparatives

Where required by accounting pronouncements, comparative figures have been represented or reclassified to conform with changes in presentation for the current financial year.

(j) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the collation of accounting data for future comparative purposes at the end of the 2005-2006 financial year.

The Management Committee is assessing the significance of these changes and preparing for their implementation via the finance committee.

The Management Committee is of the view that any resulting changes in accounting policies for first time adoption of Australian equivalents to IFRS will not have a significant impact on the reported financial position and financial performance of the entity.

Note 2: Commitments

Operating Lease Commitments

Being for rent of office at ____

Payable:
- not later than 1 year
- later than 1 year but not later than 5 years

The current property lease commenced in May 2005 is a sub-lease for a three-year term, with an option for two years.

Note 3: Financial Instruments

(a) Interest Rate Risk

The Association has no material exposure to interest rate risk on its financial instruments.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The Association does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Association other than Victoria Legal Aid.

(c) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 4: Related Parties — Implementation Group Members 2004–2005

____

No financial advantage for members was reported during the period. No income is paid or payable to members of the implementation group by the association and any related entity.

Note 5: Economic Dependency

The Association receives the majority of its revenue from Victoria Legal Aid .

In 2004-2005 the total recurrent grant for __________________________ Inc.

was $ _______________

Note 6: Principal Activities and Operations

____

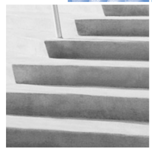
Note 7: Segment Reporting

The organisation operates predominantly in three sectors (community legal centre, legal practice and legal publications) and one geographic location (Victoria, Australia).

Note 8: Association details

The principal place of business of the association is:

____



The Role of Financial Administrators

Contents

3. The Role of Financial Administrators

Position's Objective

The Finance Administrator has the responsibility of ensuring that the organisation's financial obligations are met, which includes upkeep of the financial records and other accounting requirements (payroll, banking, tax, reporting to funding bodies etc).

The position will work closely with the Centre Coordinator/Executive Officer and Treasurer to provide Board/Management Committee, Finance Sub-committee (if relevant) and the membership with current financial reports and budgets. The financial statements are subject to an annual audit.

It is important to record every financial transaction and to be able to produce relevant reports on these transactions. In order to do this, the Financial Administrator must establish appropriate recording and reporting mechanisms. Accurate and timely financial information needs to be regularly circulated to those responsible for managing the organisation. Monitoring performance is an important function enabled by good budgeting, cash flow analysis and regular reporting to Centre employees and Management. The key is to keep reports simple and ensure sufficient time for people to read, digest and question the information presented.

The role of the Financial Administrator varies from Centre to Centre. As all Centres operate differently, this section is intended only as an example of a Financial Administrator's role, and therefore may not apply to some Centres.

Roles and Responsibilities

- Maintain appropriate records of all income and expenditure, payments and receipts, including accounts payable and receivable in accordance with standard internal controls and tax requirements;

  Maintain and reconcile the asset register;
- Monitor, control and reconcile petty cash imprest systems;
- Prepare monthly and financial annual reports (i.e. profit & loss, balance sheet, annual cash flow statement, budget comparison) in consultation with the Coordinator/Manager, and in a small organisation, with the Treasurer;
- Assist the Centre Coordinator/Executive Officer to prepare and manage reports against annual budget (including government funded project reports and budgets);
- Assist the Centre Coordinator/ Executive Officer and Treasurer to prepare for external audit, government grant acquittals and annual report;
- Resource the Finance Committee, Board/Management Committee meetings and any other teams with financial reports;
- Assist the Centre Coordinator/Executive Officer to prepare financial reports to funding bodies;

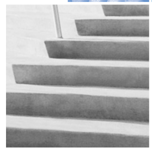
- Manage cash flow, including transferring funds between investment and cheque accounts, scheduling payments to creditors and managing debtors;
- Ensure compliance with all Australian Tax Office requirements, including preparation of pay-as-you-go (PAYG) instalments, business activity statements (BAS), fringe benefits tax (FBT), and superannuation reports;
- Prepare and manage fortnightly payroll and other employment-related tasks (i.e. superannuation, WorkCover, salary packaging, leave entitlements, etc);
- Assist the Centre Coordinator/Executive Officer to maintain relevant employment and leave records and files;
- Maintain knowledge of and manage fringe benefit arrangements;
- Maintain Occupational Health & Safety requirements such as those of WorkCover in NSW; and
- Prepare annual payment summaries (formerly group certificates).

Selection criteria for the position

Essential:

- Bookkeeping experience using QUICKEN or MYOB, MYOB Payroll and Microsoft Excel ®.
- Payroll experience.
- Experience in administering salary sacrifice arrangements, including fringe benefits tax.
- Understanding of and experience in goods and services tax (GST) administration.
- BAS preparation experience.
- Demonstrated ability to prepare budgets.

SECTION 4



Accounting Standards

Contents

4. Accounting Standards

Australian Accounting Standards (AAS)

When preparing financial reports, it may be useful to refer to the Statements of Accounting Concepts and the various Accounting Standards set by the Australian Accounting Standards Board (AASB).

Australian Accounting Standards (AASs) provide useful guidance on preparing and presenting financial information that may assist the Financial Administrator in fulfiling the reporting obligations for the organisation.

Most community legal centres prepare their financial reports and work papers then pass the information to their external auditor. The auditor then prepares the final audited statements for the organisation according to AASs.

Australian Accounting Standards Board (AASB)

The AASB was established by section 224 of the Australian Securities Commission Act 1989. It succeeded the Accounting Standards Review Board (ASRB), which had been created in 1983.

The primary objective of the AASB is to improve the quality of financial reporting by Australian reporting entities. To meet this objective, the AASB develops and publicises Statements of Accounting Concepts (SACs) and AASs.

DEFINITIONS

From the CLSP Service Agreement 1 October 2005 – 30 June 2008 for community legal centres:

Australian Accounting Standards	Refers to the standards of that name maintained by the Australian Accounting Standards Board created by section 226 of the *Australian Securities and Investments Commission Act 2001*.
Australian Auditing Standards	Refers to the standards of that name maintained by the Australian Auditing and Assurance Standards Board created by section 227A of the *Australian Securities and Investments Commission Act 2001*.

Statement of Accounting Concepts (SACs)

Since 1990 there have been four Statements of Accounting Concepts (SACs) prepared by the Public Sector Accounting Standards Board of the Australian Accounting Research Foundation and the Accounting Standards Review Board, and issued on behalf of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia:

SAC 1	Definition of the Reporting Entity
SAC 3	Qualitative Characteristics of Financial Information
SAC 4	Definition and Recognition of the Elements of Financial Statements

SAC 1 — Definition of the Reporting Entity

SAC 1, in paragraphs 40 and 41 states:

40. Reporting entities are all entities (including economic entities) in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources.
41. Reporting entities shall prepare general purpose financial reports. Such reports shall be prepared in accordance with Statements of Accounting Concepts and Accounting Standards.

SAC 3 — Qualitative Characteristics of Financial Information

SAC 3, in paragraphs 48 and 49 states:

48. General purpose financial reports shall include all financial information which satisfies the concepts of relevance and reliability, and which passes the materiality test.
49. General purpose financial reports shall be presented on a timely basis and in a manner which satisfies the concepts of comparability and understandability.

SAC 4 — Definition and Recognition of the Elements of Financial Statements

Assets are service potential or future economic benefits controlled by the entity as a result of past transactions or other past events.

Liabilities are the future sacrifices of service potential or future economic benefits that the entity is presently obliged to make to other entities as a result of past transactions or other past events.

Equity is the residual interest in the assets of the entity after deduction of its liabilities.

Revenues are inflows or other enhancements, or savings in outflows, of service potential or future economic benefits in the form of increases in assets or reductions in liabilities of the entity.

Expenses are consumptions or losses of service potential or future economic benefits in the form of reductions in assets or increases in liabilities of the entity.

Further information on accounting standards can be obtained from various professional accounting bodies or your Centre's external auditor.

International Accounting Standards (IAS)

The information below does not provide information on the day to day accounting process. This section of the Financial Management Guide will be updated to include all the information of the new Standards once available.

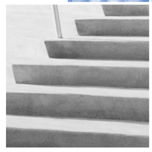
Centres should be familiar and prepared to move on to the IAS.

With the completion of the stable platform of International Accounting Standards in 2004, the International Accounting Standards Board (IASB) established itself as a world leader in the preparation of accounting standards. As many countries agreed to adopt these standards, or equivalents to them, influential national standard-setters such as the United Kingdom, Australia and New Zealand acknowledged that the time had come for an international approach to standard setting.

This new set of International Accounting Standards is expected to have major implications for the way in which accounting is undertaken in practice and the way in which accounting is taught in tertiary institutions.

International Accounting Standards are principles based. Although a specific standard is a stand-alone document, the principles in any standard relate to and are interpreted in conjunction with other standards. This reinforces the conceptual basis of the standards. To appreciate the application of a specific standard, an understanding of the reasoning within other standards is needed.

Applying International Accounting Standards helps accounting practitioners to understand the complexities of international accounting standards and to apply the stable platform of standards. It examines standards not related to specific industries and has, therefore, wide application.



Budgeting

Contents

5. Budgeting

Overview

A budget is a way of thinking ahead financially. Accounting looks backward, at what income you have received and the amount you have actually spent. Budgeting looks forward. It predicts the expenses you expect to incur and the income you hope to bring in. It is intended to minimise the risk of being faced with nasty surprises and to provide a floor for your program planning.

Budgeting is an itemised listing of estimated income and expenditure for a specified period. Effective budgeting is necessary for several reasons:

- It disciplines all persons involved in the organisation to think about what the income and expenditure ought to be;
- It helps in the control and management of the organisation;
- It helps predict likely outcomes before plans are set in concrete;
- Actual outcomes can be measured against reliable performance indicators;
- It allows sound planning, particularly for cash flow analysis;
- It shows where savings might be made;
- Individuals can be held accountable for performance against budgets that they have prepared and for which they are fully responsible; and
- It improves efficiency.

Budgeting is a necessary tool in any business, but in non-profit organisations it is absolutely essential. As most organisations operate without capital — and usually without reserves — operating losses can be devastating. Disciplined budgeting enables Centre Coordinators/Executive Officers and Boards/Management Committees to determine whether likely income for a particular period will exceed expenditure and by how much.

As defined in the CLSP Service Agreement 1 October 2005 – 30 June 2008 for community legal centres:

Annual Accrual Budget	Refers to a budget in the format specified in CLSIS, which provides for each financial year of the service period, the details of the projected income and expenditure of funds for each funding category.

Prior to beginning the budget estimating process, those involved must have a clear idea of the organisation's purpose. Aims and objectives in the mission statement must be understood and taken into consideration. It is necessary to have a clear idea of the organisation's planned activities and the money value of those activities.

One of the most basic questions to consider is whether an organisation is achieving the goals and aspirations of those it represents. Should it be operating at all, or could those goals and aspirations be achieved in another way? Asking these questions will certainly focus attention on the big picture and set the parameters for financial planning.

Without supporting documentation to back the figures, the values may be meaningless. For example, if budgeting for wages, a figure of $100,000 has little relevance without explanation of the number of employees, estimated overtime, on costs, wages increases expected.

In practice, activities or projects must be planned and managed within specified financial limits, otherwise considerable time may be wasted working on possibilities and objectives that the organisation cannot afford.

Budgets provide funding bodies with information on how an organisation proposes to generate income and expend its funds. Financial reports that compare actual income and expenditure against the budget communicate important information to funders and committees on how the organisation is performing financially.

Integrating budget discussions with operational planning sessions has the advantage of encouraging employees to be involved in the cost of carrying out their plans and to think through financial advantages and disadvantages of projects and operational issues. A budget developed in this way should reflect the organisation's priorities and is more likely to be understood by employees and to be used by everyone in the Centre.

Once a plan and budget has been adopted, employees should be able to authorise expenditure in line with the budget in their areas of responsibility.

A Guide for Budget Preparation

The budget is usually prepared by the Financial Administrator in conjunction with the Centre Coordinator/Executive Officer and other employees. In smaller organisations, the Treasurer supports the staff to prepare the budget.

Equipment

Budgeting is best done on a computerised spreadsheet, consisting of the Master Combined Centre Budget and an attached Notes Sheet. Figures should be entered in the Notes Sheet and linked back to the Master Sheet, rather than vice versa. In the notes an explanation of how each figure is compiled, and the reasoning behind variances from the previous budget should be inserted.

Team input

It's important that the process of preparing the organisation's budget involves everybody who's going to be affected by it. Make sure that staff work closely with the Finance Administrator/Executive Officer right from the beginning of the budget cycle.

Begin by reviewing your previous year's budget. What can you learn from how your estimates for last year's operations went? Did your running costs drift up? Did your costs per client go up or down?

Check your strategic plan and business plan against the reality of your accounts. Did the budget allow you to achieve your objectives comfortably? Was there scope for savings? Are there any changes that could have reduced costs?

Now look at this year's plans. Do they include any new activities that you expect will result in increased costs?

Budget calendar

- Usually after the 3rd quarter reports are completed, work can begin on preparation of the next year's budget. A good rule of thumb is to project out to 12 months from the 3rd quarter reports, while at the same time analysing past expenditure.
- The draft budget should be prepared by the June Management meeting each year for the Committee's approval.
- Draft budgets are required by most funders in May and June, however the final budget approved at the June Management Committee meeting should then be forwarded to the funders.

CLSP Service Agreement 1 October 2005 – 30 June 2008
date to submit to State Program Manager (SPM) is 31 July.

Laying out the budget

Please read the information from the Service Agreement related to preparing budget. (More information is at the end of this section.)

When designing your budget framework you need to ask:

1. What are the things you spend your money on? (Expenditure)

The standard major expenditure items are:

- Salaries
- Equipment
- Rent
- Electricity/gas
- Telephone
- Stationery
- Photocopying/printing
- Insurance
- Advertising
- Travel
- Sundries (anything that doesn't fit under the other headings)

2. How do you bring money into the organisation? (Income)

The standard major income items are:

- Grants
- Donations
- Charges for services
- Sales
- Memberships

Add your own special categories to these. Put in sub-headings where they represent significant sums (and check your formulas to make sure you're not double counting them).

Now you have to estimate what the figures will be in each category. Remember, you're not costing what you did last year, or even what you're doing now; you want to know what it will cost to deliver the objectives set out in your Strategic Plan.

In making this estimate you can draw on all the available information — what the figures were like last year, what grant applications you have in at the moment and what the demand for your services is presently like — but at some point you will always have to make the best guess possible.

A sound rule is to be conservative about estimating income and expansive about estimating expenditure. You can have one budget for the whole organisation, with headings like the ones given above, or you can have separate budgets for each section or each project and a combined budget to sum them up. Combined budgets are simpler to run, but you can overlook trouble developing in a particular area if the outcomes are spread across the whole organisation.

Budget balancing

You can then move to the next stage, which is to subtract expenditure from income to determine whether you're going to be ahead or behind. This gives you a preliminary summary.

You can decide to run a deficit, or a surplus, if you want, as long as you have a long-term plan in place — there's nothing that says you have to balance the accounts every year, particularly if you have special programs or if you ran a surplus last year.

Budget monitoring

In your accounting framework include a month-by-month comparison with the budget. This is only an indication, as month-to-month variation can be just random fluctuation. In particular, look at the pattern of income and expenditure in previous years.

Do not get complacent just because your budget seems to be working out. Even a good budget does not answer all your financial questions or cover you against all hazards.

Remember that a budget only records money-changing hands. Your budget can be encouragingly in surplus even when you are in big trouble. This can occur, for example, if you contracted to deliver services over two years, then received all the money in the first year and spent most of it. You then enter the second year with a small surplus and no extra expenditure — but in fact all your staff may be committed to undertake work for which you will earn no extra income.

A budget is important, but it is only one of a range of management tools.

> *Source: Information for this section has been adapted from the website of Our Community Pty Ltd <www.community.com.au>.*

Key Factors to Consider

Program budgets

Centres are usually funded from several different funding sources or programs. Individual budgets will be needed for each recurrent funding grant. They should include all income associated with the program, including income generated from program funds such as interest, income from sales of publications and seminar/lecture fees.

Similarly, expenditure should include all expenditure associated with the program, including salary and on costs, leave accruals and depreciation on capital equipment purchased with program funds.

Some funders have a set format for budget presentation.

It is very important for centres to budget projects and other program funds and expenditures separately from the CLSP funding.

Budget revisions

A budget should be a live document and therefore should be updated based upon any fundamental change to circumstance and decisions.

Revisions need to be noted as 'revised budget — dated...' and copies of each revision kept on file. Funders need to be informed if the budget for their program has been revised in any substantial way.

Budgeting Checklist

- ☐ Has research through funding bodies been taken in order to accurately estimate income levels?
- ☐ Does the budget include adequate emergency relief for employees taking unexpected leave?
- ☐ Does the budget include non-cash items such as depreciation and leave provisions?
- ☐ Are there scheduled increases due to employees during the year?
- ☐ Are there scheduled increases to superannuation?

Important Information from CLSP Service Agreement 1 October – 30 June 2008

DEFINITIONS

CLSP Funds *means:*

(a) the funds specified in Schedule 1;

(b) any Allowable Surplus, Future Contingency Amount and Excess Surplus approved for carryover and use;

(c) Service Generated Income; and

(d) Retained Funds.

Financial Year *means* each period from 1 July to the following 30 June occurring during the Service Period.

Funds *means:*

(a) the combined Commonwealth and State funds as specified in Schedule 1;

(b) any Allowable Surplus, Future Contingency Amount and Excess Surplus approved for carryover and use; and

(c) Service Generated Income.

Other Income *means* any income, other than the funds, the Organisation receives from any person or organisation, income from membership fees, donations, bequests and any fundraising activities.

Retained Funds *means* the monies that the Organisation:

(a) received from the Funding Body/ies under a Previous Agreement other than:

(i) any Allowable Surplus or Excess Surplus that a Funding Body has expressly permitted the Organisation to carry over to the first Financial Year of the Service Period; and

(ii) any amount the Organisation has reasonably set aside for the future replacement of the Organisation's Assets; and

(b) has not, as at the Date of this Agreement, spent on the provision of Services or the acquisition of Assets to enable the Organisation to provide those Services.

Service Generated Income *means* any income generated by the Organisation's use of the CLSP Funds to provide the Services, being bank interest, client contributions, fees for Community Legal Education activities, costs recovered and retained.

Clauses

Clauses from Service Agreement that need special attention when preparing the budget.

6. Carry Over of Funds

6.1 The Organisation may only carry over and use Funds from one Financial Year to another in accordance with subclauses 6.2, 6.3, 6.4 and 7.3.

6.2 **Surplus** — Any unspent Funds at the conclusion of a Financial Year must be clearly identified by Funding Category in the Organisation's financial Reports.

6.3.1 **Allowable Surplus** — At the end of any Financial Year, an amount of up to 10% of Schedule 1 funds in relation to a Funding Category may be carried over from the Surplus to the next Financial Year. If carried over, the Allowable Surplus must be clearly identified in the following Financial Year's financial Reports.

6.4.1 **Future Contingency Amount** — For the duration of the Service Period, an amount up to 5% of Schedule 1 funds may be carried over from the Surplus and retained for future, exceptional or unforeseen circumstances. This amount and any expenditures against this amount must be identified in the Organisation's Audited Financial Statements.

7. Excess Surplus Funds

7.1 **Excess Surplus** — Any unspent Schedule 1 funds in relation to a Funding Category in excess of the Allowable Surplus and Future Contingency Amount, may be recovered by the Funding Body to whom that excess funding is attributable.

7.2 The Organisation may submit a proposal to the relevant Funding Body through the SPM to spend or retain its Excess Surplus in the Financial Year following that in which the Excess Surplus arose. The proposal must demonstrate how the Allowable Surplus is to be used in the provision of Services.

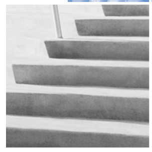
7.3 If the proposal is approved, the Organisation must use the Excess Surplus in accordance with the terms of the approved proposal.

7.4 If the proposal from the Organisation is not approved, the Funding Body(ies) to whom the Excess Surplus is attributable may recover that Excess Surplus:

(a) by deducting it from the Organisation's next quarterly payment; or

(b) requiring the Organisation to immediately repay it.

SECTION 6



Record Keeping

Contents

6. Record Keeping

Overview

Successful organisations use reliable record-keeping systems. These systems rely on standard source documents and established routines that help them to record the information going into their reports.

Good controls for record keeping include:

- using standard source documents that suit the organisation;
- filing and storing the documents for future reference (Australian tax law states that records must be kept for five years and Corporations Law states seven years);
- signing documents when receiving or paying anything; and
- having a system where different people sign documents at different stages of the recording process.

Good financial controls and well-managed systems enable a simple and accurate process of reporting, and compliance with taxes such as GST.

Accounting Records

Most Centres operate with a computerised accounting system. Within this system the main accounting records consist of:

- **Cashbooks** — to record all cash receipts and payments. In a financial year, the cashbooks used should be numbered and kept in safe custody. All transactions in the cashbook should be reconciled monthly with bank statements.
- **General Ledger** — the next stage of sophistication is to keep ledgers or journals of income and expenditure, either one journal for each, or separate journals for separate types of income and expenditure such as payroll, sales, accounts payable and cash receipts. The outcomes from all of these will be bought together in a General Ledger.

You can buy software to help you work with this system. Ensure you print out hard copy backups frequently, and remember to keep a hard copy audit trail where every transaction can be traced to an actual piece of paper — a receipt, cheque stub or invoice — recording it.

The computer system goes on top of the paper system and adds more functions, but it is not an alternative to the paper system. You will need both in order to guard against the very real risk that a computer crash or file corruption will leave you with no working records system. You must be able to recreate the ledgers if, for example, you are burgled. Thieves may take computers, but they very seldom take receipt books.

- **General Journal** — to record one-off transactions, especially at balance date. This is used mostly at year-end when many adjustments may have to be made.

- **Register of Members** — to maintain a record of names, addresses and other information about members of the association. This is a legal requirement and is usually the responsibility of the Public Officer.
- **Petty cash book** — petty cash allows you to make small purchases or reimbursements, in cash, for items such as stamps, office supplies, parking, etc. You should set an upper limit on payouts from petty cash. Anything over $50, for example, should be paid by cheque.

  The fund should be enough to cover petty cash expenditures for about a month. If it is too small you will have to constantly replenish the funds, and if it is too large it means you have cash on hand that should be more safely kept in your bank account.

  Keep petty cash in a locked box or drawer. It's better if only one or two people are responsible for petty cash. Buy or develop petty cash vouchers for documenting each transaction, and decide who in the organisation can approve petty cash payments.
- **Payroll records** — these are required under taxation law and various employment legislation, and include:
    - worker payment records;
    - tax file number declarations and withholding declarations;
    - pay-as-you-go (PAYG) payment summaries and PAYG payment summary statements;
    - a copy of any PAYG withholding voluntary agreements;
    - records of voluntary agreement payments;
    - superannuation records; and
    - records of any fringe benefits provided.
- **'No ABN' records** — records of amounts withheld from payments where no ABN was quoted, including payment summaries and annual reports of PAYG withholding where no ABN was quoted.
- **Statutory records** — including minutes of all meetings (e.g. sub-committee meetings).
- **Asset Register** — a fixed-asset register. Reconciled with the General Ledger each month. At a monthly meeting, the Finance Committee approves a list of disposals or write-offs of damaged, obsolete or scrapped fixed assets.

Apart from the computerised systems above, the following are some additional necessary records:

- **Receipt books** — for collection of money (e.g. for sale of publications, community legal education sessions etc). Duplicate receipt books provide a sound audit trail. Deductible Gift Recipient (DGR) organisations should issue receipts stating that they are so; receipts must quote the ABN number.
- **Bank deposit books** — used to record details of cash and cheques deposited in bank accounts. Deposit books provide a necessary audit trail for both manual and computerised accounting.

- **Cheque books** — used to make most payments for the organisation. Although internet banking is becoming more popular and BPay is an option, most often Centres use cheque forms.

  No unauthorised person should have access to chequebooks. All cheques should be marked 'not negotiable'. Lost cheques should be cancelled and/or stopped immediately at the bank. The loss of a chequebook should be reported immediately to the bank.

  When cheques are received make sure they are made out to your organisation's name. If a cheque is made out to an individual staff member or office bearer, make sure he or she signs it, then writes on the back of the cheque 'For Deposit Only to the Credit of (Name of Association)'.

- **Documentary Evidence (Vouchers, etc)** — to support payments, including petty cash payments. This is a necessary audit trail that must be retained.

- **Tax Invoices** — vital if the organisation is registered for GST and wishes to claim input tax credits.

- **Working papers** — to support figures shown on financial reports. These are very important, as they provide explanations as to how the figures have been compiled, and the assumptions used in their compilation.

  Working papers should include:

  - accruals work sheets (detailing any accrued expenses and the calculations);
  - an asset register (showing the balances equalling totals on the balance sheet);
  - a payroll report on leave entitlements balances;
  - grants in advance work sheets (detailing any grant funds received in advance); and
  - bank reconciliation reports.

- **Budget papers** — for all income and expenditures and other activities. These show how figures have been compiled, and are useful when comparing actual results against budget. Budget papers are important planning documents that are useful for estimating purposes in future years.

- **Funders reports** — shows funders how their money is being spent and highlights any variances to budget plans.

- **Financial reports to management** — crucial documents for management to monitor the financial affairs of the organisation. These reports should give a clear and concise overview of the organisation's financial position and likely future outcomes. These reports are used by management for monitoring and planning.

- **Year-end records** — including all reconciliations performed at year-end and final reports produced.

Filing System

It is recommended that the following information be retained in a hard copy filing system (either in suspension folders or ring binders):

- **Cheque requisitions** — in cheque number order. It is recommended that the front of the folder have sections where all computerised payment records, cash transfers and credit card statements for the business credit card accounts or other non-cheque form payment information is kept. Cash that is received should be deposited as soon as possible.
- **Payroll records (employees)** — a folder for the current payroll year containing employee information and payslips. This information should be kept in safe custody. It should also include leave forms and timesheets.
- **Payroll records (pays)** — containing the pay run information generated from each payroll processed in the current payroll year. This information should be kept in safe custody. Includes salary sacrificing information.
- **Bank statements** and **reconciliation reports** for each of the Centre's bank accounts. Cancelled cheques can also be kept in this folder.
- **Superannuation** — containing the current year contributions made and information on each super fund used by the Centre. Ensure that the Superannuation Guarantee Contribution (SGC) is paid to a complying superannuation fund monthly or quarterly.
- **Grant** — it is recommended that a separate folder be kept for each grant. Each folder should contain financial information from the Service Agreement, income details, reports sent to funders, budgets and correspondence.
- **Bank accounts** — containing all information on signatories of bank accounts and other information relating to the bank accounts, such as correspondence and term deposit notices.
- **Centre financial reports** — and working papers for the current financial year.
- **Disbursements records** — including a worksheet showing outstanding balance.
- **Financial forms** — used, such as cheque requisitions and travel claims, etc.
- **Association membership** — containing all information about members (current and past), their positions held and financial status. It should also include membership information and forms for new members, any correspondence and letters of resignation from members.
- **Year-end financials** — a separate folder for each end of financial year containing all information for that year.
- **Tax status** — public benevolent institution and charitable status, containing documentation supporting the organisation's charitable status or status as a PBI.
- **Tax information** — GST, tax declarations, PAYG.
- **Australian Business Number** — includes documentation relating to the registration of the ABN.

- **Cheque books** and **deposit books** — should always be kept in safe custody. Policies should be determined about cheque signatories. No signed blank cheques should be found in cheque books at any time.
- **Annual reports** — information of the Centre's activities and financial reports.
- **Auditor's reports** — the original copy should be also filed for reference in the future.
- **Computer support** — contact details for support and suppliers. The passwords should be kept in safe custody.
- **Financial reports to management** (monthly) — filed and backed up in computers regularly.
- **Project information** — information and budgets etc. for any project undertaken.
- **Combined Administrator's Group** minutes and information for contacting the group.
- **Asset Register** — the details of all assets shall be entered into an Asset Register that shall include the following information:
  - date of purchase;
  - place of purchase;
  - description of asset including serial number and model;
  - location of assets within Centre premises;
  - value of the asset at the time of purchase;
  - date the asset was disposed of or written off; and
  - calculations on depreciations etc.

Important Information from the CLSP Service Agreement 1 October 2005 – 30 June 2008

DEFINITIONS

Asset	*has the same meaning* as given to it by the Australian Accounting Standards but is limited to those purchased with CLSP Funds.
Audited Financial Statements	*means* an Organisation's financial statements which have been prepared and certified by a Registered Auditor and which include: (a) a Statement of Financial Position in respect of the organisation for that Financial Year; (b) a Cash Flow Statement in respect of the Organisation for that Financial Year. Where the Organisation's primary business is not the Services, the Organisation will be required to provide additional cash flow information including in relation to assets and liabilities in respect of Funds, surplus figures and income and expenditure in respect of the Funds; (c) a cumulative and accruals-based Income and Expenditure Report (being the fourth quarterly Income and Expenditure Report required under this Agreement) in respect of all Funds provided for all Funding Categories in that Financial Year and any Other Income received for those Funding Categories in that Financial Year; and (d) a Statement of Financial Performance in respect of Funds.
Records	*means* all Material stored by any means and all copies and extracts of the same, including the Organisation's financial accounts and related source data, such as bank records, receipts, invoices, cheque books, wages records and petty cash records.
Report	*means* any of the Services Material referred to in clause 10 that is provided to the Funding Bodies or the SPM for the purposes of reporting on the matters stipulated in the Schedules.

Clauses

13. Access to Premises and Records

13.1 For the purposes of any financial audit or investigation conducted pursuant to subclauses 9.2.1 and 12.5, the Organisation will give ‘those permitted’:

(a) access to premises at which Material associated with this Agreement is held or stored by the Organisation or work in relation to the provision of Services is undertaken by the Organisation, at all reasonable times;

(b) permission to inspect and copy such Material, in the Organisation’s possession or control;

(c) access to any Assets, wherever they may be located; and

(d) reasonable access to the Organisation’s employees.

13.2 For the purposes of subclause 13.1, ‘those permitted’ are:

(a) a Registered Auditor; or

(b) any person authorised in writing by the Funding Body for purposes associated with this Agreement.

13.3 The Organisation will provide all reasonable assistance requested by ‘those permitted’ when they exercise the rights under subclause 13.1.

13.4 The rights referred to in subclause 13.1 are subject to:

(a) the provision of reasonable prior notice by ‘those permitted’ (except where they believe that there is an actual or apprehended breach of the law);

(b) protection of Personal Information in relation to the Organisation’s clients; and

(c) the Organisation’s reasonable security procedures.

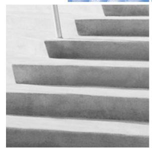
14. Protection of Personal Information

14.1 Clause 14 applies only to the extent that the Organisation deals with Personal Information in providing the Services.

14.2 The Organisation will:

(a) comply with the Information Privacy Principles set out in the *Privacy Act 1988* (Cth) when doing any act or engaging in any practice in relation to Personal Information for the purposes of this Agreement as if they were an agency as defined in that Act; and

(b) deal with Personal Information received, created or held by the Organisation for the purposes of this Agreement only to fulfil their obligations under this Agreement.



Cash Management

Contents

7. Cash Management

Internal Control Structure

The Australian Accounting Research Foundation provides the following statement regarding a recommended internal control structure:

The internal control structure is the plan of the organisation and all the methods and procedures adopted by Management of an entity to assist in achieving the entity's objectives. It is Management's responsibility to maintain an adequate internal control structure. An effective internal control structure provides assurance to Management that:

- the conduct of the business is orderly and efficient;
- irregularities are prevented as far as possible, and detected should they occur;
- assets are safeguarded from unauthorised use or disposition; and
- financial records and other relevant databases completely and accurately reflect the entire operational activities of the entity and permit the timely preparation of financial information.

It is most desirable that no single employee be responsible for ordering, receiving, processing and finalising transactions through the entire business. This will minimise the risk of fraud and error. It is in Management's best interest to prevent the establishment of a procedure, which relies on one person who may over a period of time be tempted to take fraudulent actions to misappropriate the assets of the business. This is especially true where cash is concerned.

Investments

Organisations will often have cash surpluses that are substantial enough to invest into short- or medium-term investments. The organisation's guidelines should identify the minimum balances desired in operational accounts and the procedures to be used to consider and decide on investment options.

As little as possible should be kept in operating accounts. In recent years, instances of fraud have occurred, resulting in a few Centres losing substantial amounts of money. It is best to keep surplus cash in a cash management account, from which cheques are not drawn for operational payments; funds are transferred into operating accounts only as required.

Funds not required for immediate operating purposes can be invested in term deposits to enable the largest amount of interest possible. Money is usually available in emergency situations if a fee is paid.

It is important that the Treasurer verifies each month (or quarterly) the money in the cash management account. Designated staff or management members should be signatories to the investment account.

Bank Accounts

Centres usually require some, or all, of the following accounts:

- **Main operating account** — most transactions occur through this account. Payments are made, and the account is 'topped up' by the transfer of funds from cash management accounts as required.
- **Cash management / investment account** — surplus funds are deposited into these accounts, which should attract interest at a higher rate than the operating account (perhaps a minimum balance is required to gain the interest) and the funds are readily available. Funds are transferred from these accounts to the operating account as required.
- **Individual funders' accounts** — some funders require Centres to keep separate bank accounts for their funds to be deposited into. Funds are then transferred to a cash management/investment account until needed in the operating account for expenditure.
- **Donations account** — this is for any donations the Centre may receive (and is necessary in order to entitle the organisation to be classed as a charitable institution). A receipt must be issued for any donation with the words 'deductible gift recipient' on the receipt.
- **Credit card facility** — these accounts are used for purchases such as meeting supplies and small office items, to minimise the use of petty cash. Where travel is a major cost item in a Centre, the credit card facility may be used to minimise the need for employees to outlay money and await reimbursement. The facility will have an overall limit (such as $5,000) with each card having its own lesser limit (such as $500).

  Each card can be set up in MYOB as a 'cheque account' in the balance sheet. Each item is entered as purchases are made (keeping a running balance on the card). When the funds are drawn at the end of each month to repay the card debt, the entry clears the credit card bank account in the balance sheet. Management should authorise the staff to use the credit cards and the expenditure should always be monitored.
- **Term deposits** — surplus funds for employees entitlements or projects that are not expected to be needed urgently can be placed on term deposit to attract as high as possible interest.
- **Trust account** — some Centres are required to have trust accounts (refer to *Section 17: Trust Accounting* for further information). Centres that do not have trust accounts may only accept reimbursement of an account that has previously been paid by the Centre. It is highly preferable that if a Centre which doesn't have a trust account is paying an account on behalf of a client (for which the Centre will not be reimbursed by Legal Aid or another funding source), that the client provide the Centre with a postal order or bank cheque for the amount required. A Centre without a trust account should never accept cash from the client and then pay the disbursement.

Banking

Cash and cheques should be deposited as soon as possible after collection. Cash and cheques should be kept securely until banked. Make frequent trips to the bank rather than waiting until large amounts have accumulated. Standard safety precautions should be applied by the person taking the funds to the bank:

- make trips on different days and at different times, without setting a pattern;
- do not use containers that can be readily identified as carrying cash (e.g. calico bank bags, clear plastic bags, etc); and
- two staff members should be responsible for banking for security purposes if there is always a large sum of money to be deposited.

Electronic Banking

Electronic banking methods are the lowest fee-based methods and can save substantial amounts of money in bank fees. Some banks offer electronic banking services that enable transactions such as payroll, payment of bills and reimbursement of employees' expenses to be made directly from the Centre's bank account. It also allows electronic bank reconciliations, or at least the ability to check transactions and balances, by simply dialling in to the bank. It is a very worthwhile technical advancement that should be considered by all Centres. Most systems can be set up to require multiple password entry for each transaction, ensuring internal controls are maintained.

Bank Reconciliations

A vital part of the internal control of cash is the agreement between the business records and the records of the bank. Reconciliation of each bank account should be performed at least monthly. A reconciliation report should be printed out (or written manually if necessary) and attached to the bank statement for filing. These can then be presented at the Finance Sub-committee meeting or Board/Management meetings if and when required.

Receipt Books

Receipts must be issued whenever funds are received. The Centre should have duplicate receipt books. Alternatively, receipts should be computer-generated so that there is a computer record of the receipt. There should be a numbering system that allows each receipt to be identified. Receipt books should be kept securely by the person using them. A system co-signing each receipt by two persons may help to reduce the risk of fraud.

The system should ensure that all cash is properly accounted for and that a proper audit trail is left.

Cheque Payments

Most transactions involve cheques for the payment of goods and services. It is important to have sound internal control procedures in place. Ideally a clear separation of duties should be in place, meaning that no one person deals with an important financial matter from beginning to end. Therefore, different people should be involved in initiating expenditure, authorising expenditure and signing cheques. Also, in smaller organisations, the staff who authorises payment should not be a staff signatory.

Cheque books must always be kept under lock and key. They should be imprinted with the name and ABN of the organisation and always crossed 'not negotiable'.

Process

Cheques awaiting signature must be supported by documentary evidence to validate payment. A cheque requisition should be attached to each cheque (see below). Supporting documents consisting of invoices and statements from suppliers must accompany the requisition.

Invoices should be stamped to show that they have been checked and processed, to prevent their use a second time in error or fraud. Before signing a cheque, signatories have a duty to satisfy themselves that payments are legitimate, by inspecting all documents, including the cheque requisition.

Payments should never be made on only a statement or a reminder notice, unless a thorough check has been made to ensure that the invoice has not previously been paid.

Approval to sign cheques must be given to cheque signatories by formal resolution of the governing body before any cheques can be drawn. Any change in signatories requires formal resolutions by Board/Management Committee and new forms to be signed at the bank.

A considerable level of trust is given to cheque signatories, so before any person is approved as a cheque signatory, organisations should satisfy themselves that the person is trustworthy. To minimise the risk of fraud, two signatories are normally required. As well as signing the cheque, signatories should sign the cheque requisition to signify that they have inspected all the attached documentation before approving payment.

Cheque requisitions

Once the cheque has been signed, documents attached to the requisition should never be removed. For easy reference, requisitions and supporting documentation should be filed in cheque number order.

A cheque requisition should include the following information:

- the payee;
- a description of the payment;
- the amount;
- who requested the payment;
- who approved the payment;
- cheque number;

- date the payment is requested; and
- an account code for costing purposes.

Sometimes payments need to be made for which there is little or no documentary evidence (such as transferring funds between accounts). Cheque requisitions should still be prepared for these payments with the details of the payment and the approval, as with a standard cheque requisition.

Capital Expenditure

The Board/Management Committee should approve all capital expenditure payments. Organisations usually set guidelines for paying accounts and especially for incurring expenditures on buildings, plant and equipment. Sometimes only expenditure in excess of $1,000 on individual items is treated as 'capital' (balance sheet item), while anything under that is written off as a cost (income and expenditure item). It is always recommended that Board/Management develop a financial delegation policy to ensure the Centre Coordinator/Executive Officer is clear of the roles and responsibilities.

Significant capital expenditure for buildings and new equipment must be carefully considered in order to make absolutely certain that payments will not adversely affect the Centre's financial resources.

Remittance Advice Slips

Remittance advice slips are usually prepared and attached to cheques before they are sent. Some computer generated cheque forms have a remittance advice section to send with the cheque. The person receiving the payment then knows all the necessary details including:

- the name of the organisation sending the payment;
- its ABN;
- the payee's name;
- details of the payment;
- invoice numbers being paid;
- date of payment;
- signature of person processing the payment; and
- cheque number.

Board or Committee Approval

The Rules or Constitution of some Centres require that the Board/Management Committee approve all payments. If so, a list of required payments is made and approvals recorded in the minutes prior to payments being made.

In most Centres, Board/Management approves the yearly budget and only requires a list of expenditures and income actually made for the period to be presented for review at each meeting. Any payments of substantial amounts (e.g. $1,000 or over) that are not budgeted for need separate Management approval.

The Board/Management Committee delegates the financial responsibility to the Centre Coordinator/ Executive Officer with clear financial policies.

Payments to Members of Management Committee

Payments for travel and accommodation for Board/Committee members should always be approved by the Committee before the expenditure is incurred, to ensure there is no conflict of interest. A fundamental rule of internal control is that no one should ever approve his or her own expenditure.

Most constitutions state that a member of the Committee should not be in a paid working capacity within a Centre at the same time as being a member of the Committee. This should be checked with individual Centres.

Petty Cash

A petty cash fund of approximately $100 is normally maintained for small payments. It works best on an 'imprest' basis, which means that an advance is made to commence a float and then reimbursed back to the original amount when all or nearly all the float money has been spent. Details of all payments are entered on cheque requisitions and cross-referenced to relevant page numbers in the petty cash book.

The person responsible for petty cash should retain whatever evidence is available to support payments. It is a good idea to provide receipts to document the petty cash items, but a voucher or docket system can also be used. Documentary evidence can then be attached to cheque requisitions to support the reimbursement.

In MYOB, a petty cash account is set up as 'cheque account'. Each item of petty cash can be coded and entered separately. When reimbursement is made, the balance is brought back to the original float.

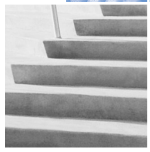
In smaller organisations, in order to reduce risk, petty cash payments should be limited to $25. If a purchase is required in excess of $25, then a cheque should be drawn instead of using petty cash. If an employee has already incurred expenditure and seeks reimbursement, either a cheque can be drawn or a direct deposit made to their bank account through the electronic banking system (if applicable).

Purchasing Procedures

Purchasing decisions should be able to withstand public scrutiny on the basis that due process has been followed and the decision is reasonable.

- **Ethical and fair dealing** — employees must act ethically, fairly and honestly in respect of their own organisation and the suppliers with which they are dealing;
- **Open and effective communication** — the process must be visible to the public and government, and suppliers must be given the opportunity to compete for agreements or contracts. No conflict of interest can be acceptable;
- **Value for money** — factors include purchase price, suppliers or contractors skills and experience, financial viability, past performance, ethics and ability to deliver.

All Centres should have guidelines on how many quotes are required for purchases of different values. Most Centres have a policy to present a minimum of two quotes.



Payroll

Contents

8. Payroll

Employment Records

The Centre should ensure that all employees have a written contract explaining the terms of the employment, specifying the award, conditions and date of commencement. This document should be kept in the personal folder for the employee and all the information should be updated if there are changes to the job or conditions of employment.

Apart from basic information to enable salaries to be calculated, records must be kept to satisfy legal and other requirements. Note that employment records, including employees' personal details and tax file numbers are confidential and should be kept in a secure place. A locked cabinet should be considered a minimum security requirement for these records.

Information required for employment records is as follows:

- employee's full name, address and phone number;
- date of birth;
- tax file number;
- name and address of next of kin and their phone number;
- date employment began;
- days off, including dates for sickness and other reasons;
- holiday leave, including specific dates leave was taken;
- rates of pay and other entitlements;
- superannuation fund details; and
- any other relevant information.

Paying Wages

An appropriate and correct payment record is important to enable the Centre to manage tax responsibilities in respect of workers and to comply with other Government regulations such as industrial relations, workers compensation and superannuation.

Inspections from the ATO and other government agencies may occur, therefore employers must be sure to comply with all regulations.

Even if a person is only employed for one day, the details should be recorded and a payment summary issued. Payment records must be finalised at the end of each financial year (30 June).

Employees must be provided with pay slips each pay that include:

- full name and address of employee;
- pay period;
- hours worked during pay period;

- rate at which employee is being paid;
- the gross and net amounts of payments, including any withholdings;
- superannuation contributions made;
- details of leave granted or taken and current balance of leave; and
- salary sacrifice details and balance of salary sacrifice/wage pack account.

The payroll system should provide payslips that include the above information. All community legal centres should ensure that their payslips contain all of the information required by the WorkChoices Act 2005. A copy of each payslip should be kept in the payroll file for the Centre's records.

Further information on the detail required on payslips by WorkChoices, a general factsheet is available at: www.workchoices.gov.au/ourplan/publications/WorkChoicesandtimeandwagerecords.htm.

Tax File Number Declarations

A tax file number (TFN) declaration is the means by which an employee can provide an employer with a tax file number, tax-free threshold option, HELP debt information, rebate eligibility and residency status. Every employee should lodge a TFN declaration with their employer. If an employee has more than one employer, then a TFN declaration should be lodged with each of those employers.

TFN declarations are also used to calculate the correct amount of pay-as-you-go (PAYG) tax to withhold from an employee's pay. An employer must forward a completed TFN declaration to the ATO within 14 days after the employee's commencement date.

If an employee does not submit a valid TFN declaration, tax must be withheld at the highest marginal rate (plus Medicare levy). Where an employee does not submit a valid TFN declaration within 14 days of commencing employment, the employer must fill in a TFN declaration and send it to the ATO.

If staff are employed who do not have permanent residency or citizenship, their visa conditions stating the working conditions should be noted and the appropriate tax be deducted.

The ATO can assist with methods of taxing payments such as:

- bonuses;
- back pay;
- annual and long service leave;
- leave loading;
- allowances;
- redundancy;
- eligible termination payments; and
- other extraordinary payments required.

Flexi-time (Time-in-Lieu)

Most Centres operate on a flexi-time credits and debits system. Each Centre has its own policies and procedures for the system.

Flexi-time is essentially an accumulation of hours worked over the required hours (seven hours a day for full-time employees, excluding lunch breaks) to be used as time off in the future. The spirit of flexi-time is intended for use in unusually busy times where additional hours of work are unavoidable in meeting a required deadline. Overtime is not paid; however, a credit of hours worked over the normal hours is recorded. These hours can then be used to be absent from work with pay at a mutually agreeable time in the future.

Flexi-time is not intended to be used to purposely build up additional leave time by working extra hours that are not necessary or expected in performing the employee's role in the organisation. The accumulation of flexi-time should be monitored by Centre Coordinator/Executive Officer with this in mind.

Salary Sacrifice

A salary sacrifice arrangement (also known as a 'wage pack' or 'wage packaging') is an arrangement between the employer and the employee where the employee agrees to forego part of their future entitlement to salary or wages in return for the employer providing benefits of a similar cost to the employee. This payment must not constitute a direct payment to the employee, but is payable to a bona fide third party.

Under an effective salary packaging arrangement:

- the employee pays income tax on the reduced salary or wages;
- the employer may be liable to pay fringe benefits tax on the fringe benefits provided; and
- salary sacrificed superannuation contributions are classified as employer superannuation contributions (not employee contributions) and are taxed in the superannuation fund under tax laws dealing specifically with this subject.

An effective salary sacrifice arrangement is an arrangement between the employer and the employee detailing the amount of salary or wages income to be sacrificed, and must be entered into before the employee becomes entitled to be paid. In effect, salary sacrifice arrangements cannot be arranged retrospectively.

The types of benefits generally provided in salary sacrifice arrangements by employers include:

- **Salary sacrificed superannuation** — employer contributions, which when paid in respect of an employee to a complying super fund are not fringe benefits.
- **Fringe benefits** — such as car fringe benefits and expense payment fringe benefits such as the payment of the employee's loan repayments, school fees, childcare costs, home phone costs, health funds, any other bona fide documented debt of the employee and credit card debts (as long as in debit, not credit).

- **Exempt benefits** — there are a number of exempt benefits such as a laptop or notebook computer, and a mobile phone that is primarily used for business.

PAYG tax withheld should be based on the gross salary after the adjustment for salary sacrifice. The employee's PAYG payment summary should show the gross amounts of all salary and wages (excluding salary sacrificed amounts) and the relevant total amount of PAYG tax withheld for the year. Where an employee's individual fringe benefit amount exceeds $1,000 (grossed up $1,942) the grossed up taxable value must also be reported on their payment summary.

The employee pays income tax only on the reduced salary and receives the reduced salary plus non-cash benefits.

If there is any FBT payable on the benefits received, then the employer is liable to pay that tax.

Reportable fringe benefits

From 1 April 1999, if the total taxable value of certain fringe benefits received by an employee in an FBT year (1 April to 31 March) exceeds $1,000, the grossed-up taxable value of those benefits will be recorded on the employee's payment summary for the corresponding income year (1 July to 30 June). Grossing up reflects the gross salary that would have to be earned to purchase the benefit from after-tax dollars. This is calculated at the highest marginal tax rate, including the Medicare Levy.

The reportable fringe benefits total will not be included in the employee's assessable (or taxable) income, or affect the amount of basic Medicare levy payable. The total will, however, be used to calculate the following:

- Medicare levy surcharge.
- Deduction for personal superannuation contributions.
- Tax offset for personal superannuation contributions.
- Tax offset for contributions to spouse's superannuation.
- Superannuation contributions and termination payments surcharge.
- Higher Education Loan Program (HELP (ex-HECS)) repayments.
- Child support obligations.
- Entitlement to certain income tested government benefits.

From 1 April 2001, a public benevolent institution (PBI) has a capping threshold on the amount of FBT-free benefits that may be provided to employees. A PBI will be liable to pay FBT if the total grossed-up value of certain benefits provided to an individual employee during the FBT year exceeds $30,000.

The $30,000 capping applies even if the employee was not employed by the PBI for the full FBT year. For example, if an employee was employed between October and March, and the total grossed-up value of benefits provided is $25,000, FBT will not be payable.

If an employee works for more than one PBI during the FBT year, they can receive fringe benefits grossed up to $30,000 from each employer. In such cases, the employers must be separate organisations (not simply a division of the same organisation).

Grossing up

Type 1 Fringe Benefit

This is used when the employer is entitled to claim an input tax credit in relation to a purchase.

The figure is calculated by:

$$\frac{\text{FBT rate} + \text{GST rate}}{(1 - \text{FBT rate}) \times (1 + \text{GST rate}) \times (\text{FBT rate})} \quad \text{X} \quad \text{Fringe Benefit Amount}$$

Substituting the rates, this equals:

$$\frac{0.485 + 0.10}{(1 - 0.485) \times (1 + 0.10) \times (0.485)} \quad \text{X} \quad \text{Fringe Benefit Amount}$$

This equals: **2.1292** *X* *Fringe Benefit Amount*

Type 2 Fringe Benefits

This is used when the employer is ***not*** entitled to an input tax credit in relation to the purchase.

The figure is calculated by:

$$\frac{1}{1 - \text{FBT rate}} \quad \text{X} \quad \text{Fringe Benefit Amount}$$

Substituting the rates this equals:

$$\frac{1}{(1 - 0.485)} \quad \text{X} \quad \text{Fringe Benefit Amount}$$

This equals: **1.9417** *X* *Fringe Benefit Amount*

To accurately account for fringe benefits payments the Financial Administrator should analyse each payment and record which 'type' of payment it is (Type 1 or 2). At reporting time the correct figure can then be applied in grossing up the benefits paid in order to determine FBT liability.

For reportable fringe benefits purposes, an employer will always apply the lower gross up rate of 1.8692 to an employee's individual fringe benefits amount. If the benefit paid to the employee included GST and an input tax credit was claimed by the employer, then the 'GST inclusive' amount should be used to calculate the reportable fringe benefit.

Salary Sacrifice Agreement

The employee or employer should not be compelled to enter into a sacrifice arrangement. The arrangement must not be less favourable to the employee than otherwise available under the award.

The employer should ensure that:

- the structure of the agreement complies with tax and other relevant laws;
- the package details are recorded in a written agreement, signed by both the employer and the employee;
- a copy of the agreement is given to the employee and a copy retained by the employer;
- the agreement spells out how the arrangement would be applied to termination payments;
- the employee has access to payment details made on their behalf; and
- all benefits are paid by 30 June each year with no amount accrued.

Advantages of Salary Sacrifice Agreements

- Less tax is deducted from employees gross pay.
- In total the remuneration is higher than if the employee had not had a sacrificing arrangement in place.
- Enables Centres to provide financial incentives to employees, so as to attract and retain high quality employees needed to run the service.

Disadvantages of Salary Sacrifice Agreements

- Administration of salary sacrificing can be time consuming.
- Centres that rely on a portion of the tax concession for funds may encounter difficulties if the government were to change the laws, and the Centre was therefore no longer exempt from FBT.

Community Legal Centres' Treatment of Salary Sacrificing

In some Centres, the full tax concessions available to employees are not passed on, and are instead used as additional funds for the Centres' operations. In some cases the entire benefits are used by the Centres. Recently, more Centres are making the full concessions available to entice and retain quality employees; this enables the Centres to offer competitive packages in the marketplace.

In the past there was no capped amount that would be free from FBT. This resulted in many organisations salary sacrificing huge portions of employee wages, and was seen as an abuse of the system. Some organisations set reasonable limits, so that only 30% of the package could be salary sacrificed. The current capped amount of $30,000 grossed up along with the section in the SACS award detailing salary packaging, has made it possible for Centres to embrace the concept of full salary sacrificing as a legal and accepted practice.

Other Issues

Payments of leave loading, superannuation and workers compensation are affected by salary sacrificing. Calculations of these figures should be based on the pre-salary packaged total salary so as not to disadvantage employees in any way. This is referred to in the Social and Community Services Employees (State) Award under Salary Packaging.

Encouraging employees to have their fringe benefits paid as standard items (such as rental, loan payments, credit card debts, etc) will reduce the administrative work needed.

When an employee commences employment, the salary sacrificing options should be discussed with them in detail. This discussion should include providing the employee details of wage calculations both with and without salary sacrificing. It should also take into account the employee's personal circumstances (e.g. HELP debt, recipients of Centrelink benefits, etc). In some more complicated cases, it may be appropriate to recommend that the employee seek advice from their accountant, in order to gain the greatest advantage from the salary sacrificing arrangement.

Centres retaining a portion of the tax benefit should ensure that the funds are not relied upon to meet the recurrent operational requirements of the Centre; as previously outlined, if tax laws change and this benefit were to be no longer available, a shortfall in the operational budget would be created. These funds should only used for one off projects.

Salary Sacrificing Calculations

Employees should be able to choose any amount they wish to package up to the maximum set by the Centre (usually approximately $14,000 in benefits paid). It should be emphasised to employees that if tax laws change and community legal centres are no longer able to offer salary sacrificing arrangements, then wages will revert to base payments.

Fringe benefit payments must be payable to a third party, never the staff member. Payments must never be deposited to the employee's account to be available as cash. Payments must pay a debt already incurred. The most common payments are:

- loan repayments;
- credit card debts; and
- bills (e.g. telephone, electricity, rates instalment).

Some employees choose to accumulate their salary-sacrificed funds and spend it in lump sums as required. This is permissible provided that the employee's fringe benefit account (set up as a liability account in the balance sheet) is cleared before 31 March each year.

MYOB and other systems can be used to keep the balance of fringe benefits accounts up to date; a liability account should be set up in the balance sheet for each participating employee. Each pay the allocated amount is credited to the employee's account. When payments are processed for that staff member, the debit is posted to their fringe benefit account. This account acts as a clearing account and always shows the up-to-date balance of the fringe benefit account.

Salary sacrifice payments should be requested on a specifically designed salary sacrifice (wage pack) payment requisition form. This form should ask for all of the regular details of a cheque requisition; however, it should also contain a section that requires signature if the payment is to a credit card. This section requires the employee to verify that they owe money on the card and this payment will not put the card into credit (owing the employee money).

Employees should receive their fringe benefit cheques on pay-day if they have requested standard fortnightly payments, or as soon as possible if requesting other one-off payments.

At the end of the FBT year (31 March) employees should be provided a printout of the salary sacrifice payments made on their behalf. This report should also show the grossed-up amount that will appear on their payment summary at the end of the financial year.

> *Further information on salary sacrificing can be obtained from the ATO, the Centre's external auditor and Australia Wide Taxation and Payroll Training.*

Time Sheets

Each Centre may have its own requirements for the information recorded on time sheets. The following is recommended for inclusion in time sheets:

- time started work;
- time taken for lunch;
- time finished work;
- any time worked at home (including times and hours);
- total hours worked;
- flex-time debits (if the employee has not worked a whole day);
- flex-time credits (if the employee has worked more than a day); and
- if leave taken, number of hours and type of leave.

The employee's calculation of total hours worked and flex balance should be checked as follows:

- total hours physically worked; *plus*
- total flex-time debits; *less*
- total flex-time credits.

This should equal the total hours the employee should work in a fortnight (e.g. 70 hours for full-time employment) plus total flex time owing.

Time sheets are used to calculate the pay run for the period.

Superannuation Guarantee

The Superannuation Guarantee (Administration) Act 1992 applies from 1 July 1992. It was introduced to ensure that most employees receive superannuation support.

Employers must provide a minimum amount of superannuation support into a complying superannuation fund or retirement savings account for their employees. The amount is set by the Federal Government and is calculated as a percentage of the employee's gross wage. Financial Administrators should check the percentage with the ATO for the current financial year.

For the purposes of superannuation guarantee, individuals working under a contract principally for their labour are regarded as employees, even if they quote an ABN.

The superannuation guarantee is self-assessing. Employers do not have to lodge a Superannuation Guarantee Statement if they have provided at least the minimum required superannuation support for their employees. However, they must keep records that adequately explain their transactions in relation to the superannuation guarantee.

Employers are not required to provide superannuation for certain categories of employees. These are:

- employees paid less than $450 in a calendar month;
- employees aged 70 years and over;
- employees under 18 years of age working 30 hours or less per week;
- non-resident employees paid for work done outside Australia; or
- employees paid to do work of a domestic or private nature for not more than 30 hours a week (e.g. nanny or housekeeper).

Quarterly Superannuation Guarantee

Reporting requirements have been introduced so employees know how much superannuation has been paid on their behalf and where the money has gone.

Quarterly superannuation guarantee takes effect from 1 July 2003. From this date Centres will be required to:

- calculate an amount equal to the current percentage required (2002–2003 being 9%) of each eligible employees' earnings;
- pay this amount to a complying superannuation provider at least every quarter;
- advise the employees of the amount of the SCG accrued in their payslip as of 1 January 2005 (there is an obligation to do this);
- keep a record of all contributions made; and
- keep a record of when, what and how information was reported to employees.

The following dates apply to quarterly superannuation guarantee payments:

Superannuation guarantee quarter	Cut-off date for superannuation guarantee contributions	Due date for lodgment of superannuation guarantee statement and payment of the superannuation guarantee charge if contributions are not made on time
1 Jul – 30 Sep	28 October	28 November
1 Oct – 31 Dec	28 January	28 February
1 Jan – 31 Mar	28 April	28 May
1 Apr – 30 Jun	28 July	28 August

Information about Super Choice and WorkChoices can be obtained by going to www.superchoice.gov.au.

For more information on the definition of wages for the purpose of calculating superannuation, refer to the ATO website, ATO Superannuation Infoline on 13 10 20, or the Centre's nominated superannuation fund.

Voluntary Superannuation Contributions

Employer contributions

If an employee elects to salary sacrifice a portion of their salary as a voluntary contribution to their superannuation fund, this arrangement is regarded as an employer contribution. The amount sacrificed is not classed as assessable income to the employee, and therefore tax instalments are not deducted prior to the contribution being made to the superannuation fund. The superannuation fund taxes the contributions at a rate of 15% on entry to the fund.

Employer contributions are a tax deduction for the employer.

Employee contributions

If an employee requests that a portion of their after-tax salary be sent as a voluntary contribution to their superannuation fund, then this is regarded as an ocontribution. The amount is classed as assessable income to the employee, and therefore tax has already been deducted.

Employers are obliged to send employees' voluntary superannuation contributions to the super fund before the 28th of the following month. This requirement prevails over any contrary provision stated in specific awards.

Workers Compensation

If an organisation pays salary and wages to any person, it must have a Workers Compensation insurance policy. Generally, if contractors are employed, the organisation is required to cover those contractors for workers compensation.

A contractor is deemed to be a worker employed by the organisation that made the contract with the contractor, when the:

- value of the work exceeds $10;
- contractor does not employ workers;
- contractor does not sub-let part or all of the contracted work; and
- work is not part of a business or trade regularly carried out by the contractor in his/her own name or under a business name.

In this situation, the organisation has a similar level of control over the contractor as that over a direct employee, and as such, the organisation's workers compensation policy must cover the contractor.

Annual return

In order that the annual workers compensation premium can be calculated, the organisation is required to complete and send to the insurer an Annual WorkCover (in NSW) Declaration of Wages. The form is usually in two parts. The first part requires the organisation to estimate its next year's remunerations. The second part is the actual remunerations figures for the previous 12 months.

Further information on the definition of remunerations is available from each Centre's workers compensation insurer. The workers compensation insurer usually sends the organisation the forms needed for completion. Once the completed forms are returned to the insurer, the insurer uses the estimates to calculate the next year's premium, and uses the actuals to adjust the previously invoiced premium.

Copies of annual returns should always be kept before submitting them to the insurer.

Travel Claims

There are several types of travel claims:

- **Reimbursement** — of train tickets or other similar travel costs. These are simply made by cheque requisition and paid by petty cash or electronic deposit into the employee's bank account.
- **Mileage Claims** — these are claims for work related mileage travelled in the employee's vehicle. A mileage claim form should be completed by the employee, and payment is made in the next payroll processed. The amount should show on the employee's payment summary at the end of the year. Payment is on a per-kilometre basis. Financial Administrators should check the SACS Award or other relevant award for the current kilometre rate.
- **Travel Allowance Paid in Advance** — for example, travel to a conference. Travel allowance is paid in accordance with the individual

Centre's relevant policy. It is recommended that this policy be based on the 'reasonable limit' set by the ATO.

The allowance is intended to compensate for the cost of meals not already provided. It is not intended to completely pay for a meal, but to pay the difference between what it costs whilst travelling, and what it would have cost to eat at home. Usually this can be paid in advance, along with other known transfer costs such as bus shuttles or taxi fares. Accommodation costs can be paid either directly by the organisation (to the hotel, conference Centre, etc), or an advance for the estimated cost can be paid to the employee.

On the employee's return from the trip the expenditure is reconciled, and the employee either refunds the Centre the unspent balance, or is paid by the Centre any amounts spent over the original advance.

Union Fees

The Australian Services Union (ASU) covers employees of community legal centres. Prior to the WorkChoices Act 2005 employees could request that union fees be deducted from each pay and contributed to the union on their behalf. From 1 July 2006 pay roll deduction of union fees is prohibited under the WorkChoices Act. Community legal centres in Victoria, ACT and NT are covered by this legislation as are constitutional corporations in other states. Many CLCs in WA, SA, QLD, TAS and NSW are not constitutional corporations but for some centres this is not clear.

Community legal centres are therefore advised not to make pay roll deductions for union fees. This does not prevent staff from setting up arrangements for electronic funds transfers or paying their fees from Fringe Benefits or making their own arrangements with their unions. Also a number of unions are suggesting people do direct debits from their own accounts in preference to employer deductions.

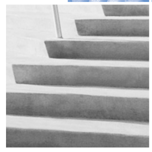
Recording and Monitoring Employee Entitlements

The payroll system accrues employees' entitlements such as annual leave, long service leave and sick leave, etc. Leave taken is entered into the payroll system from timesheets and leave forms. A leave form should be completed and approved for any leave taken. The approved leave application forms should then be given to the Financial Administrator for staff records.

As annual and long service leave balances change regularly, each month's financial reports should show these adjustments.

The Financial Administrator should monitor entitlements for all employees, and report to the Coordinator/ Executive Officer any excessive accumulations of annual or flex leave.

Further information required on payroll and taxation can be obtained from Australia Wide Taxation and Payroll Training. This company holds seminars each year and updated manuals can be purchased annually. Other valuable sources of information include the Centre's external auditor, Financial Administrators from other Centres, and the ATO.



Accrual Accounting

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9. Accrual Accounting

Definition

Accounting is how an organisation 'accounts' for its financial operations and performance. There are two systems of accounting — cash and accrual. The two systems are based on different doctrines and principles.

Accrual accounting simply means matching the income for the accounting period with the expenses that relate to the same period. In this method of keeping accounts, revenue and expenses are recorded in the period in which they are incurred, even though they may not have been paid or received.

This method contrasts with cash accounting, which only records the actual cash receipts and payments in the period and only reports cash transactions. It does not take into account any business deals involving credit purchase of goods or services or sales made on credit to customers. Accrual accounting takes all transactions into account and provides a more accurate picture of the current situation for the organisation.

Some expenses (e.g. insurance) may cover beyond the accounting period. Other expenses (e.g. telephone and electricity) may be owing but not yet paid at the end of the period. Rent may have been paid for the following month. Interest may be owed on investments. For these transactions it is important that adjustments are made so that the income and expenditure align precisely with the accounting period, be they annual, quarterly or monthly reports.

Matching income and expenses with the accounting period results in adjustments that are called end-of-period adjustments (or balance-day adjustments). They are internal adjustments and are therefore processed into the accounts of the organisation through the general journal.

Accrued Expenses

An accrued expense is the acknowledgement of a future payment. The expense accrual is a balance sheet item shown as a liability called 'Accrued Expenses', expenses which are incurred in the current year, but may not be paid until the following year.

End-of-period adjustment:

- On the Income & Expenditure report ________ the expense is increased
- On the Balance sheet: ________ current liability is increased

Balance sheet A report outlining the assets, liabilities and equity (net worth) of an agency as a whole, at a specified date. Also known as statement of financial position.

Prepaid Expenses

A payment made in the current accounting period that extends benefit into the next accounting period, (e.g. insurance) is a prepaid expense. The amount of the prepayment is of value to the organisation because it will not have to make a further payment until that benefit has been consumed in the future. This prepayment is of value in the current accounting period. It is shown on the balance sheet as a current asset and sits in the account 'Prepaid Expenses'.

Cash-basis as well as accrual-basis taxpayers usually are required to capitalise prepayments for rent and insurance, etc. that cover more than one year. Deductions are taken for the period during which the benefits are received.

End-of-period adjustment:

- On the Income & Expenditure report _______ the expense is decreased
- On the Balance sheet: _______ current asset is increased

Accrued Income

Income accrued is a recognition that a future receipt of income, (e.g. grant income not yet received) is of value to the organisation. The income accrued is shown on the balance sheet as a current asset and in shown in the account 'Accrued Income'.

This process enables the organisation to plan for future expenditures.

End-of-period adjustment:

- On the Income & Expenditure report _______ the income is increased
- On the Balance sheet _______ current asset is increased

Income in Advance

Income in advance often happens in community legal centres as the grant funds for the next accounting period are received in the previous accounting period.

The amount of income in the current period needs to be reduced to exclude the amount of income that relates to the next accounting period. The income account is debited with the amount and the credit is allocated where it can be carried forward to the next accounting period as a liability 'Income in Advance'.

The organisation needs to take care that project funds received over two financial years have the amount of income for the current financial year reflected for the period and projected expenditure money is kept aside for the next accounting year.

End-of-period adjustment:

- On the Income & Expenditure report _______ income is decreased
- On the Balance sheet _______ the current liability is increased

Reversals of End-of-period Adjustments

Reversals are required, as in the next accounting period the unpaid expense may have been paid, or income may have been received, and the prepaid expense will have been consumed further, or income in advance will have actually been earned.

The reversals are entered on the first day of the next accounting period. Reversing them completely makes the audit trail neat. Some Financial Administrators leave the adjustments until the end of the next accounting period and then review the needs of these accounts and adjust accordingly. It is good practice to start fresh each time and create a working paper reflecting the necessary journals.

At the end of the accounting period the Financial Administrator should check before making end-of-period adjustments that the accrual and prepayment accounts have been cleared to nil.

When reporting, the Financial Administrator needs to ensure that:

- all outstanding liabilities such as rent, phone, electricity and any unpaid accounts have been included as expenses for the period;
- any money owing to the organisation has been included as income for the period;
- any payments for expenses that have been paid in advance for the year (e.g. insurance) have been adjusted so that only the portion relating to the reporting period is included; and
- any income received in advance has also been adjusted, so that only the portion relating to the reporting period is included.

Careful planning should be undertaken by the Finance Administrators and overseen by the Centre Coordinator/Executive Officer and Treasurer. Notes of the process should be kept for future reference.

Standing Journals

Standing journals are journals that are repeated each month, usually with the same accounts being debited or credited; frequently the same amounts are used over several months. Standing journals are processed in the same way as general journals, because that is what they really are.

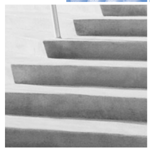
A Centre may incur a large expense for a full year's goods or services (e.g. insurance). If the full amount of the expense were to be debited from the relevant account when it was paid, the monthly accounts would show a distortion. In order to avoid this distortion, the expense is allocated from the adjustment account on a monthly basis to the appropriate expense account.

The same principle may be applied to large income items, such as grant income.

At the end of the accounting period, there are no end-of-period adjustments for the accounts handled in this way. The balance on the adjustment account should be the amount carried forward as a current asset or current liability to the next accounting period.

There are no end-of-period adjustments and no reversals at the commencement of the next accounting period for entries made in this way.

SECTION 10



Provisions

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10. Provisions

Definition

A provision is an amount expensed in the current accounting period, which is matched against the income for that year. The provision is set aside until the actual event or expenditure occurs at a future date; when it does occur, the expenditure can then be offset against that provision and so does not affect the operating figures for that accounting period.

Some examples of provisions include:

- annual leave;
- long service leave; and
- parental leave.

Adjustments

The provision for leave entitlements is constantly adjusted as leave is accrued and taken each pay period, or at the least manually adjusted when preparing monthly or quarterly financial statements. The payroll system should automatically accrue for these leave entitlements. A printed report can be used to support the adjusting journals.

Confusion may arise with these adjustments, as sometimes the expenditure report will show a negative expense item for annual leave or long service leave accrual. This simply means that the amount the organisation owes for these leave types has reduced since the beginning of the accounting period.

Provisions for redundancies should be avoided if possible, unless there is a valid reason that can be argued to show the need for such a provision (such as proposed changes to a Centre's funding level, which may result in downsizing). If it appears to be required, it may be best to seek the advice of the Centre's external auditor on how best to deal with the provision.

A reconciliation work paper should always be maintained, showing the provision accounts, what makes up each account's total, and the justification for the projects provided for.

Provisions must be made clear to the Management Committee so that they are fully aware of any surplus funds available for projects and capital upgrades etc.

Carry Over of Funds

Provisions in accounting are very different from carry over funds. It is important to understand 'carry over of funds' clauses from the CLSP Service Agreement 1 October 2005 to 30 June 2008.

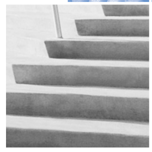
Carry over of funds

6.1 The Organisation may only carry over and use Funds from one Financial Year to another in accordance with subclauses 6.2, 6.3, 6.4 and 7.3.

6.2 **Surplus** – any unspent Funds at the conclusion of a Financial Year must be clearly identified by Funding Category in the Organisation's financial Reports.

6.3 **Allowable Surplus** — at the end of any Financial Year, an amount of up to 10% of Schedule 1 funds in relation to a Funding Category may be carried over from the Surplus to the next Financial Year. If carried over, the Allowable Surplus must be clearly identified in the following Financial Year's financial Reports.

6.4 **Future Contingency Amount** — for the duration of the Service Period, an amount up to 5% of Schedule 1 funds may be carried over from the Surplus and retained for future, exceptional or unforeseen circumstances. This amount and any expenditure against this amount must be identified in the Organisation's Audited Financial Statements.



Reconciliations

Contents

11. Reconciliations

Reconciliation Work Papers

It is important to perform reconciliations on all balance sheet figures. Reconciliation work papers should form part of the financial records attached to the financial statements for the accounting period, and be available for review by Management.

Accounts Payable

When reconciling accounts payable, it depends on whether an accounts payable (purchases) system is used. If payments are entered directly to the cashbook area, a listing of accounts payable will not be available. Therefore, a manual listing will be required to balance to the accounts payable figure in the balance sheet.

If the purchases area of the accounting system is used to record purchases and payments, a printout of the accounts payable 'summary report' can be used to balance with the accounts payable figure in the balance sheet.

Accounts Receivable

As for accounts payable, accounts receivable information will either be a manual list or a listing from the accounts receivable (sales) area of the accounting system, which will reconcile with the 'accounts receivable' figure in the balance sheet.

Assets

A print out of the asset register should show the total value of all assets, the accumulated depreciation, the current accounting period depreciation, and the written down value of the asset groups.

These totals should balance with the figures shown on the balance sheet for assets.

Bank Accounts

Each bank account should be reconciled as at the end of the accounting period (usually monthly). The reconciliation reports should balance to the bank account balances on the balance sheet. These reports should be attached to the relevant bank statement and filed together in a folder. This folder should be made available at Management meetings and given to the external auditor at year-end.

Accruals

A work paper should be prepared showing the compilation of each item of accrued expenditure or income. The totals should balance to the amount on the balance sheet for accrued income and accrued expenditure.

Prepayments

A work paper should be prepared showing the compilation of each item of prepaid expenditure or income. The totals should balance to the amount on the balance sheet for prepaid income and prepaid expenditure.

Payroll Clearing

The payroll clearing account should be clear unless the payroll has been processed in the accounts, but not actually paid as yet. If this is the case then the balance in the account should equal the amount of the unpaid payroll.

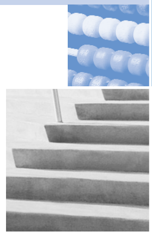
Sometimes a pay can be returned from the bank as a result of incorrect account information for an employee. This amount would then sit in the clearing account until processed again.

Deductions Clearing Accounts

Accounts such as Superannuation Payable should have a work paper showing the make up of the figure and the period to which relates. These accounts should also be cleared, with the only figure showing being the one awaiting payment in the next accounting period.

Leave Entitlements

Provision for leave entitlements figures should be supported by a payroll report that shows the balance of leave owing in total for annual leave, long service leave and sick leave etc. The totals must balance with the totals on the balance sheet.



Taxation

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12. Taxation

Australian Business Number (ABN)

The ABN is a single identifier for use in business dealings with the ATO and future dealings with other government agencies. It was introduced to simplify the way organisations deal with government.

The ABN forms an essential part of the 'New Tax System'. For example, an organisation must quote its ABN each time it remits GST to the ATO.

The ABN is a single identifier that non-profit organisations use to:

- register for GST and claim GST credits;
- register for PAYG withholding;
- deal with investment bodies;
- apply to the ATO for endorsement as a Deductible Gift Recipient or a tax concession charity;
- interact with other government departments, agencies and authorities; and
- interact with the ATO on other taxes, such as fringe benefits tax.

Your organisation's ABN registration details become part of the Australian Business Register (ABR), which is maintained for all Commonwealth purposes. The publicly available information on this register allows people to find out whether the entities they are dealing with have an ABN, are registered for GST, are endorsed as Deductible Gift Recipients and what charity tax concessions they are endorsed to access.

For more information about Australian Business Number (ABN) please visit www.ato.gov.au

Fringe Benefits Tax (FBT)

FBT is a tax payable by employers on the value of certain fringe benefits that have been provided to their employees or associates of those employees. Concessions apply to certain non-profit organisations. A fringe benefit is usually a non-cash remuneration, for example the use of a car or provision of accommodation. To attract liability to tax, it must be provided in an employment context.

The Fringe Benefits tax year is the 12 months beginning 1 April and ending 31 March.

Fringe benefits may be rights, privileges or services. For example, a fringe benefit is generally provided when an employer:

- allows an employee to use a work car for private purposes;
- gives an employee a cheap loan; or
- pays an employee's private health insurance costs.

Some employers, including charities, will need to distinguish between employees and volunteers. For the purposes of FBT, an employee is a person who receives (or is entitled to receive) salary or wages, or a benefit that has been provided in respect of their employment. A volunteer is not paid for work. Reimbursing a volunteer for out-of-pocket expenses does not cause them to become an employee.

Common fringe benefits

One of the most common fringe benefits is a car, which generally becomes a fringe benefit when it is owned or leased by an employer and made available for the private use of an employee. If the employer's car is garaged at an employee's house, it is treated as having been made available for private use.

Apart from cars, the most common fringe benefits are:

- expense payments;
- loans;
- meals/entertainment; and
- housing.

Common exempt benefits

A number of benefits are exempt from FBT, for example:

- laptop computers (one per FBT year per employee);
- mobile phones primarily used in employment;
- most minor benefits valued at less than $100;
- some taxi travel; and
- in-house health care facilities.

The rate of tax may vary from year to year. The ATO provides advice to employers each year as to the current rate of tax. Employers must assess their own liability for FBT annually. A return covering the FBT year, which begins on 1 April and ends on 31 March, should be lodged by 21 May each year.

Public Benevolent Institutions (PBIs)

PBIs that are employers may be liable for FBT. PBIs are entitled to an exemption from fringe benefits tax, subject to capping regimes. The capping threshold of $30,000 (grossed-up value) is placed on the amount of FBT-free benefits that may be provided to each employee. Grossing-up reflects the gross salary that would have to be earned at the highest marginal tax rate, including Medicare levy, to purchase the benefit from after-tax dollars.

Where the benefit provider is entitled to a GST credit in respect of the provision of a fringe benefit, use the higher gross-up rate of 2.0647. If the benefit provider is not entitled to GST credits, gross-up the benefits using the lower rate of 1.8692.

Always use the lower gross-up rate for reporting on employees' payment summaries.

Reportable fringe benefits

You must keep records that show the taxable value of certain fringe benefits provided to your organisation's employees, regardless of your organisation type.

If the total taxable value of reportable fringe benefits provided to your employee in an FBT year (1 April to 31 March) is more than $1,000, you must record the grossed-up taxable value of those benefits on your employee's payment summary for the corresponding income year (1 July to 30 June).

Some benefits that are exempt from FBT may still need to be reported on payment summaries. You must allocate to employees the notional taxable value of benefits that are exempt only because they are provided:

- to employees of public benevolent institutions;
- to employees of health promotion charities;
- by employers to employees connected with certain hospitals;
- by employers to employees connected with public ambulance services; or
- to live-in carers of elderly or disadvantaged people employed by religious institutions, non-profit companies and government bodies.

These benefits are known as quasi-reportable fringe benefits. By including the notional taxable value of these exempt benefits in the reportable fringe benefits amount, these employers will have to calculate the taxable values of the benefits provided. While these employers are required to report these amounts on payment summaries where they exceed $1,000, the benefits will continue to be exempt from FBT.

The reportable fringe benefits amount shown on the payment summary is not included in the employee's assessable income. It is, however, included in a number of income tests relating to the following government benefits and obligations:

- Medicare levy surcharge;
- deduction for personal superannuation contributions;
- government superannuation co-contribution;
- tax offset for eligible spouse superannuation contributions;
- superannuation contributions and termination payments surcharge;
- higher education scheme (HECS) repayments and higher education loan program (HELP) repayments;
- child support obligations; and
- entitlement to certain income-tested government benefits.

For further information on FBT and salary sacrificing, refer to the section in this document entitled 'Salary Sacrificing', and also the ATO.

Goods and Services Tax (GST)

The GST is a broad-based tax of 10% on the sale of most goods, services and other things in Australia. GST is charged at each step in the supply chain, with registered businesses including GST in the price of goods and services they sell. These are called 'taxable supplies'.

There are other types of sales where GST is not included in the price. These are either 'input taxed' sales or 'GST-free' sales.

A number of activities fall outside the GST base and therefore will not incur a GST. Those activities include:

- the payment of employee wages;
- private recreational pursuits and hobbies; and
- most fees and taxes levied by all levels of government.

Non-profit bodies must register for GST if their annual turnover is $100,000 or more. Registration is optional if their annual turnover is lower. However, no organisation is exempt from GST as it is a transactional-based tax.

GST registered organisations can claim credits for the GST included in the price of goods and services they buy.

Organisations that are not registered for GST cannot charge GST on their supplies, nor can they claim a refund on any of their input tax credits.

If goods or services are purchased only partly for use by the organisation, the GST credits must be apportioned.

GST obligations are accounted for on the activity statement at the end of each tax period. As 'small businesses', Community legal centres normally have quarterly tax periods (turnover less than $20 million). Centres may choose to have monthly tax periods.

The GST legislation contains several concessional measures that are available to charities, including:

- a registration turnover threshold of $100,000;
- GST-free status on non-commercial activities, i.e. those sold for less than 50% of the GST-inclusive market value of the item, or less than 75% of the cost of supply (such as Community Legal Education seminars in most Centres);
- GST-free status on supplies of donated second-hand goods;
- GST-free status on raffles and bingo;
- the ability to use the cash basis of accounting, regardless of annual turnover;
- enabling charities to lodge GST returns quarterly, regardless of the date on which they balance their accounts;
- enabling charities to claim input tax credits when reimbursing volunteers for expenses those volunteers incur in connection with their activities for the charity;

- giving charities (and certain non-profit entities) greater flexibility with regard to their structure for GST purposes, creating significant compliance savings. That is, they may treat separately identifiable units of their organisations as separate entities (non-profit sub entities) for GST purposes; and
- providing charities with the choice to treat certain fundraising events as input taxed.

Charities below the registration turnover threshold of $100,000 may still choose to register for GST to claim input tax credits on both their commercial and non-commercial activities.

GST on Income

When a grant is paid to an organisation on the understanding that funds are to be used in a certain way, or where there are conditions attached to the payment, the grant will be taxable if the organisation is registered for GST. Where GST is payable on the grant, the organisation, as the registered grantee, will be required to remit to the ATO one eleventh of the grant.

If there is no obligation tied to the grant and no other supply is to be provided by the organisation in return for receiving the grant, the grant will not be subject to GST.

Funders include the GST in the grant payments made to Centres. The GST on this income is offset by the GST paid on purchases for the period.

GST Tax Invoices

You must have a tax invoice to claim a credit for the GST included in the price of any goods and services you purchase that cost more than $50 (excluding GST). In most cases the business selling the goods or services issues the tax invoice. In some special cases invoices may be issued by the business buying the goods and services (most funders supply the invoice for the grant income).

If you sell goods and services that include GST and a customer asks you for a tax invoice, you have to give them one within 28 days after the request.

Accounting on a cash basis

Organisations that account for GST use either a cash or non-cash (accruals) method. Organisations with an annual turnover of $1 million or less can choose to account for GST on a cash basis.

However, a charitable institution, charitable fund, gift deductible entity or government school may continue to account on a cash basis even if its annual turnover is more than $1 million.

Reimbursement of volunteer expenses

Where a charitable institution, charitable fund, gift deductible entity or government school reimburses an individual person for an expense they have incurred that is directly related to their activities as a volunteer of that charity, gift deductible entity or government school, the organisation can claim a GST credit for the GST included in the price of the thing purchased if the organisation is registered for GST.

A payment is a reimbursement where the recipient is compensated exactly (meaning precisely, as opposed to approximately), whether wholly or partly, for an expense already incurred, although not necessarily disbursed.

To enable the charity, gift deductible entity or government school to claim the GST credit, the volunteer must provide the organisation with the tax invoice relating to the purchase they have made.

Business Activity Statement (BAS)

Organisations use a single form, called a Business Activity Statement to report on and pay their PAYG, FBT instalments, GST and related tax obligations. The ATO will send the organisation the appropriate business activity form before it is required to be lodged. The statement will generally only show the obligations that relate to your organisation and needs to be lodged quarterly. It is due 28 days after the end of the accounting period. (Businesses with turnover exceeding $20 million must lodge their BAS monthly.)

The Finance Administrator will have the responsibility to ensure that BAS statements of the organisation are lodged with the ATO on time and as per the schedule.

Ensure a copy of the BAS is kept along with the following supporting documentation:

- GST reports showing all figures relating to the BAS;
- GST exception report showing no entries (as each item should have been entered with a GST code); and
- payroll PAYG summary report.

For further information on GST, contact the ATO or the Centre's external auditor.

Pay-As-You-Go (PAYG) Withholding System

The PAYG Withholding System is used to collect an individual's income tax, Medicare levy and HELP debt. PAYG instalments are deducted from payments individuals receive.

An organisation must register with the ATO before withholding tax from payments to employees.

The amount to be withheld from an employee's pay depends on the amount they are paid and the information the employee has provided in a tax file number (TFN) declaration. The ATO publishes tax tables that list the amounts to withhold from weekly, fortnightly and monthly pays.

For small businesses, including Legal Centres, the withholding amounts of tax are reported on and paid to the ATO as part of the BAS.

The organisation is also required to provide each employee with an annual payment summary of the amount withheld from them during the year, and to provide an annual report to the ATO on withheld amounts.

Charities and other non-profit organisations must comply with the PAYG withholding arrangements for specified payments, including:

- voluntary agreements with contractors;
- no ABN withholding; and
- labour hire arrangements.

For community legal centres, payments that require withholding include:

- payments to employees, directors and office holders;
- payments to individual contractors under a voluntary agreement;
- payments to individuals under labour hire arrangements; and
- eligible termination payments (ETPs).

Each payee, other than those paid under a voluntary agreement, will need to complete a TFN declaration. This needs to be forwarded to the ATO within 14 days of commencement of employment.

If the payee does not quote their TFN on the declaration, the organisation must complete as much of the form as possible and withhold amounts from all payments at a rate of 48.5%.

A payee may indicate whether they are claiming the tax-free threshold, if they have HELP debts, or if they are claiming family tax benefits.

The Finance Administrator should visit the ATO website at www.ato.gov.au and ensure that they are familiar with the information on PAYG.

Payment Summaries (formerly 'Group Certificates')

Payment Summaries show the total payments made and amounts withheld for each payee during the financial year ending 30 June. Generally these must be issued by the organisation to each employee by 14 July.

The appropriate Payment Summary must be completed for the types of payments made. The different types of payment summaries include:

- individual non-business for payments to employees, company directors and office holders;
- labour hire and other specified payments for payments under labour hire arrangements;
- voluntary agreements;
- ETP payment summary for eligible termination payments; and
- personal services attributed income.

Annual reporting

The organisation must provide a report to the ATO for each financial year ending 30 June containing all withholding payments made, and amounts withheld for all payees. This report is due by 14 August. A paper form can be lodged with the original payment summaries.

Alternatively, the report can be lodged electronically by completing a summary statement and sending a disk with the payroll data to the ATO. Depending on the organisation's accounting software, the ATO should be contacted for instructions.

No ABN Withholding

When a supplier does not have an ABN:

- If the price includes GST, the organisation cannot claim the GST input tax credit for that supply.
- If the total payment for the goods or services is more than $50 excluding any GST, the organisation must withhold 48.5% of the payment and pay to the ATO.
- When paying the remaining 51.5%, the supplier must be given an original and a copy of a payment summary.
- The organisation must keep a copy of the payment summary, to assist in preparation of the *Annual Report for PAYG Withholding When No ABN is Quoted*'.
- The organisation must keep records of transactions in which 48.5 % was withheld. These should be kept separate from other payment records, as the organisation cannot claim any GST input tax credits for these payments if GST was included in the price.
- The organisation must pay the ATO the amount withheld; payment is sent with the BAS payments.

The organisation must complete an Annual Report for PAYG Withholding when amounts have been withheld from 'No ABN' suppliers. This report must be received by the ATO by 31 October.

Voluntary agreements

A Centre and an individual contract worker who has an ABN can make a voluntary agreement to bring the worker into the PAYG withholding system if the work payments are not subject to any other PAYG withholding and the payment is in whole or part for the performance of work or services.

If the Centre and the worker make a voluntary agreement, the Centre can withhold amounts from payments it makes to the worker and send these amounts to the ATO, to assist the worker to meet their annual income tax liability.

For a voluntary agreement to be valid, it must contain certain information required by the ATO. It is recommended that the ATO's 'PAYG Voluntary Agreement' form be used to ensure all information is included. The organisation and the worker must keep copies of the agreement for a minimum five years after the agreement has ended.

Labour hire arrangements

Labour hire arrangements commonly involve at least two contracts. An organisation contracts with the labour hire firm to supply specified labour. The labour hire firm does not contract to perform the work; it instead contracts to provide labour to work under the direction of the organisation. The labour hire firm then contracts with the worker and pays the worker. There is no contract between the worker and the organisation.

The labour hire firm must withhold PAYG amounts from the payments it makes to its workers for performing services for the organisation under the labour hire arrangement. There is no requirement for the organisation to withhold from the payment to the labour hire firm (unless no ABN was quoted).

Volunteers

Non-profit organisations often depend upon volunteers to provide and maintain services. The following points address some potential tax issues surrounding volunteers:

- Volunteers will not be treated the same as an employee for tax purposes. An employee is a person who receives, or is entitled to receive, salary or wages, or a benefit which has been provided in respect of employment.
- Non-profit organisations are only liable to pay FBT on benefits provided to employees or associates of employees in respect of employment.
- Any reimbursements made to volunteers for expenses incurred while carrying out activities for the organisation will not be assessable for the volunteer if it does not more than reimburse the cost;
- If volunteers make donations of cash or certain types of property these can be tax deductible. There is no deduction for a gift of a service, as no money or property is transferred to the recipient.
- If a volunteer incurs expenses while carrying out the organisation's activities and is reimbursed by the organisation, the organisation can claim an input tax credit for the GST included.

For further information on PAYG, contact the ATO or the Centre's external auditor.

Sample of Salary Packaging Policy

Flexible Remuneration Package (Salary Packaging Scheme)

____________________ is an approved public benevolent institution for income tax, fringe benefits tax. Accordingly, benefits provided to employees will be exempt to the 'grossed-up' threshold of $30,000 from fringe benefits tax under section 57A of the *Fringe Benefits Tax Assessment Act* (FBTAA).

Fringe benefits include any payments to employees other than salary and wages and cash allowances (the definition of benefits is defined under section 136(1) of the FBTAA). The payments provided as a benefit subject to the FBTAA may be in the form of either:

a) reimbursements to the employee. In this case the employer directly reimburses an employee for expenses he /she incurred. This may be for any expenditure whether work related or private, such as car expenses (except reimbursement on cents per kilometre basis), telephone bill, insurance and rates; or

b) payments to a third party on behalf of the employee. In this case the employer pays the provider of the bill on behalf of the employee — e.g. Telstra, the Council, insurance company, electricity company, loans, etc.

Who is Eligible?

All permanent paid employees, part time or full time, are eligible to join the salary packaging scheme.

Joining the Scheme

It is up to each employee to decide whether they wish to participate. Joining is voluntary. To join the scheme, complete the attached *Request to Join Salary Packaging* form and return it to the Finance Officer.

What is Available?

____________________ policy is to allow salary packaging of benefits up to $15,450 (including GST) per fringe benefits year (from 1 April to 31 March). This is regardless of whether the benefits are subject to GST or not. This dollar threshold does not include salary sacrifice of superannuation, laptop computers or other items exempt from fringe benefits.

The particular items, which each employee would like salary packaged must be listed on the *Request to Join Salary Packaging* form.

Fringe benefits will only be offered to employees as long as …………… retains its FBT exemption. If the Tax Office withdraws FBT exemption, all employees' salaries will revert to regular salary wages paid directly to the employee.

Fringe Benefits, GST and Grossing Up

The dollar limit for salary packaging is to ensure that ________________ does not have to pay any fringe benefits tax. Each person is allowed by the Tax Office to have up to $30,000 'grossed up' per year in fringe benefits before ________________ becomes liable for Fringe Benefits Tax. The grossed-up figure is shown on each employee's annual Payment Summary (formerly called a 'Group Certificate'). Please note that for the payment summary the grossed up factor adopted for all reportable fringe benefits is 1.8692 (ATO requirement).

However the 'grossed-up' factor for the actual calculation of FBT is based on the following:

a) For items that do not include GST, such as mortgages and rent, the grossed-up amount is 1.8692 times the amount paid as a benefit.

b) For items that do include GST the grossed up amount is 2.0647 times the amount paid as a benefit. This is the rate that will be used by .... for credit card payments (with the exception of cash advances), unless the relevant tax invoices are supplied proving that no GST was included. Where tax invoices are supplied, enabling .... to claim the input tax credit, the GST reclaimed will be paid back to the employee on a quarterly basis through the payroll system. If the entire credit card payment is provided as a benefit then it may be deemed to be a loan benefit, which would attract the 'gross up' factor of 1.8692.

Some government departments use the grossed-up figure (otherwise known as reportable fringe benefits) in determining payments and liabilities, including HELP repayments, Family Benefits and Superannuation Surcharge. All employees are urged to seek their own independent financial advice as to how salary packaging will affect them personally ________________ is unable to give taxation advice.

Limits to Salary Sacrifice

Fringe benefits tax-exempt items such as superannuation and lap top computers are not included in the items used in calculating the 'grossed-up' figures; however ________________ will not pay more than 30% of an employee's gross salary as fringe benefit tax exempt items.

Superannuation

Superannuation will be calculated at the relevant rate of each employee's total gross salary whether it is paid as cash wages (less tax) or as some combination of cash wages (less tax) and benefit so no entitlement is lost.

WorkCover

Because ________________ pays WorkCover on the full package, employees who are paid WorkCover will receive payment based on their packaged salary amount.

Termination Payments

Payments made on termination of employment (i.e. unused annual leave and long service leave) may not be salary packaged.

Further Information

Employees should check with their independent professional financial adviser to see how salary packaging affects them personally ________________ are not able to give taxation advice or financial planning advice. Everyone is recommended to seek their own independent professional advice as to how salary packaging will affect them individually.

Termination of Scheme

Should the Australian Taxation Office make a determination that affects either the benevolent status of ________________ , the current rulings regarding the FBT Assessment Act 1986, the Taxation Ruling IT2345 or any other matter that alters the responsibilities of or costs to the service, the scheme will cease and the employee's normal salary will become immediately payable less the appropriate tax.

Withdrawal from the Scheme

Any employee may resign from the scheme subject to one week's notice in writing.

Changes to Payments

Changes to the allocation of the flexible remuneration arrangements will require at least one week's written notice to the Finance Officer.

Accruals

All accrued fringe benefits packaged MUST be paid out at 31 March each year, which is the close of the financial year; otherwise excess funds will be processed through the payroll as normal salaries subject to PAYG tax.

Confidentiality

Each employee's arrangements will be confidential.

Records

Records will be kept of fortnightly payments made. Payments will continue until written advice by employee one week prior to the pay day.

Method of Payment

Payments will only be made when ________________ has received adequate documentary substantiation such as a tax invoice, credit card statement, or mortgage agreement. Employees' core salary will be paid on a fortnightly basis with the fringe benefit component paid to third parties fortnightly (subject to substantiation).

________________ is able to either:

a) pay a creditor electronically into any Australian bank account with a BSB number; or

b) make out a cheque to the creditor which will be given to the employee, at which point it becomes the employee's responsibility to make the payment; or

c) reimburse an employee electronically for a payment that the employee has made.

Range Of Benefits

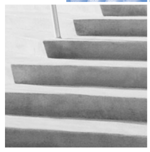
The benefit is offered on a salary sacrifice basis, i.e. the benefit will be paid as an alternative to cash salary and is intended to cover private expenses incurred by employees.

The range of benefits includes:

- Mortgage or rent payments.
- Health insurance.
- Hire purchase / personal debt repayments (including car loan, credit card, etc.).
- Telephone, electricity, gas.
- Car running expenses, such as registration and insurance.
- Certain other benefits, e.g. child care.

The range of benefits will be subject to review depending on the needs of employees, and administration requirements.

SECTION 13



Asset Management

Contents

13. Asset Management

Asset Register

An asset register is a collection of details of all non-current assets. ('register', in accounting, is a formal or official recording of items within a book or register, e.g. a Fixed Asset Register or Invoice Register). For each non-current asset the financial details shown in the register should include:

- the cost;
- accumulated depreciation;
- the depreciation for each financial period; and
- the written down value of the asset.

The totals should correspond with the figures shown in the balance sheet.

The Finance Administrator should provide regular monthly reports to the Management Committee with information on the asset register.

For each asset, the asset register should list details such as serial numbers, model numbers, colour and date of purchase, etc. It is also recommended that each asset be labelled and have the corresponding item number listed against the asset in the register for ease of location of assets. It is important that the Fixed Asset Register needs to contain information regarding the funding of asset (whether funder money was used).

A copy of the invoices for purchase of each asset should be filed with the asset register for proof of value and ownership of the asset.

As per the CLSP Service Agreement 1 October 2005 – 30 June 2008, Schedule 5 states that Centres must:

g) maintain an Assets Register and provide access to it to the State program manager on request;

h) manage and depreciate Assets according Australian Accounting Standards;

i) retain an amount of Funds, equal to the annual amount of depreciation claimed, to be used for the future replacement of Assets; and

j) when a depreciable Asset is disposed of, ensure that any proceeds from the disposal in excess of the un-depreciated value of the Asset are accounted for as Service Generated Income.

Depreciation

'Depreciation' is the amount of expense charged against costs by a Centre to write off the equipment over its useful life, giving consideration to wear and tear, obsolescence, and salvage value.

If the expense is assumed to be incurred in equal amounts in each business period over the life of the asset, the depreciation method used is straight line (SL). If the expense is assumed to be incurred in decreasing amounts in each business period over the life of the asset, the method used is said to be accelerated. (See below for further information.)

Depreciation is often referred to as 'amortisation'. While the terms have the same meaning, 'depreciation' is generally used in relation to non-current assets that have physical substance (e.g. a computer, desk, etc) while amortisation is generally used in relation to intangible non-current assets.

The Australian Accounting Standard (AAS) requires non-current assets that have limited useful lives (depreciable assets) to be depreciated over those useful lives and specifies the manner in which this is to be done. The AAS also requires disclosure of specified information about depreciable assets and the allocation of the depreciable amount.

With the general exception of land, the useful life of non-current assets is limited. Their service potential declines over time and is eventually consumed or lost. The decline in service potential of the non-current asset is caused by:

- wear and tear as it is used;
- technical obsolescence, as the asset becomes out of date and comparatively inefficient; and
- commercial obsolescence, as it becomes redundant through falls in the market demand for the product or service produced by the asset.

The depreciation expense is dependent on:

- the assessment basis for the useful life — namely time, output or revenue;
- the method adopted for depreciation calculation; and
- the estimate of the amount recoverable when the non-current asset is disposed of.

Time is the most commonly used basis for the calculation of an asset's useful life.

Methods

As mentioned above, the two methods of depreciation are:

Straight Line Depreciation

Straight Line Depreciation, also known as Prime Cost or Fixed Instalment, writes off as an expense a constant amount over the useful life of the asset.

Reducing Balance Depreciation

Reducing Balance Depreciation uses the balance of the non-current asset account less the accumulated depreciation account to give a written-down value of the non-current asset. The written down value at the beginning of the financial period is used to calculate the depreciation for the current year.

Either method can be used. The Centre's external auditor will advise as to the method that should be used. Whichever method is selected, it is essential that it be applied consistently, from reporting period to reporting period.

Depreciation Schedule

This is the statement, over time, as to the schedule (timing and amounts) of depreciation of any long-term asset. A depreciation schedule is used for any type of depreciation applicable, i.e., either straight line or accelerated depreciation.

Retirement or disposal of depreciable assets

When a depreciable asset is retired or disposed of, the difference between its accumulated depreciation and its cost, in the financial report, less any net amount recovered on disposal, shall be recognised in the profit and loss or other operating statement at that time.

Any asset purchased under $1,000 is usually fully written off in the same financial year.

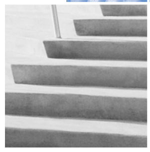
As per the CLSP Service Agreement 1 October 2005 – 30 June 2008:

The Organisation must not, without prior written approval of the State Program Manager:

d) sell, transfer or write off any Asset after receiving a notice of termination under clause 24.

For further information on treatment of assets and depreciation, contact the Centre's external auditor.

SECTION 14



Motor Vehicle Expenses

Contents

14. Motor Vehicle Expenses

Centre-owned Vehicles

Centres can claim deductions for actual expenditure on vehicles owned or leased by the Centre. Records must be kept for expenditure on such things as registration, insurance, repairs, fuel, oil, interest and lease fees.

A car fringe benefit may arise when a car owned or leased by an employer is made available for the private use of an employee. A car is taken to be made available for private use by an employee on any day when it is actually used for private purposes by the employee or associate, or when the car is not at the employer's premises and the employee is allowed to use it for private purposes.

The value of the car fringe benefit needs to be included with any salary packaging fringe benefits for the purpose of reporting FBT, and for calculating whether the Centre has remained under the $30,000 grossed-up cap.

The Centre may need to keep the following motor vehicle records:

- receipts, invoices or similar documents for vehicle expenses;
- a log book for a continuous period of at least 12 weeks;
- a record of total kilometres travelled during the log book period, based on odometer readings;
- odometer readings at the start and end of each income year this method is used; and
- a log book of 'business kilometres travelled'.

Employees' Private Vehicles

Employees using their own motor vehicle for work purposes may claim for expenses. To claim expenses, employees will be required to calculate and substantiate their claim.

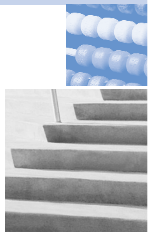
One of four methods may be used for calculating vehicle expense claims:

1. cents-per-kilometre method;
2. percent of original value method;
3. one-third of actual expenses method; or
4. log book method.

The most commonly adopted method in community legal centres is the 'cents-per-kilometre' method. The SACS Award specifies a standard per-kilometre rate. However, the ATO sets a standard per-kilometre rate per engine size. If this rate exceeds the SACS Award rate, the employee should claim the balance in their annual tax return.

To assist the employee with this claim on their tax return, the Financial Administrator should issue a letter to the employee at year-end, stating the total kilometres claimed for the year, and the rate paid.

For further information on motor vehicle expenses and issues surrounding motor vehicles leased or owned by the Centre, contact the Centre's external auditor.



Management Committees

Contents

15. Management Committees

Role of the Management Committee

When you join a Board or Management Committee you accept the obligation to look after your organisation's finances. In some cases, a Board or Management Committee's financial responsibilities may be quite extensive (e.g. a Board/Management Committee that is responsible for overseeing a large organisation with debts, income and staff, etc.). In other cases (say, for a small community group Board/Management Committee that does not perform many or any financial transactions) these responsibilities might be simple or non-existent.

Any Board/Management Committee that oversees a budget, no matter how small, needs to have a good understanding of its financial duties and take them very seriously.

The Board/Management Committee is expected to be capable of understanding the affairs of the organisation or facilities it is governing well enough to reach a well-informed opinion of its financial capacity. In addition, it must be sufficiently up-to-date with the organisation's dealings to allow it to respond properly to the organisation's changing financial capacity. Naturally, this requires some familiarity with financial reports.

As per the CLSP Service Agreement 1 October 2005 – 30 June 2008:

Management Committee means, in relation to the Organisation, the body, which governs, or is responsible for management of, the Organisation.

Role of the Finance Sub-Committee

Monitoring and reporting

The Finance Sub-committee generally meets monthly. Its role is to:

- prepare the annual budget and capital budget for approval;
- approve project budgets or specific grants;
- prepare annual financial statements subject to audit;
- receive monthly financial reports for the whole organisation before the results are made available to each Management/Committee meeting;
- monitor expenditure according to the budget in all areas;
- establish cost charges between divisions of the organisation;
- detect any errors or unusual trends in reports;
- undertake accountability and financial security checks;
- examine any financial issues arising from the reports and act upon these;
- make recommendations to Management/Committee for expenditure that is outside the approved budget and on other financial matters; and
- review internal controls and financial governance of the organisation.

The Finance committee receives the following items for approval:

- Statement of Financial Position (Balance Sheet);
- Statement of Financial Performance (Profit and Loss statements);
- accounts payables reconciliation;
- accounts receivable reconciliation;
- trust account reconciliation — audited;
- bank reconciliations for all bank accounts;
- aging accounts receivable (debtors), including assessment of collectibility;
- assets register;
- depreciation rates, including assessment of fixed asset useful lives to the organisation;
- employee entitlements;
- advice that the trust account is signed off;
- inventory physical existence and net realisable value — two years; and
- capital budget.

Members of the organisation are entitled to be advised of the organisation’s current financial position (i.e. via the Balance Sheet), and how the organisation has operated financially over the recent period (i.e. Income and Expenditure Report). Most members will not appreciate a multitude of complex reports, but will welcome a ‘snapshot’ or ‘bird’s eye view’ of their organisation’s financial position.

To produce useful reports the Financial Administrator should:

- identify what events happen in the organisation;
- measure the result or effect of what happens;
- collect details about what happens — financial and non-financial;
- summarise details into standard formats; and
- produce regular reports that are easy to read and interpret.

Distilling financial information into simple language is often a daunting task. Yet it must be done if the Management Committee and others are to be able to understand essential information. Reports should be prepared that:

- are readable and informative. (Consistent headings for different topics in the report promote better understanding.);
- capture the essential points;
- are not too long — perhaps limited to three pages;
- give an unambiguous overview of the organisation’s financial position, including reasons for any major budget variations. This section of the report should be limited to no more than one page, and should be carefully written to explain what the financial statements mean;

- predict financial outcomes to year-end;
- recommend any action that should be taken in operations, in light of the results to date;
- provide information on bank accounts and cash flows to year-end (While the Income and Expenditure Statement might show that the organisation is running a surplus, cash might be diminishing because of capital expenditure, or for other reasons. Unless debts can be paid when they fall due, the organisation could soon find itself in financial difficulties.); and
- provide any other information considered relevant.

It is recommended that the following reports be presented to the Management Committee at least quarterly or monthly.

- **Financial Administrator's Report** — this report should capture any essential points to bring to Management's attention (see 'Information and reporting requirements', below).
- **Income and Expenditure Report (Year-to-date)** — this report should include a comments column for explanation of any variances to budget.
- **Balance Sheet** — this should include a comments column for explanation of any unusual amounts that may warrant explanation.
- **Individual Grant Reports** — as sent to funders.

The following items should available for Management review:

- bank statements and reconciliation reports;
- work papers that back up each number on the balance sheet; and
- cheque requisitions to enable review of any particular payment that the Committee may question.

Report preparation

The following steps may be of assistance in the process of preparing these reports.

- Ensure all payments made and income received has been entered into the accounting system.
- Reconcile to the bank for each bank account.
- Make adjustments to the asset register and calculate depreciation. Make adjustments for depreciation.
- Print from payroll a report on the leave entitlements for annual leave and long service leave and make these adjustments.
- Run a Profit and Loss report to budget and calculate any accruals necessary, complete the accruals worksheet, and process the entries in the accounting system.
- Calculate any prepaid income or expenditure, complete the prepayments worksheet and process the entries in the accounting system.

- Print another Profit and Loss report and analyse to check for any major variances to income or expenditure;
- Print this report as an Excel spreadsheet and format to the same as previous quarters.
- Make relevant comments on any variance to the budget of over $1000.
- Print a balance sheet and ensure that each number can be justified. Support the justification where possible with a work paper.
- Prepare a Financial Administrators report to introduce the findings of the above reports and to advise Management of any issues.

Relationship with the Management Committee

It is essential to prepare and circulate financial reports in advance of the Management Committee meetings, so that its members (especially the Treasurer) have time to digest the information. It also saves valuable time if the Financial Administrator includes any questions or issues for discussion arising as a result of the reports, so that members can gather information and carry out research if necessary prior to the meetings. Informal contact also helps develop a better working relationship between members of the Management Committee, and generally improves financial awareness amongst the group.

When submitting any proposal to the Management Committee, it is essential to set it out in a formal document with clear, desired outcomes. Usually, providing the following information works well:

- the background to the issue;
- the current situation;
- any proposed changes and reasons for the changes; and
- the decision required by the Management Committee.

Setting out the submission in this way enables ease of reading and understanding, and makes it clear what the Management Committee is being asked to decide upon.

Treasurer's Role

The Treasurer has to be able to estimate future probabilities based on past experience, to anticipate the effect of the unexpected, and to explain all this to people who may not themselves be financially savvy.

The budget is made up of all the activities and programs your organisation is hoping to undertake in the next twelve months, expressed in terms of money. Writing the budget cannot be done by the Treasurer alone, it must be prepared in consultation with the staff, the funders and fundraisers, and with the Chairman and the Board

In a larger organisation the draft budget will be drawn up by the CEO. The Treasurer will still have to sell the budget to the Board, and therefore needs to be across all programs and their financial implications. The Treasurer then needs to ensure that all Board recommendations are included in the final budget.

Once the budget is approved, the Treasurer, on behalf of the Board, is responsible for keeping track of how closely actual figures match budget expectations. Each month the Treasurer should endeavour to draw up a table showing budgeted expenditure and income under each heading for the year-to-date, the actual expenditure under each heading, and the difference between the two. This will flag many approaching problems.

> *Further information on the Treasurer's role can be found at: www.ourcommunity.com.au/files/community_treasuers_guide.pdf*

Important Information from the Service Agreement

The Board or Management Committee should be familiar with the following clauses drawn from the CLSP Service Agreement 1 October 2005 – 30 June 2008.

Use and management of CLSP Funds

4.5.1 The Organisation will:

(a) expend the CLSP Funds only in connection with the provision of Services or the acquisition or replacement of assets to enable the Organisation to provide those services as set out in the Guidelines and the terms and conditions of this Agreement and for no other purpose;

(b) use the CLSP Funds efficiently and effectively:

(c) ensure that the CLSP Funds held as cash are held in an account in the Organisation's name, and which the Organisation solely controls, with an authorised deposit-taking institution authorised under the *Banking Act 1959* to carry on business in Australia;

(d) keep proper accounts and records of the receipt and use of the CLSP Funds in accordance with Australian Accounting Standards;

(e) prudently manage the investment of any CLSP Funds not needed for the immediate provision of the Services so that interest is recognised as revenue on these Funds until paid to service suppliers;

(f) be accountable as set out in the terms and conditions of this Agreement for all CLSP Funds; and

(g) comply with the requirements set out at Schedule 5 in regard to the use of CLSP Funds and Assets and the compilation of financial Reports in relation to CLSP Funds.

4.5.2 The Organisation will not use the Funds or this Agreement or any of the obligations of the Funding Bodies under this Agreement as any form of security for the purpose of borrowing money.

Information and reporting requirements

10.1 The Organisation will submit a CLSP plan to the SPM at the commencement of this Agreement. This plan, setting out the objectives of the Organisation and strategies and associated actions to meet these objectives, must be approved by the SPM. Any significant changes proposed to the plan occurring during the Term of this Agreement must be submitted to the SPM for approval.

10.2 The Organisation will provide to the Funding Bodies through the SPM the following Reports for each Financial Year:

(a) an Annual Accrual Budget;

(b) quarterly Income and Expenditure Reports;

(c) six monthly Progress Reports (12 monthly for centres receiving up to $100,000 of Schedule 1 funds per Financial Year)

(d) Annual Activity Targets for expected activity levels for each of the Core Service Activities;

(e) Audited Financial Statements;

(f) An annual Certificate of Compliance; and

(g) An Annual Report.

The Reports must be submitted by the dates specified in Schedule 2.

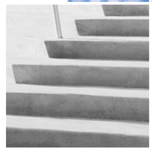
10.3. The Organisation will conduct a client satisfaction survey once during the Term of this Agreement and enter the results in CLSIS. The results of this survey will be used to improve the ongoing delivery of Services.

10.4. The Organisation must notify the SPM within 10 Business Days of any changes in contact details for Organisation and/or Management Committee; changes to the Organisation's constitution and/or changes to staff in funded positions.

10.5 **Failure to provide Reports**

(a) If Reports are not provided on the due dates as set out in Schedule 2, quarterly payments of Schedule 1 funds may be withheld until the Reports are submitted and approved.

(b) The Organisation may in advance of the due date seek an extension of time from the SPM to submit a Report.



Reporting to Funders

Contents

16. Reporting to Funders

Funding Agreements

A funding body service agreement includes a financial section that sets out the funding body's requirements for:

- timing of financial reporting against budgets (e.g. quarterly or bi-annually);
- the layout of the reports;
- when the annual audited statements are required;
- when annual draft and final budgets are required;
- acceptable limits of variance to budget for total salaries and operating costs; and
- acceptable limits of surplus to be carried forward.

MYOB Set-up for Reports

In order to account for, and be able to, report to funders easily, MYOB can be set up with various 'jobs'.

Each grant is allocated a job number. Each time a payment is made or income received, or any transaction that affects the income and expenditure report is made, a job number must be allocated.

Job numbers must be different each year and the previous year's job numbers must be made inactive, to ensure that only the current accounting period information is captured.

If a payment is for a general Centre expense that covers all grants, then the entry can be split across as many grants or 'job numbers' as required.

Reports are available by job. These reports can be used to prepare funders reports.

A check should be made to ensure that the total of all job Profit and Loss Reports agree with the combined Centre Profit and Loss Report. An imbalance indicates that an amount has not been allocated a job number. This error must be located and corrected to ensure that the funding reports are accurate.

Important Information from the Service Agreement

The CLSP Service Agreement 1 October 2005 – 30 June 2008 provides the following information.

DEFINITION

Report *means* any of the Services Material referred to in clause 10 that is provided to the Funding Bodies or the SPM for the purposes of reporting on the matters stipulated in the Schedules.

Information and reporting requirements

10.1 The Organisation will submit a CCLSP plan to the SPM at the commencement of this Agreement. This plan, setting out the objectives of the Organisation and strategies and associated actions to meet these objectives, must be approved by the SPM. Any significant changes proposed to the plan occurring during the Term of this Agreement must be submitted to the SPM for approval prior to implementation.

10.2 The Organisation will provide to the Commonwealth through the SPM the following Reports for each Financial Year:

(a) an Annual Accrual Budget;

(b) quarterly Income and Expenditure Reports;

(c) six monthly Progress Reports (12 monthly for centres receiving up to $100,000 of Schedule 1 funds per Financial Year);

(d) Annual Activity Targets for expected activity levels for each of the Core Service Activities;

(e) Audited Financial Statements;

(f) an annual Certificate of Compliance; and

(g) an Annual Report.

The Reports must be submitted by the dates specified in **Schedule 2**.

10.3. The Organisation will conduct a client satisfaction survey once during the Term of this Agreement and enter the results in CLSIS.

10.4. The Organisation must notify the SPM within 10 Business Days of any changes in contact details for the Organisation and/or Management Committee; changes to the Organisation's constitution and/or resignations or appointments of staff in funded positions.

10.5 **Failure to provide Reports**

(a) If Reports are not provided on the due dates as set out in Schedule 2, quarterly payments of Schedule 1 funds may be withheld until the Reports are submitted and approved.

(b) The Organisation may in advance of the due date seek an extension of time from the SPM to submit a Report.

Schedules as per the Funding and Service Agreement

SCHEDULE 5

USE OF FUNDS AND ASSETS AND SPECIFIC FINANCIAL REPORTING REQUIREMENTS

(1) The Organisation must:

(a) ensure that a minimum of two signatories are required to operate any account in which the Organisation deposits funds pursuant to subparagraph 4.5.1 (c);

(b) maintain separate financial Records in respect of the receipt and expenditure for each Funding Category of all Funds provided under this Agreement;

(c) compile and submit financial Reports on an accrual basis;

(d) where the Organisation wishes to have a deficit budget approved:

i. satisfy the SPM that there are unusual or special circumstances that necessitate the approval of a deficit budget and that there are strategies in place to make up this deficit during the term of the agreement;

(e) where the Organisation receives Other Income and uses CLSIS to record activities funded from Other Income, disclose in its Reports the details of:

ii. the full amount, source and purpose of the Other Income (irrespective of the amount of Other Income received per annum);

iii. the Funding Category to which the Other Income applies; and

iv. the extent to which the activities resourced by the Other Income are recorded in the CLSIS;

(f) where the Organisation receives income from other organisations or persons and the Organisation does not use CLSIS to record activities relating to this income, disclose in its Reports the total amount expected to be received for each Financial Year of the Service Period. The total amount is irrespective of the number of different funding sources, purposes or Funding Categories to which the income might apply;

(g) maintain an Assets Register and provide access to it to the SPM on request;

(h) manage and depreciate Assets according to Australian Accounting Standards;

(i) retain an amount of Funds, equal to the annual amount of depreciation claimed, to be used for the future replacement of Assets;

(j) when a depreciable Asset is disposed of, ensure that any proceeds from the disposal in excess of the undepreciated value of the Asset are accounted for as Service Generated Income;

(k) following completion of an audit by a Registered Auditor, provide the SPM with a certificate in the format at Attachment A, completed by the Organisation's Registered Auditor; and

(l) If its Registered Auditor qualifies the Organisation's accounts or financial reports with any irregularity or disclaimer, provide the SPM with a full version of the Registered Auditor's report within 5 Business Days of the report being provided to the Organisation.

(2) The Organisation must not, without prior written approval of the SPM:

(a) transfer funds between Funding Categories;

(b) spend in excess of 5% or $5,000 of Funds (whichever is the lesser), to defend itself against any litigation in accordance with subclause 8.1;

(c) spend in excess of 10% or $10,000 (whichever is the lesser), of Funds on Assets in any Financial Year; or

(d) sell, transfer or write-off any Asset after receiving a notice of termination under clause 24.

ATTACHMENT A

AUDITOR'S CERTIFICATION

Name of Organisation:	
Financial Year Period:	_____ /_____ /_____ to _____ /_____ /_____

I hereby certify that:

(a) I am not a principal, member, shareholder, officer, employee or accountant of the Organisation or of a related body corporate as defined in section 9 of the *Corporations Act 2001*;

(b) In my opinion, the attached financial statements which comprise a Statement of Financial Position, a Statement of Financial Performance, a Statement of Cash Flows, and Notes to the Financial Statements of the above-mentioned Organisation (the Organisation) for the stated Financial Year Period are:

- based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia; and
- in accordance with the terms and conditions of the Agreement [*insert names of parties and date of agreement*], a copy of which has been made available to me, in relation to the provision of community legal services.

(c) The Statement of Financial Performance is provided in respect of Funds for all Funding Categories.

(d) [*This paragraph required where the Organisation's primary business is not the provision of the Services:* Additional Statements of Cash Flow are provided in respect of the Funds, including in respect of the Organisation's assets and liabilities, surplus figures and income and expenditure related to the provision of the Funds under this Agreement].

This is a qualified/unqualified audit report. *[Delete whichever is not applicable.]*

If the report is a qualified report, the qualified audit report must be attached.

Unless written under separate cover, I hereby further certify that, in my opinion, there is no conflict of interest between myself and the Organisation or its Management Committee.

AUDITOR DETAILS

Full Name:	
Name of Company (if applicable):	
ACN or ABN Number:	
Registered Auditor: ☐ Yes ☐ No	*If Yes:* Registration No.: ________________
Signature:	
Date:	_____ / _____ / _____

SCHEDULE 6

PROPOSAL TO RETAIN EXCESS SURPLUS FUNDS

Pursuant to Clause 7 of the Agreement, the Organisation may submit a proposal to the relevant Funding Body through the SPM to spend or retain its Excess Surplus in the Financial Year following that in which the Excess Surplus arose.

In considering requests to carry over Excess Surplus Funds, the Commonwealth will take into account the State Program Manager's recommendation and any exceptional circumstances of the Organisation.

Where the Commonwealth does not approve the carry over of Excess Surplus Funds, the amount in question will be offset against a future quarterly payment (i.e. recovered by making a short payment in a quarter). The Organisation will be given advance notice of any such recovery action.

In making its decision, the Commonwealth will take into account a range of factors including: the merits of the proposal, both on an individual basis and against competing national priorities; whether the Organisation has demonstrated that the Allowable Surplus and the Future Contingency Funds have been committed in an appropriate way to support continued service provision, and any exceptional circumstances identified in support of the proposal.

While a particular proposal may have considerable merit, approval should not be assumed. Community legal centres receive funding on the premise that those funds will be expended on services. There is no provision in the Agreement for community legal centres to make 'savings' between financial years. In an instance where a community legal centre can provide the services for less than the annual funding provided, then those 'savings' should be applied to meet the identified priorities of the CCLSP.

The range of unexpected events that may occur throughout an annual funding cycle should be addressed through the Organisation's ongoing planning processes, in consultation with the SPM as necessary.

In submitting a proposal to the State Program Manager to retain Excess Surplus Funds, the Organisation should address the following matters:

(1) Timeframe for proposal

Proposals to retain Excess Surplus Funds should be submitted to the relevant State Program Manager by **31 October**, unless otherwise agreed. The Commonwealth recognises that this deadline is a tight one, particularly given the need for end-of-year financial reports to be audited. Where a full proposal cannot be submitted within the required timeframe, the Organisation should at least advise the SPM of its intention to submit a proposal and provide an indication of the proposed use of the Excess Surplus Funds. Where the Organisation has not provided this information by 31 October, or as otherwise agreed with the SPM, the Commonwealth will be unlikely to approve the carry over of those funds.

(2) Disclosure of funding received during the annual cycle.

Proposals should include details of all funding received under the Commonwealth Community Legal Services Program for the period during which the Excess Surplus Funds were accumulated.

(3) Identification of the Excess Surplus Funds.

Proposals should identify the amounts of the Allowable Surplus and the Future Contingency separately from the amount of Excess Surplus Funds for which approval to carry over is being sought.

(4) Commitment of the Allowable Surplus and Future Contingency Funds.

Proposals should detail how the Allowable Surplus and Future Contingency Funds have been committed to show why they are not available to cover the costs of the proposed expenditure.

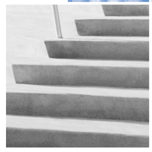
(5) Proposal to utilise the Excess Surplus.

The Organisation should provide details of how it proposes to utilise the Excess Surplus Funds including an explanation of any exceptional circumstances leading to the request, a breakdown of costs, the timeframe proposed for full utilisation of the Excess Surplus Funds, identification of key milestones and anticipated outcomes.

(6) Implications of Non-approval

Proposals should clearly set out any implications that might arise from a decision not to approve the carry over of the Excess Surplus Funds.

SECTION 17



Trust Accounts

Contents

17. Trust Accounts

Centres with Trust Accounts

It is very important for centres to ensure that trust account management complies with the relevant legislation act of each state.

State Legal Profession Acts define the types of money received by a solicitor, and how the solicitor is required to account for the money received in the course of practice as a solicitor. Legislation defines not only the records to be kept, but advises in detail what must be included in the records. Refer to the Legal Profession Act relevant for your state for definitions.

A trust bank account must be established if the practitioner receives trust money required to be paid to a trust account. The bank account must be at an authorised bank — all major banks are authorised.

Separate trust accounts may be established for the exclusive use of particular clients. These accounts are generally referred to as 'interest bearing accounts' and are recorded in the solicitor's Investment and Securities Register.

The Law Society has appointed inspectors to investigate the trust account records of regulated practitioners. The inspectors are all qualified accountants and their role is to assist the practitioner in maintaining a high standard of accounting for trust funds. Inspectors also have a role in investigating client complaints relating to trust property.

Types of Money

Trust money

Trust money is money received in the course of practice as a solicitor that is to be held on behalf of another person, and the person on whose behalf the money is held does not direct the solicitor to do anything with the money.

In this situation the money is to be banked to the credit of a general trust account at an approved financial institution in the relevant state. For example, a client may pay money at the commencement of a matter for disbursements to be incurred; a bill is not issued and the client does not issue instructions to the solicitor to invest the money or pay it to a third party.

Transit money

Transit money is money received in the course of practice as a solicitor that is to be held on behalf of another person and paid within the prescribed period to a third party by the solicitor as directed by the person on whose behalf the money was received.

Once the solicitor pays the money to the third party, the solicitor does not continue to exercise control over the money. An example of this is where a solicitor requests a bank cheque from the client payable to the Office of State Revenue for stamp duty. The solicitor receives the third party cheque, holds it for the prescribed period and then pays it in accordance with the directions received.

Care should be taken to ensure that cash is not received, held and disbursed as transit money, as such practice is prohibited under the Money Laundering Act.

Controlled money

Controlled money is money received in the course of practice as a solicitor that in accordance with the instructions received from the person on whose behalf the money is held, is deposited to an account, (other then the general trust account), over which the solicitor continues to maintain direct or indirect control of the money. For example, a real estate deposit may be invested in an interest bearing account by a solicitor in accordance with the contract.

Keeping Records

Records relating to trust money must:

- disclose at all times the true position, in that they show accurately the financial position in relation to each matter;
- be kept in a manner that enables them to be conveniently and properly audited;
- be kept up to date, in that the data is posted on a regular basis — at least once a week;
- be kept in a manner prescribed by the Act; and
- be produced on a timely basis, that is the trial balance 21 days from month-end, cash book balanced monthly, bank reconciliation completed monthly and a comparison shown on the trial balance.

Trust receipts

A trust receipt is the record of receipt of trust money. The importance of the trust receipt cannot be overstated, in that it must be seen as not only the accounting source document, but also written confirmation of the client's instructions. The receipt is used to write up the cash receipts book and post the entries to the ledger.

Cash books

Cash books are used in the accounting system to record all financial transactions, i.e. receipts, receipt reversals, receipt cancellations, cheques, cheque reversals and cheque cancellations. The cash book should provide control over the receipt/cheque sequencing, bankings (for receipts) and monthly totals of receipts and payments.

The cash book is designed as a summary of receipt and payment transactions. The format of the cash book is a matter for each organisation to decide, provided that it records the minimum amount of information.

Bank Reconciliation Statement

A Bank Reconciliation Statement is to be prepared at the end of each month. The 'reconciled balance' (the balance arrived at after completing the reconciliation statement), is compared with the total of the trial balance. The bank reconciliation must be completed within 21 days of the end of each named month and the statement must commence with the 'Bank Statement Balance'.

Trial balance

The trial balance is used by the accounting system to ensure that the principle of double-entry accounting has been followed correctly (i.e. that the system is in balance). The trial balance is designed to highlight any errors with the Centre's internal records.

Errors may include failure to post both sides of the transaction, posting an entry to the wrong side of the ledger, incorrect calculation of the balance, and transposition errors in posting (e.g. $15 as $51).

A trial balance should be prepared monthly and within 21 days of the month-end.

Delegation of Authority

A trust cheque, controlled money withdrawal or the record of an electronic funds transfer must be signed by a solicitor. Other persons such as the Financial Administrator may sign the trust cheques jointly with the solicitor, but never independently of the solicitor unless delegated to do so. If the solicitor is unable to sign the trust cheque or effect the electronic funds transfer with due expedition due to illness, injury or absence for good reason, then the solicitor may delegate two of the following to sign jointly:

- a solicitor holding a current practising certificate;
- a person registered as a company auditor;
- a bank manager of the branch at which the trust account is maintained; or
- a person approved by the Council of the Law Society.

The Accountant's Report

There are certain requirements regarding the preparation of the Accountant's Report on trust and controlled money.

Content of the Report

The reporting accountant's examination is not intended to be an audit. The report is an assessment on the Centre's accounting system, internal control and compliance with relevant legislation.

A Reporting Accountant's Checklist (a form approved by the Council of the Law Society) is required to be completed by the reporting accountant as part of the examination. The comprehensive checklist is designed to ensure compliance with the legislation. It is suggested that the Checklist form the basis for bookkeepers/solicitors reviewing compliance with the legislation on a regular basis.

When an Accountant's Report is qualified or an adverse report is made, a copy of the report is to be forwarded within seven days to the Chief Trust Account Inspector of the Law Society by the reporting accountant.

The reporting accountant is not required to check the calculation of the Statutory Deposit — merely report and certify the level of the deposit at the period end, and on movements during the year.

Procedural matters

Major areas to note:

- The Reporting Accountant's Checklist is to be left in the custody of the solicitor and retained by the solicitor with the trust account and controlled money records. The Checklist may be inspected by a Trust Account Inspector.
- An Accountant's Report is required to be lodged within 21 days of the solicitor ceasing to hold trust or controlled money.
- The Accountant's Report is required to be lodged with the solicitor's application for renewal of practising certificate if the solicitor has received, held or disbursed trust or controlled money during the preceding period (1 April to 31 March each year).

Common areas of concern

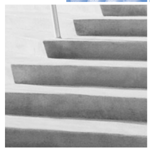
Initially, if solicitors are aware of the common problem areas, many of the difficulties can easily be overcome.

Problem areas include:

- Ledger account debit balances — normally caused by not posting transactions to the ledgers.
- Lengthy delays in correcting debit balances — normally caused by a failure to complete month-end balancing requirements.
- Late banking of trust receipts.
- Drawing against uncleared funds.
- Telegraphic transfers.
- Old balances.
- The need to show the 'true position' and for the records to be 'convenient to audit' and 'regularly maintained'.
- Failure to clear balances for costs and then making payments from these balances for office items.
- Consideration of storage of records.
- Insufficient information recorded in the source documents.
- Insufficient information recorded in the cash book, journal and ledger.
- The use of a 'Suspense Account'.
- The use of a 'Costs Clearing Account'.
- Monthly reporting requirements.
- Trust ledger out of balance.
- Bank reconciliation out of balance.

Further information on trust accounting can be found in your relevant state Legal Profession Act.

SECTION 18

Audits

Contents

18. Audits

External Audits

An external audit is required by most Centres. To ensure that an independent body is auditing the income and expenditure of the organisation, compliance issues are being addressed and internal control process monitored, an external audit is highly recommended. This needs to be performed by an independent auditor, and may not be an office holder or employee of the Centre.

The external auditor's role is to check and verify accounting entries and procedures and prepare audited financial statements for the organisation. Examples of an auditor's responsibilities include:

- examining service agreements and minutes of Management Committee meetings to ensure that the proper procedures are in place to control financial transactions;
- checking transactions to ensure that systems are being followed and all assets, liabilities, income and expenditure have been included in the financial statements (auditors will not check every single transaction, rather they will check a sample);
- preparing the audited statements and notes;
- advising the Centre of corrections that need to be made to the accounts; and
- providing feedback to the Centre upon completion of the audit with comments on errors found or improvements that could be incorporated to improve the controls and procedures.

The Financial Administrator should provide full financial reports to the Centre's auditor at the end of each financial year, so that an audit of the Centre's finances can be completed.

Information presented to the external auditor at year-end may include:

- an Income and Expenditure Report;
- a Balance sheet;
- a Trial Balance report;
- working papers to back up each number on balance sheet;
- Individual Grant reports;
- payroll details for the year;
- copies of employee payment summaries issued and the reconciliation for the tax office;
- superannuation details for the year;
- GST/BAS returns for the year;
- a print out of all General Ledger accounts;
- a print out of all General Journal entries for the year; and
- bank reconciliations and bank statements for the year.

Important Information from the Service Agreement

The following Information is taken from CLSP Service Agreement 1 October 2005 – 30 June 2008.

DEFINITION

Audited Financial Statements An organisation's financial statements prepared and certified by a registered auditor including:

(a) A *Statement of Financial Position* for the organisation for that financial year.

(b) A *Cash Flow Statement* for the organisation for that financial year:

• where the organisation's primary business is not the services, the organisation will be required to provide additional cash flow information, including assets and liabilities in respect of funds, surplus figures and income and expenditure in respect of the funds.

(c) A cumulative and accruals-based *Income and Expenditure Report*:

• being the fourth quarterly Income and Expenditure Report required under the Agreement in respect of all funds provided for all funding categories in that financial year and any other income received for those funding categories in that financial year.

(d) A *Statement of Financial Performance* in respect of funds.

Financial Administrators and Centre Coordinators/Executive Officers should be familiar with the following CLSP Service Agreement 1 October 2005 – 30 June 2008 clauses.

Audit and certification requirements

9.1 At the end of each Financial Year the Organisation will provide to the SPM:

(a) a certificate from an Registered Auditor that the Funds have been expended for the purpose of the provision of Services in accordance with the terms and conditions of this Agreement and the CCLSP Guidelines; and

(b) the Organisation's Audited Financial Statements for the Financial Year. The statements are to be audited by a Registered Auditor in accordance with the Australian Auditing Standards, and must comply with the Australian Accounting Standards.

Financial audits

9.2.1 At its discretion, the Commonwealth may appoint an Approved Auditor to conduct specific financial audits of the Organisation in relation to this Agreement.

9.2.2 The Commonwealth will consult with the Organisation on arrangements for conduct of the audit.

9.2.3 The cost of any audit conducted under subclause 9.2 will be met by the Commonwealth.

Schedules as per the Funding and Service Agreement

SCHEDULE 3

CERTIFICATE OF COMPLIANCE

This Schedule is established in respect of the _____ / _____ Financial Year

Organisation:

Contact Officer: Telephone:

The above-named Organisation certifies that:

SIGNED for and on behalf of the)

[*Organisation*])

by ____________________) ____________________

)

in the presence of

____

ATTACHMENT A

AUDITOR’S CERTIFICATION

Name of Organisation:

Financial Year Period: _____ /_____ /_____ to _____ /_____ /_____

I hereby certify that:

(a) I am not a principal, member, shareholder, officer, employee or accountant of the Organisation or of a related body corporate as defined in section 9 of the *Corporations Act 2001*;

(b) In my opinion, the attached financial statements which comprise a Statement of Financial Position, a Statement of Financial Performance, a Statement of Cash Flows, and Notes to the Financial Statements of the above-mentioned Organisation (the Organisation) for the stated Financial Year Period are:

- based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia; and
- in accordance with the terms and conditions of the Agreement [*insert names of parties and date of agreement*], a copy of which has been made available to me, in relation to the provision of community legal services.

(c) The Statement of Financial Performance is provided in respect of Funds for all Funding Categories.

(d) [*This paragraph required where the Organisation’s primary business is not the provision of the Services:* Additional Statements of Cash Flow are provided in respect of the Funds, including in respect of the Organisation’s assets and liabilities, surplus figures and income and expenditure related to the provision of the Funds under this Agreement].

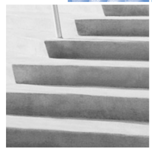
This is a qualified/unqualified audit report. *[Delete whichever is not applicable.]*

If the report is a qualified report, the qualified audit report must be attached.

Unless written under separate cover, I hereby further certify that, in my opinion, there is no conflict of interest between myself and the Organisation or its Management Committee.

AUDITOR DETAILS

Full Name:	
Name of Company (if applicable):	
ACN or ABN Number:	
Registered Auditor: ☐ Yes ☐ No	*If Yes:* Registration No.: ________________
Signature:	
Date:	______ / ______ / ______



Accounting Systems

Contents

19. Accounting Systems

MYOB Software

Most community legal centres use MYOB accounting and payroll software. This software is extremely user friendly, and for an annual membership fee for 'MYOB Cover', has a reliable back-up service to provide answers to any queries and difficulties that may be encountered. MYOB Cover also provides regular newsletters (via email) with useful tips and information, as well as free phone advice and free software upgrades.

The manual that accompanies the MYOB software package is extremely useful, covering many one-off items such as:

- setting up a new account code in the chart of accounts;
- new GST codes; and
- end-of-year procedures.

Rather than using the standard payroll module within MYOB, some Centres use 'MYOB Powerpay'. This software package is able to perform more complex tasks typically required by community legal centres, such as salary sacrificing and costing wages across multiple grants.

The Financial Administrator should regularly review and upgrade the Centre's accounting systems and procedures to ensure that they meet the changing needs of the Centre. The consequent cost of purchasing new equipment, software and staff training will be offset by the improved financial information produced and the more effective use of the Financial Administrator's time.

Backing up Data Files

If the Centre operates on a computer network, it is preferable to keep the accounting system's data files on the network server (the Centre should have a system in place for regular back-up of all files on the server).

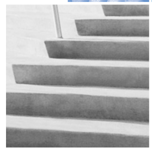
In addition to the Centre's standard back-up system, it is recommended that the Financial Administrator conduct a secondary back-up of all accounting system data files on a weekly basis (or a monthly basis if the Centre's standard back-up system is reliable and efficient). A good back-up system is characterised by:

- back-ups conducted at least weekly;
- back-up tapes/discs taken off-site; and
- periodic checks to ensure that backed up files can be accessed and retrieved.

If the accounting system data files are kept on a shared drive, they should be secured within a locked folder, with access only by the Financial Administrator. The access code should be recorded, sealed in an envelope and kept in a location known to the Coordinator or Management Committee. For reasons of accountability, it is important that only one person have access to the accounting system data files.

At the end of the financial year it is advisable to separately back up all files specifically relating to year-end information (i.e. Excel, Word and MYOB files).

SECTION 20



Computer Passwords

Contents

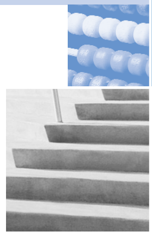
20. Computer Passwords

Security

It is good practice to have the Financial Administrator's computer network folder locked with a password that only the Financial Administrator and the Coordinator know, to ensure that payroll information and Centre financial records and reports are not accessible to other employees.

The computerised accounting and payroll system should also have passwords to ensure security of information.

When using electronic payment software to pay bills and process payroll, several passwords can be set up to ensure that at least two people have to enter their own passwords to authorise the payment before it can be processed.



Community Legal Centre Specific Issues

Contents

21. Community Legal Centre Specific Issues

Practising Certificates

Practising certificates must be held so that Centre solicitors can provide the legal information and support to clients. Certificate renewals are due in May each year. Most Centres pay for their solicitors' practising certificates as part of their employment contracts.

Payment of practising certificate renewals may pose problems in certain circumstances. For example:

- When a locum solicitor is contracted for six months, the Centre pays the portion of the certificate for the contracted period. Should the contract with the locum solicitor be terminated prior to the end of the contracted period, the Centre would in effect be out of pocket. Attempts may be made to have the locum solicitor reimburse the Centre, or the Centre may simply choose to absorb the cost. One possible approach is to have locum solicitors pay the certificate costs themselves, and the Centre reimburses the solicitor the pro rata portion with each pay.
- A solicitor may leave one Centre and commence employment at another. In such cases, some Centres invoice other Centres the pro rata portion of the certificate cost. Some Centres do not invoice, and simply absorb the cost. Unfortunately, there is no agreed standard across all Centres. This is perhaps an issue that could be taken up at a national level.
- A solicitor may leave the Centre employment completely. The Centre could either ask the employee to repay the pro rata portion of the practising certificate, or simply absorb the cost. This decision is subject to individual Centre policy. If a Centre elects to have the solicitor repay the pro rata portion, it is recommend that this requirement be stipulated in the employment contract.

Sample policy on Practicing Certificates

POLICY

________________ shall employ a Principal Solicitor who holds a current unrestricted practicing certificate (full practicing certificate with trust).

The Principal Solicitor shall be responsible for ensuring that a current unrestricted practicing certificate is held.

If, at any time, ________________ does not employ a Principal Solicitor who holds a current unrestricted practicing certificate, ________________ shall not operate its trust account during that period.

Conferences

State conferences and national conferences are usually held annually. Many Centres send most of their employees to state conferences; however, as national conferences may pose increased travel costs (depending on which state is hosting the conference), Centres may elect to send only one or two employees.

It is recommended that the Centre pay as much as possible of the conference in advance (e.g. conference registration, airfares and accommodation). A travel allowance should be given to the employee, based on transfers to and from airports, meals not provided and some incidental costs. Upon return from the conference, the employee must account for the costs with supporting documentation. The employee must either repay the balance of the unspent allowance, or be reimbursed for expenses in excess of the allowance. The allowance amount can be based upon the ATO's 'Reasonable Travel Limits' scales (available at <www.ato.gov.au>).

Professional Indemnity Insurance

The premium for professional indemnity insurance is paid to the National Association of Community Legal Centres (NACLC), which arranges a policy for all community legal centres across the country. The National office is continually trying to secure the best possible deal. This type of insurance is most important to both the Centre as an entity, and to solicitors as individuals.

All community legal centres have a copy of the *Risk Management Guide*, which is a comprehensive policy and procedures manual on this subject.

Sample policy on Professional Indemnity

PROFESSIONAL INDEMNITY INSURANCE POLICY

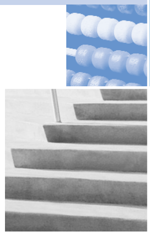
________________ shall hold at all times a current certificate of professional indemnity insurance cover. The policy will cover the following types of work:

- casework including all advice, referral, legal representations, community advocacy and other work reasonably described as casework; and
- community education, community legal education, community development and law reform and related submission writing and campaign work.

________________'s professional indemnity insurance cover may be part of joint cover that a peak body or other organisation has arranged for more than one community legal centre.

The Principal Solicitor shall be responsible for ensuring that ________________ has a current certificate of professional indemnity insurance cover.

________________ staff members and volunteers shall be familiar with the contents of the policy. Staff and volunteer training shall include training about ________________'s professional indemnity insurance.



Policies

Contents

22. Policies

Policy Development and Review

A 'policy' is a broad position, direction or general approach taken by an organisation in respect of its governing and operational activities. They aim to provide clear, unambiguous guidelines for implementing activities and provide continuity and a consistent point of accountability.

Although some policies may only require a broad statement of position, and a statement indicating where responsibility lies, others will incorporate specific and detailed 'procedures'. These procedures outline how the policy will be implemented and by whom. Procedures should be viewed as integral parts of a policy, rather than as separate, stand-alone steps.

New policies should, as much as possible, be researched and drafted by working groups. Drafts should then be circulated to all Committee members and other interested parties for comment prior to presentation to the Committee meeting for approval.

All policies should follow the same format:

- Title — area of activity being covered.
- Policy — stating the broad position and direction.
- Procedures — where necessary, detailing how the policy will be implemented and where responsibility for its implementation lies.
- Date adopted.
- Next review date.

Suggested List of Financial Policies

As a minimum, Centres should have the following policies.

Financial management

- Financial management practices
- Annual budget
- Income generation
- Financial reporting
- Asset management
- Investment
- Record keeping
- Accounting systems

Bookkeeping

- Quarterly reports
- Audits
- Banking
- Cash management
- Payments
- Petty cash
- Reimbursement of expenses
- Trust accounts
- Travel allowances
- Mileage allowance
- Audits
- Goods and Services Tax
- Depreciation
- Community legal education income

Payment of Employees

- Payment of employees
- Taxation
- Superannuation
- Workers compensation
- Job contracts
- Salary sacrificing
- Time sheets
- Time in lieu (flex-time)
- Payroll records
- Practising certificates
- Volunteers (payments, reimbursements, etc)

Examples of Policies

Financial Management Policy

Policy: The Financial Administrator (or Coordinator of some Centres) is responsible for the day-to-day financial management of the Centre. This duty will be carried out in a way that is both ethical and transparent and contributes to the organisation's financial strength.

Procedures: To ensure the affairs are prudently managed, the Financial Administrator will:

- prevent the Centre from incurring unauthorised debt;
- develop an annual budget in association with the Coordinator/Executive Officer and Finance Sub-committee, for presentation to and approval by the Committee;
- record all financial transactions using standard accounting practices and complying with relevant legislative and funding body requirements;
- use funds solely for the organisation's purposes and priorities as approved by the Committee;
- not allow ordinary operating expenses to become undischarged debts beyond a three-month period from the time they were incurred;
- use restricted or tagged contributions for designated purposes only;
- not allow any one person alone to have complete authority over any of the organisation's financial transactions;
- operate at all times within a financial environment as defined by the organisation's approved budget and with the Centre's policy;
- ensure all payroll debts are settled in a timely manner;
- not approve expenditure which, although in keeping with the organisation's broad policies and aims, is beyond the organisation's ability to meet;
- ensure that the accounts are audited yearly by an approved external auditor;
- meet regularly with the Finance Sub-committee; and
- report any exception to the above to the Management Committee/Board at the earliest possible time.

Annual Budget Policy

Policy: It is the responsibility of the Financial Administrator (or Coordinator /Executive Officer) in conjunction with the Finance Sub-committee to research and develop the organisation's overall annual operating budget. The annual budget will be soundly prepared and will reflect:

- the critical strategic issues of the Centre, as defined in the annual strategic plan;
- the annual operational service plan;
- a mix of ongoing operational and capital requirements; and
- both expenditure and revenue projections.

Procedures: The annual budget is a reflection of the Centre's annual operational service plan. As such it will be presented in partnership with the plan showing the relationship between planned events and associated costs and revenues.

The annual budget will:

- be supported by an overall financial strategy consistent with the strategic direction and priorities of the organisation;
- contain sufficient detail to allow an accurate projection of revenues and expenditures;
- present a true cash flow position that does not confuse or mislead an audit trail;
- contain projected expenditures that meet the projected reasonable estimate of revenue during the period covered by the budget;
- comply with the Management Committee's/Board's stated objectives and priorities;
- be presented in a way that is easy to interpret and follow and complies with standard budget presentation formats;
- maintain adequate and appropriate reserves;
- ensure appropriate provision for protection, maintenance, upkeep and upgrading of Centre assets;
- signal and budget for new staff positions; and
- respond to any anticipated remuneration issues.

The Financial Administrator is responsible for:

- developing a draft annual budget, in collaboration with the Finance Sub-committee, and presenting this to the Management Committee/Board;
- providing any additional information necessary for the Management Committee/Board to approve the annual budgets;

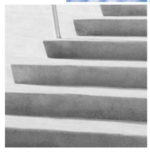
- ensuring that any application to the Management Committee/Board for expenditure that has not been specifically budgeted for is supported by precise costings and a recommendation as to how the new expenditure can be funded; and
- anticipating and making budgetary estimates for new staff positions. This includes demonstrating the need for each position and providing relevant financial data on any newly created position that has not been budgeted for.

Financial Reporting Policy

Policy: All financial reports will represent a true and accurate account of the financial affairs of the organisation. The Financial Administrator will develop financial reports in conjunction with the Coordinator and the Finance Sub-committee. Financial reporting to the Management Committee/Board will be presented in a way that facilitates clear and easy interpretation and analysis by Committee members.

Procedures: All financial reports submitted to the Committee by the Financial Administrator shall:

- contain comment on trends and variances;
- reflect a true and accurate picture of the accounts presented;
- be a complete representation of the accounts presented;
- report any exceptions to income or expenditure in relation to the budget;
- use standard financial reporting formats that present the data in a way that makes it easy to interpret or understand and complies with the Australian Accounting Standards and all legal requirements;
- comply with the agreed Management Committee/Board reporting procedures;
- identify any issues requiring policy consideration or attention by the Management Committee/Board; and
- provide the basis for planning and assessment of strategic capacity.



Networking and Support information

Contents

23. Networking and Support Information

Administration Group Meetings

It is highly recommended that Financial Administrators attend the Administrators' meetings in their relevant state and at the National Conference.

Coordinator/Executive Officer and Financial Administrator need to work closely on funding and budgeting issues, and this forum has proven extremely useful.

Community legal centres generally enjoy a high level of information sharing and mutual support. Invaluable knowledge and understanding of the ways other Centres run can be gained by attending meetings and keeping in touch with the group via the Bulletin Board Service (see below).

ATO Website

The ATO website is an invaluable source for researching information on all taxation issues, and many other areas relative to an organisation's structure.

The website makes browsing for current information easy and informative and can be visited at www.ato.gov.au.

Australia Wide Taxation & Payroll Training

Australia Wide Taxation & Payroll Training is a company that runs seminars at various times of the year. Despite the company's Queensland base, its seminars are run across Australia. Attendance at these seminars is recommended as they cover all payroll and taxation issues.

The fee includes attendance at the seminar, a comprehensive manual, one year's worth of quarterly newsletters, and unlimited telephone/fax/email contact with the presenter on any taxation or payroll issues. After attending one seminar, participants may elect to purchase regular updates to the manual instead of attending further seminars.

The free call phone number for *Australia Wide Taxation & Payroll Training* is 1800 803 337.

External Auditor

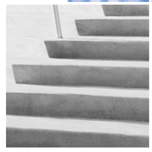
The Centre's external auditor is a source of further information on all aspects of accounting for the Centre.

MYOB Customer Care

MYOB has an excellent support program. An annual fee of a few hundred dollars entitles subscribers to updated information throughout the year, free updates to the software, and free telephone support for any queries or problems.

Bulletin Board Service (BBS)

The Bulletin Board Service (BBS) is the platform used by community legal centres for email communications, both to other community legal centres and to external email addresses. Bulletin boards are set up within the BBS for specific areas of community legal centres operations. For example, the 'Administrators' Folder' and the 'National Noticeboard' are very useful services for Financial Administrators and Coordinators.



Sample Chart of Accounts

Contents

24. Sample Chart of Accounts

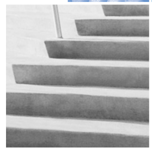
Sample Chart of Accounts for a Community Legal Centre

		Comment
1-0000	**Assets**	
1-1000	**Current Assets**	
1-1100	**Cash On Hand**	
1-1110	General cheque account	Operating account
1-1120	Individual funder cheque account	Funds deposited then transferred to cash mgmt a/c
1-1140	Cash management account	For storage of surplus funds
1-1150	Term deposit	Surplus funds not yet needed
1-1155	Term deposit — CR card	Security for credit card
1-1165	Donations account	Required for the Centre to be classified a charity
1-1170	Petty cash — Centre	
1-1180	Credit card — A. Staff	Cost purchases on cards in this account
1-1190	Credit card — B. Staff	Cost purchases on cards in this account
1-1200	Accounts receivable	
1-1210	Accrued income	
1-2100	Prepayments	
1-2300	Inventory	
1-3000	**Fixed Assets**	
1-3100	**Office Equipment**	
1-3110	Office equipment at cost	Equipment over $1,000 costed here
1-3120	Office equipment accum dep'n	
2-0000	**Liabilities**	
2-1000	**Current Liabilities**	
2-1110	Grants in advance	
2-1120	Grants not expended	
2-1130	Accrued expenses	
2-1200	Accounts payable	
2-1410	Deductions payable	
2-1420	Payroll tax payable	
2-1425	Superannuation payable	
2-1430	Payroll suspense	

2-1599	**Salary Sacrifice Accounts**	
2-1601	S/sacrifice — A. Staff	Clearing accounts for salary sacrifice/wage pack balances
2-1604	S/sacrifice — B. Staff	
2-2000	**Employee Entitlements**	
2-2100	Provision holiday pay	Adjusted quarterly
2-2200	Provision long service leave	Adjusted quarterly
2-3000	**GST Liabilities**	
2-3100	GST collected	
2-3200	GST paid	
3-0000	**Equity**	
3-8000	Retained earnings	
3-9000	Current year earnings	
3-9999	Historical balancing	
4-0000	**Income**	(Income and Expenditure should be separate for individual jobs for each funder)
4-1000	**LAC Funding Grant**	
4-1100	Individual funders	Cost grant income to this account
4-7000	Interest received	Cost interest received to this account
4-7200	Donations received	
4-7600	Victims' Comp	costs received
4-7800	Membership received	Association fees costed to this account
4-9942	CLE income	Income from CLE sessions costed to this account
4-9950	Other income	
6-0000	**Expenses**	
6-1000	**Salaries**	
6-1200	**Salary & Wages**	
6-1210	Salaries & wages	
6-1220	Locums & casual wages	
6-1232	Redundancy payments	
6-1240	Annual leave paid	
6-1250	Long service leave paid	
6-1260	Parenting leave paid	
6-1270	Sick leave paid	
6-1300	**On Costs**	
6-1310	Leave loading	

6-1320	Superannuation	
6-1330	Workers compensation	Paid annually
6-1340	Annual leave accrual	Adjusted quarterly
6-1350	Long service leave accrual	Adjusted quarterly
6-1360	Parenting leave accrual	Adjusted as needed
6-2000	**Premises**	
6-2100	**Rent**	
6-2110	Rent	
6-2115	Lease expenses	
6-2200	**Other Premises Costs**	
6-2210	Cleaning	
6-2220	Maintenance & repairs — gen.	Repairs to buildings
6-2230	Electricity	
6-2240	Security	
6-3000	**Employee Related Expenses**	
6-3100	Conferences/seminars/training	
6-3110	Practising certificates	
6-3120	Professional Indemnity insurance	
6-3140	Employee recruitment	Advertising costs
6-3160	Professional supervision	
6-4000	**Office Overheads**	
6-4100	Couriers	
6-4110	Group amenities	Office supplies, gifts, meeting supplies, etc.
6-4120	Maintenance & repairs — equip.	Equipment repairs (excluding building)
6-4130	Postage	
6-4140	Printing & stationery	Printing, stationery & computer supplies
6-4150	Service fees	Serving documents
6-4160	Software	Under $1,000 costed here
6-4210	Storage	Document storage
6-5000	**Communication Expenses**	
6-5100	Telephone & fax	
6-5120	Mobile phone	
6-5130	Internet	
6-6000	**Financial/Accountability exp**	
6-6100	Bank Charges & interest paid	
6-6110	Accounting & audit f	
6-6140	Insurance	
6-7000	**Library & Subscriptions**	
6-7100	Memberships & subscriptions	M/ship and annual subscriptions to services

6-7120	Updates	Looseleaf and internet updating services
6-7130	NACLC Levy	National Assoc Legal Centres annual fee
6-7140	Library	Small publications purchased
6-7500	**Travel**	
6-7510	Travel — distance	Processed through payroll — travel in own vehicle
6-7520	Travel expenses	Reimb of train/taxi fares
6-8000	**Program & Planning**	
6-8110	Consultants fees	
6-8140	CLE expenses	Mostly food expenses for education sessions
6-8170	Publicity	
6-8180	Program expenses general	
6-9000	**Office Assets**	
6-9100	Equipment	Items under $1,000
6-9120	Leased equipment	
6-9150	Depreciation	Adjusted quarterly
6-9200	Replace equipment provision	Adjusted quarterly



Checklists

Contents

25. Checklists

The following sample timetables and checklists may assist the Financial Administrator to meet reporting requirements during the year.

Annual Timetable

MONTH	FINANCIAL REPORTS	TAX	OTHER
JULY	• Monthly income & expenditure report for Management/Board meeting • Last qtr year-to-date Centre reports for Management • Last qtr year-to-date grant reports • Second year-to-date bi-annual grant reports • Final budget for the new year due to funders and Management Committee/Board • Payroll reconciliation and Payment Summary (formerly group certificate) preparation due 14th	• PAYG 28th • GST 28th • BAS 28th	• Superannuation 14th
AUG	• Monthly income & expenditure report for Management /Board meeting • Final accounts & work papers submitted to auditor for audit and preparation of Centre financial reports • Payment summary return due to tax office 14th	• PAYG 21st	• Superannuation 4th
SEPT	• Monthly income & expenditure report for Management/Board meeting • Audited financial statements due to funders 30th	• PAYG 21st	• Superannuation 14th
OCT	• Monthly income & expenditure report for Management meeting • First qtr year-to-date Centre reports for Management • First qtr year-to-date grant reports for funders	• PAYG 28th • GST 28th • BAS 28th	• Superannuation 14th
NOV	• Monthly income & expenditure report for Management meeting	• PAYG 21st	• Annual General Meeting of Association • Superannuation 14th

Annual Timetable cont.

MONTH	FINANCIAL REPORTS	TAX	OTHER
DEC	• Monthly income & expenditure report for Management meeting • Annual return to Department of Fair Trading for Incorporated Associations	• PAYG 21st	• Dept of Fair Trading return due 1 month after AGM • Superannuation 14th
JAN	• Monthly income & expenditure report for Management/Board meeting • Second qtr year-to-date Centre reports for Management • Second qtr year-to-date grant reports for funders • First bi-annual grant reports for grants	• PAYG 28th • GST 28th • BAS 28th	• Superannuation 14th
FEB	• Monthly income & expenditure report for Management/Board meeting	• PAYG 21st	• Workers Compensation estimates return due 13th • Superannuation 14th
MARCH	• Monthly income & expenditure report for Management/Board meeting	• PAYG 21st	• Workers Compensation actual audited return due 13th • Superannuation 14th
APRIL	• Monthly income & expenditure report for Management /Board meeting • Third qtr year-to-date Centre reports for Management • Third qtr year-to-date grant reports for funders	• PAYG 28th • GST 28th • BAS 28th	• Superannuation 14th
MAY	• Monthly income & expenditure report for Management meeting	• PAYG 21st	• Superannuation 14th
JUNE	• Monthly income & expenditure report for Management meeting • Next year budget draft report for Management • Projected end of year figures to June Management meeting • Perform end of year procedures in MYOB Powerpay and roll over to new pay year	• PAYG 21st	• Superannuation 14th

Weekly Checklist

NO.	TASK	COMPLETE
1	Enter data to MYOB and process outstanding bills and salary sacrifice payments requested.	
2	Bank incoming money.	
3	Attend staff meetings.	
4	Monitor balances in bank accounts and transfer required funds to cover operating expenses.	
5	Back up MYOB.	
6	Check BBS daily for incoming emails.	
7	File all cheque requisitions and other documents processed.	
8	Payroll (fortnightly).	
9	Check that petty cash is balanced and reimburse if required.	
10	Ensure that the Coordinator/Executive Officer is aware of the balance of the operating account and the balance of salary sacrifice accounts. *In the absence of the Financial Administrator, the Coordinator/Executive Officer may need to draw a cheque, and therefore needs to know that funds are available.*	

Monthly Checklist

NO.	TASK	COMPLETE
1	**Pay PAYG tax:** By 21st : Aug, Sep, Nov, Dec, Feb, Mar, May, Jun. By 28th: Jul, Oct, Jan, Apr.	
2	**Pay Superannuation:** By 14th of each month.	
3	Reconcile to bank statements.	
4	Reconcile credit card statements.	
5	Pay union fees payable.	
6	Prepare monthly report on all expenses and income for the month for Management Committee meeting.	
7	File all documents processed.	

Quarterly Checklist

NO.	TASK	COMPLETE
1	Prepare quarterly Centre financial reports including accruals, prepayments update of assets register etc. for internal reporting. Make notes on variances from budget.	
2	Prepare quarterly grant reports for all grants for internal reporting.	
3	Prepare the relevant quarterly grant reports for submission to funders (in the required format).	
4	Prepare GST reports and Business Activity Statement for the quarter.	
5	Prepare Balance Sheet report for Management Committee meeting with notes on any major items of concern.	
6	File all documents processed.	
7	Ensure all old cheques are investigated and cancelled if required.	

Annual Checklist

NO.	TASK	COMPLETE
1	Arrange Annual General Meeting (if required to as part of the Financial Administrators role).	
2	Annual Return to Department of Fair Trading for Incorporated Associations.	
3	Prepare end-of-year financial reports for Centre — July.	
4	Arrange for audit of financial reports and preparation of audited financial statements — August.	
5	Have Management sign off on the audited statements — September.	
6	Send a copy of the audited statements to the funders and a report relating to their individual grant — September.	
7	Update insurance covers at renewal time.	
8	Workers compensation return.	
9	Prepare payment summaries and reconcile PAYG for ATO return — July.	
10	Budget preparation — June/July.	
11	Send copy of budget to funders — July.	
12	Roll over to new accounting year in MYOB.	
13	Complete end-of-year and roll over in Powerpay.	
14	Certificate of compliance completed for State program Manager.	

Payroll Preparation Checklist

NO.	TASK	COMPLETE
1	Check time sheets. Do they add up correctly? Has leave been taken?	
2	Add any new staff members to payroll records.	
3	Commence new pay run, ensuring the date is correct.	
4	Adjust each employee's pay for leave, mileage and leave loading on annual leave.	
5	Update each employee's record under 'history' for any leave taken.	
6	Print and check reports.	
7	Process pay run.	
8	Print two copies of superannuation reports (if end-of-month), PAYG reports and payslips.	
9	Finalise pay run..	
10	Back-up data file.	
11	Transfer data to MYOB accounting.	
12	Issue signed payslips with current balance of any salary sacrifice accounts written on the bottom of the payslip.	
13	Process any standard and requested salary sacrifice payments by either electronic transfer or cheque..	
14	File reports and copy of payslips.	
15	Print new time sheets and file in the time sheets binder.	

SCHEDULE 1 from CLSP Service Agreement

PAYMENT OF FUNDING

This Schedule is established in respect of the period 1 October 2005 to 30 June 2006

Total Commonwealth and state funds payable

Funding category: **$**	**Commonwealth** **$**	**State** **$**	**Total** **$**
{insert 1st funding category e.g., Generalist}	${insert amount for October 05 to June 06}	${insert amount for October 05 to June 06}	${insert amount for October 05 to June 06}
{insert 2nd funding category e.g. Child Support, etc.}	${insert amount for October 05 to June 06}	${insert amount for October 05 to June 06}	${insert amount for October 05 to June 06}
Etc			

Quarterly Payments

Funding category: **$**	**Commonwealth** **$**	**State** **$**	**Total** **$**
{insert 1st funding category e.g., Generalist}	${insert amount for October 05 to June 06}	${insert amount for October 05 to June 06}	${insert amount for October 05 to June 06}
{insert 2nd funding category e.g. Child Support, etc.}	${insert amount per quarter for this funding category}	${insert amount per quarter for this funding category}	${insert amount per quarter for this funding category}

All amounts in Schedule 1 are GST inclusive/exclusive.

Subject to subparagraph 4.4.1 of this Agreement, for each Financial Year of the Service Period, each Funding Body must use reasonable endeavours to ensure that:

(a) the first quarterly instalment payable by it in accordance with this Schedule is paid within 10 Business Days of the commencement of this Schedule, and

(b) each remaining quarterly instalment payable by the Funding Body in respect of that Financial Year is paid prior to the first Business Day of the Financial Year quarter to which the payment relates.

SCHEDULE 2 from CLSP Service Agreement

TIMETABLE FOR SUBMISSION OF REPORTS

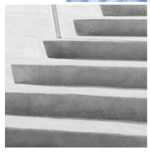
This Schedule is established in respect of the 2005–06, 2006–07 and 2007–08 Financial Years.

The following Reports are due for submission as follows:

Reports	**2005–06 Financial Year**	**2006–07 Financial Year**	**2007–08 Financial Year**
	Submission Date	*Submission Date*	*Submission Date*
CLSP Plan*	Already submitted	Not Required	Not Required
Annual Accrual Budget	Already submitted	31 July 2006	31 July 2007
Excess Surplus Spending Proposal	31 October 2005	31 October 2006	31 October 2007
Annual Targets	Already submitted	1 May 2006	1 May 2007
Income & Expenditure Report/s 1	31 October 2005	31 October 2006	31 October 2007
Progress Report 1	31 January 2006	31 January 2007	31 January 2008
Income & Expenditure Report/s 2	31 January 2006	31 January 2007	31 January 2008
Progress Report 2**	31 July 2006	31 July 2007	31 July 2008
Income & Expenditure Report/s 3	30 April 2006	30 April 2007	30 April 2008
Income & Expenditure Report/s 4	31 July 2006	31 July 2007	31 July 2008
Annual Report	31 September 2006	31 September 2007	31 September 2008
Audited Financial Statement	31 September 2006	31 September 2007	31 September 2008
Certificate of Compliance	31 September 2006	31 September 2007	31 September 2008

* The CLSP Plan and Annual Activity Targets for 2008–2011 are due on 1 May 2008.

** Not required for Organisations receiving up to $100,000 of Schedule 1 funds per Financial Year.



Sample Forms

Contents

26. Sample Forms

Salary Packaging

Acceptance of Salary Packaging Offer

NAME: ______________________________

I wish to join the Flexible Remuneration Package. I understand it is my responsibility to allocate sufficient funds to meet the liability nominated and provide correct details and substantiating documentation.

I would like the following payments made on my behalf:

FORTNIGHTLY PAYMENTS

Home Mortgage / Rent

Name of bank, building society or real estate agent: ______________________________

Address: ______________________________

____

Branch: ______________________________

Account or reference number: ______________________________

Bank account details including BSB for electronic payments: ______________________________

____

fortnightly amount $ ______________ annual amount $ ______________

☐ post cheque to creditor ☐ employee to receive reimbursement

☐ electronic payment to creditor

Credit card

Name of bank or agency: ______________________________

Address: ______________________________

____

Account number: ______________________________

fortnightly amount $ ________ annual amount $ ________

☐ post cheque to creditor ☐ employee to receive reimbursement

☐ electronic payment to bank
(only available for Commonwealth Bankcredit cards)

I understand that any payments to a credit card account must not be used to put the account into a credit or build up a credit balance. I understand that the credit card account must have a debit balance.

Other

Name of creditor: ______________________________

Address: ______________________________

____

Reference number: ______________________________

fortnightly amount $ ________ annual amount $ ________

☐ post cheque to creditor ☐ employee to receive reimbursement

☐ electronic payment to creditor

Signature: ______________________________ **Date:** ______________

Timesheet

[Name of the Organisation]	From:
Timesheet	To:

Timesheets due to the Finance Officer by [*insert date*]

Name ______________________________

Day	Date	Start	Finish	Lunch	Hours	Comment
Thu						
Fri						
Sat						
Sun						
Mon						
Tue						
Wed						
Thu						
Fri						
Sat						
Sun						
Mon						
Tue						
Wed						

Total hours including TIL from last period (A)		(1 day = 7.6 hours)
ACTUAL HOURS to be paid for this fortnight (B)		

Your normal hrs per fortnight or the total hrs to be paid from (A) whichever is the lesser

Hours time in lieu to carry forward to next fortnight (A-B)		

*Only a maximum of **[no. of hrs]** hrs (pro rata for part-time staff) can be carried forward*

Notes:

Bank Account Details for Payment of Salaries

Pay Details

Staff member's name: ____________________

Account 1

Name of Account (if different to staff member name): ____________________

____

BSB: ____________________

Account number: ____________________

Bank: ____________________

Account 2

Name of Account (if different to staff member name): ____________________

____

BSB: ____________________

Account number: ____________________

Bank: ____________________

Signed: ____________________

Date: ____________________

Personnel Record

PERSONNEL RECORD

NAME:

ADDRESS:

CONTACT PHONE:

DATE OF BIRTH:

SUPERANNUATION (FUND & NUMBER)

COMMENCED:

JOB TITLE:

CLASSIFICATION:

KEYS HELD:

DETAILS OF PERSON/PEOPLE TO BE CONTACTED IN AN EMERGENCY:

Name (1):

Address:

Phone:

Name (2):

Address:

Phone:

DO YOU HAVE ANY ALLERGIES TO ANY COMMONLY USED MEDICATION?

Yes / No

IF YES, PLEASE STATE:

EMPLOYMENT CEASED:

Leave Request Form

[Name of the Organisation]

SICK LEAVE / ANNUAL LEAVE REQUEST FORM

NAME: ______________________________

Please complete this form, have it authorised and submitted to the bookkeeper on the Wednesday prior to payday

1. Sick leave

With Medical Certificate	From: / / To: / /	Hrs =
Without Medical Certificate	From: / / To: / /	Hrs =

2. Leave requested:	*FROM* (DATE —first day absent)	*TO* (DATE —last day absent)	DAYS / HOURS
a) Annual	/ /	/ /	
b)	/ /	/ /	
c)	/ /	/ /	
d) Long service	/ /	/ /	
e) Bereavement	/ /	/ /	
f) Parental	/ /	/ /	
g) Study	/ /	/ /	

	DATE:		OUTCOME
3. Checked dates with Coordinator/EO?	/ /		
4. Taken to workers meeting	/ /		
5. Taken to Management Committee/Board	/ /		
6. Other leave taken without prior approval – Type of leave? ____________	From: / /	To: / /	Hours:
Approved by EO/Coordinator/Board	Date: / /		

SIGNED:

________________ or ________________ ________________

Coordinator/EO Board member Employee

Travel Claims

[Name of the Organisation]

TRAVEL (MILEAGE) CLAIM

EMPLOYEE: ____

VEHICLE USED (Make/Model/Engine): ________________________

DATE	FROM	TO	KMS	PURPOSE
TOTAL KMS TRAVELLED:				**@ $ = $**

Employee's Signature: ________________________

Authorised by: ________________________

Date: ________________________

Charge A/C: ________________________

Please submit the claim form together with your timesheet.

Your Comments

The *National Financial Management Guide* will be revised in 2008.
Your comments and suggestions will be used to do the update.

Please fill in the form below and fax to NACLC on 02 9264 9594 or email your comments to naclc@clc.net.au

1. Do you use the Guide? Yes / No

2. What did you find most useful?

i. Section:

Topic:

Comment:

ii. Section:

Topic:

Comment:

3. What should be deleted?

i. Section:

Topic:

Comment:

ii. Section:

Topic:

Comment:

4. What needs updating?

i. Section:

Topic:

Comment:

ii. Section:

Topic:

Comment:

Other comments or suggestions:

Thank you for your assistance and ideas.