

### 12. NZSTA Financial Management

#### A. *Background*

*This policy should be read in conjunction with 1a – Policy definitions.*

#### B. *Strategic direction*

The NZSTA governing Board authorises the GM to manage the day-to-day financial affairs of the Association according to the requirements of this policy.

The GM must carry out this duty in a manner which protects and enhances NZSTA's ongoing financial strength.

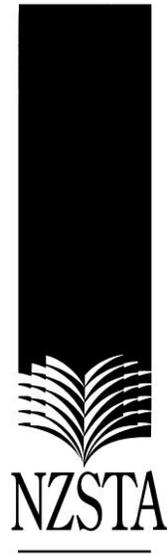
#### C. *Operational requirements*

##### **Board Approvals**

1. NZSTA financial management and reporting are consistent with generally accepted accounting standards and financial reports to the Board give a true and accurate account of the financial affairs of the Association.
2. The GM may only permit NZSTA to incur only such debts as have been approved by the Board in accordance with its policy framework.
3. The GM may authorise the use of NZSTA funds only to further NZSTA's purpose and properties as approved by the Board through the budget process, or where the expenditure falls outside the Board's projected budget, with the specific prior approval of the Board.
4. The Board will approve any financial plans and reports presented to it only when it is satisfied that:
  - a. all government and non-government funding is separately accounted for and can be clearly identified in both budget and output reporting,
  - b. the source of funding for any given purpose is clearly and unambiguously identified,
  - c. no one person has complete authority over any of NZSTA's financial transactions, and
  - d. any expenditure on new unbudgeted items beyond a \$10,000 limit on a single project or line item has prior authorisation from the Board. This limit applies to the cumulative expenditure on any project or line item that may be paid for in stages, including but not limited to, hire purchase or other financial arrangements, part payments or progress payments.

##### **NZSTA Financial Planning and Reporting**

5. Financial reporting to the Board is presented in a way that enables all Board members to understand the meaning of the reports, and gives a true and accurate account of NZSTA's financial affairs.
6. All NZSTA financial planning and reporting must:
  - a. be soundly prepared, supported by all reasonable information available at the time of preparation,
  - b. reflect currently accepted good practice,



## **NZSTA POLICY FRAMEWORK INTEGRATED POLICIES**

- c. reflect and promote the Board's strategic objectives and priorities,
- d. identify and take due account of any risks or uncertainties in NZSTA's operating environment that may affect NZSTA's financial position or the effectiveness of projected activity,
- e. supplement its numerical data, analysis and projections with a plain language analysis and commentary that makes clear the substantive implications for the Board of approving, amending, or rejecting the budget or report being considered,
- f. be accompanied by any formal recommendations that, in the General Manager's professional opinion, the Board should consider acting upon, and
- g. must be audited annually by a reputable accounting organisation such as BDO.

### **NZSTA Operating Budget**

- 7. The GM is the delegated the responsibility to research and develop NZSTA's overall annual operating budget for presentation to the Board.
- 8. The annual budget must:
  - a. reflect a mix of ongoing operational requirements and the strategic issues identified in the Board's strategic plan,
  - b. reflect both expenditure and revenue projections,
  - c. provide projected expenditures that are within reasonable estimates of revenue during the period covered by the budget,
  - d. contain sufficient detail to allow an accurate projection of revenues, expenditures and capital movement,
  - e. identify NZSTA's true cash flow position openly and transparently,
  - f. create a complete and accurate audit trail, and
  - g. make adequate provision for repairs and maintenance of all NZSTA property and physical resources.

### **NZSTA Regional Budgets**

- 9. The GM will obtain the President's approval for operating budgets for each NZSTA Regional Executive annually before it is incorporated into the NZSTA operating budget.

### **Investments**

- 10. NZSTA's investment assets must be invested in such a way as to maximise long term total returns consistent with prudent levels of risk, whilst maintaining sufficient liquidity to enable NZSTA to meet its day-to day financial commitments.
- 11. The Board will determine the appropriate level of risk for NZSTA investments (such as exposure to equity investments and variability of returns) taking into account the practical difficulties that result from capital losses, be they realised or not.
- 12. The Board delegates to the GM authority to invest and manage NZSTA assets on the following conditions:
  - a. All available funds are securely invested to achieve the maximum long term consistent return with a low tolerance to risk.

## NZSTA POLICY FRAMEWORK INTEGRATED POLICIES

- b. All investments individually and collectively are consistent with the Board's policy framework.
- c. NZSTA's portfolio of investments meets the investment interest goals set in the Board's annual operating budget.
- d. The GM reports on NZSTA's investment portfolio at each Board meeting to ensure the Board meets its fiduciary obligations.

### Physical assets and resources

13. All physical assets and resources must:
- a. be appropriate and fit for purpose in meeting NZSTA's goals and objectives,
  - b. meet all legal and regulatory requirements, and
  - c. be maintained in safe and effective working order.
14. All NZSTA premises must meet all relevant local and/or government standards and/or any other statutory or minimum code requirements.
15. The GM must ensure that an asset register is maintained and regularly reviewed, taking into account the usability and lifespan of all items contained therein.

### NZSTA General Reserves

16. The GM must establish and maintain an NZSTA general reserve fund in order to provide protection in the event of unexpected or drastic reductions in income.
17. The GM will present a recommendation to the Board at the end of each financial year seeking permission to top up the reserve to a sum that is:
- a. not less than \$1,000,000,
  - b. not less than 1% of NZSTA's annual turnover, and
  - c. sufficient to discharge NZSTA's current liabilities, including any redundancy, leave or other amounts owed to NZSTA employees or contractors.
18. The GM may use the reserve fund only with the prior approval of the Board.

## ***Reviewed and approved by the Board***

On this date:

8 July 2016

Signed on behalf of the Board

Lorraine Kerr

President

