



FINANCIAL MANAGEMENT POLICY FOR DIOCESAN SYSTEMIC SCHOOLS

October 2015

1. PURPOSE

This policy outlines the approach to financial management taken in the Diocesan Schools System for the Diocese of Broken Bay (DSS). The policy covers financial planning, control, administration and reporting.

The DSS operates within a comprehensive, integrated God-centred view of reality, the Catholic world view. The DSS actively promotes the Catholic Worldview and its understanding of creation. In doing so, it affirms every individual person as made in the image of God Gen 1:27 and encourages all to exercise stewardship of creation.

The Diocesan Schools System of Broken Bay (DSS) promotes a culture of open, honest and accountable stewardship of its financial resources. The DSS is accountable to both the Federal and NSW State governments for the manner in which funding provided by government is expended. Similarly it is responsible to parents for the manner in which funds provided through school fees are expended. In addition, as a Church organisation there is a significant responsibility associated with being stewards of the temporal resources of the church:

- responsibility to safeguard the Church's assets,
- to exercise prudence in financial matters,
- be accountable to those who provide monetary support to the Church,
- to comply with all legal requirements

2. FRAMEWORK

The DSS financial management framework is comprised of the policy, structure, systems, processes and practices adopted by the DSS to manage its finances. It includes systems for planning, monitoring and reporting on its financial and operational performance. The elements involved in the financial management framework are as follows:

1. Financial governance
2. Organisation structure and delegations
3. Strategic planning and operational budgeting, both recurrent and capital
4. Financial reporting and internal control
5. Operational practices and procedures
6. Risk management and assurance processes

3. POLICY CONTENT

Financial governance is the manner in which an organisation allocates and controls its financial resources in order to achieve its strategic goals and operational objectives. The DSS's approach to financial governance involves:

- defining roles and responsibilities in terms of financial management
- establishing appropriate policies, systems and processes
- identifying, assessing and managing risks
- monitoring via regular meetings and accurate and timely and fit-for-purpose reporting practices
- utilising a modern and robust financial management system, and
- employing suitably qualified and experienced staff to manage financial resources.

3.1 Organisation structure and delegations

The DSS's financial governance structure comprises:

- DSS principals

- the CSO Leadership
- the Finance Committee of the Diocesan Schools Advisory Board
- the Diocesan Audit and Risk Committee which oversees external and internal audits, and
- the Diocesan Finance Committee

DSS Principals

School principals have significant autonomy over the stewardship of school based resources. They are advised by DSS policy and suitably qualified staff to ensure that this stewardship is informed by best practice and the resources are used to meet the strategic goals of the school.

CSO Leadership Team

The CSO Leadership team plays an active role in providing leadership in relation to the stewardship of DSS resources. The Head of Financial Services is tasked with monitoring financial performance and compliance with policies relating to financial management.

The Finance Committee of the Diocesan Schools Advisory Board

The primary objective of the Finance Committee is to advise the Director of Schools on aspects of financial policy from a DSS-wide perspective. Further elaboration regarding the role and objectives of the Committee is contained in the Committee's terms of reference.

The Diocesan Audit and Risk Committee

The Diocesan Audit and Risk Committee provides assurance to the Diocesan Finance Committee and the Bishop. Further elaboration regarding the role and objectives of the Committee is contained in the Committee's terms of reference.

The Diocesan Finance Committee

The Diocesan Finance Committee is established in accordance with the Code of Canon Law (c 492 §1). It is a committee of vigilance and is not engaged in day-to-day administration. However, where appropriate, the Committee advises the Bishop on administration and its improvement. The Finance Committee of the Diocesan Schools Advisory Board reports to the Diocesan Finance Committee providing final budgets and annual accounts with recommendations to the Bishop for acceptance.

3.2 Strategic Planning and Operational Budgeting

Strategic planning

Strategic planning processes inform the DSS planning and budget cycle. The Strategic Plan establishes high-level objectives and initiatives from which annual plans and budgets are developed.

Annual plan

The DSS annual plan incorporates relevant aspects of the strategic plan. It focuses key activities and establishes clear targets and strategies.

Operational budget

The annual budget process is an important tool for translating strategy into annual operations. The budget determines the allocation of resources and drives annual work plans. The budget process is both formal and structured. The budget is driven by established formulas (for example staffing) and is informed by the strategic and annual plan. The budget reports both recurrent and capital elements and a consolidated position.

Budget approach

The DSS adopts a *zero-based* budget approach as opposed to an *incremental* approach. A zero-based approach evaluates every element of the budget thoroughly, starting from a zero base rather than considering year to year changes in each element. This approach

efficiently allocates resources based on need and benefit rather than relying on historical levels of income and expenditure. It drives cost effective budgeting for operations. It requires greater active involvement from the Leadership Team in the budget decision making process.

Retained earnings and reserves

Retained earnings and reserves enable the DSS to:

1. ensure financial capacity to enable delivery of service obligations into the foreseeable future
2. meet any unexpected or urgent expenditure
3. manage variations in expected budget income due variations in budgeted enrolments
4. allow for investment in strategic initiatives, and
5. allow for investment in infrastructure, maintenance and development

The “Retained Earning Policy” sets minimum targets to ensure that these risks can be effectively mitigated.

3.3 Financial reporting, system data management and internal control Compliance

Financial compliance involves acting in accordance with external, laws and regulations and rules and establishing internal systems of control to ensure these requirements are met.

External financial reporting requirements

The DSS financial year ends on 31 December.

The DSS is not a reportable entity in relation to the *Corporations Act 2001*. However it is required to comply with a wide range of legislation and regulations at both Commonwealth and State level.

Internal financial reporting requirements

A number periodic management accounts reports are prepared to meet users’ requirements.

3.4 Operational practices and procedures: Financial reporting principles

The following conventions are applied for monthly and annual reporting:

Special purpose financial reports: The DSS prepares special purpose accounts for the use of the Bishop. The accounts are prepared in compliance with Australian Accounting Standards. Some of the Standards are non-applicable for special purpose accounts. Note 1 of the report includes a comprehensive statement of the DSS’ accounting framework.

4. RISK MANAGEMENT AND AUDIT PROCESSES

Risk Management

Risk management is the culture, processes and structures that are directed towards the effective management of situations that have the capacity to have adverse effects within the organisational environment. Further information is contained in the CSO Risk Management Framework and Guidelines.

Audit

External audit

As part of the funding agreement relating to the receipt of government funds and completion of Financial Questionnaire and Financial Accountability, the DSS accounts are externally audited. The Diocesan Audit and Risk Committee has responsibility for review of the annual external audit plan and the appointment of the external auditor. It is the responsibility of the external auditor to express an opinion on the annual financial report. In particular, the opinion is to provide reasonable assurances as to whether the financial report is free from

material misstatement. The external Auditor also provides a management letter highlighting areas of improvement relating to financial management.

Internal audit

The Diocese has an independent and objective Internal Audit function that reports directly to the Diocesan Audit and Risk Committee under the authority of the Bishop and the Diocesan Finance Committee to provide assurance that the Diocese, including the CSO and schools operate transparently, comply with policies and procedures, have processes or systems have been designed to prevent fraud from occurring and that there is wise stewardship of resources. Internal Audit supplements the work of the external auditor and other assurance providers through reviewing and evaluating operational, financial, risk management, control and governance processes.

5. RELATED POLICIES

This policy should be read in conjunction with the following:

DSS Code of Conduct
DSS Conflict of Interest Policy
DSS Risk Management Policy
DSS WHS Policy

The following policies address specific areas of financial management:

- DSS Corporate Credit Card Policy
- DSS Delegation Policy
- DSS Fraud Policy
- DSS Salary Packaging Policy

It is expected that additional policies addressing other areas of financial management will be issued.

POLICY REVIEW

This policy will be reviewed at least once every five years.

POLICY DATES

Policy date of completion of formulation and adoption
Date of next review

October 2015
October 2020

authorised by
Peter Hamill
Director of Schools