

## **FINANCIAL POLICY**

### **1. PRINCIPLES OF RESPONSIBILITY AND ACCOUNTABILITY**

CHELSA is a registered Public Benefit Organisation (PBO), with supporting constitution and defined membership structures, governed by common law (Roman-Dutch), which has not been codified. Its operation is partly regulated by the Non Profit Organisations Act 1997.

As a voluntary organisation, the operation of which is governed by its constitution, CHELSA is not legally obliged to appoint a Public Officer or Accounting Officer. However, these roles have particular purpose and meaning and they are in broad use in the South African context. CHELSA has therefore accepted third party advice to make such appointments in order to inform its internal decision-making in regard to responsibility and accountability within the organisation and to ensure good governance. The Treasurer will act as CHELSA's Public Officer and CHELSA will appoint an Accounting Officer each year at its Annual General Meeting.

### **2. TREASURER/PUBLIC OFFICER**

A Public Officer is the representative taxpayer for an organisation and will serve as the face of the company for tax purposes. All actions carried out by the Public Officer are deemed to have been done by the organisation. To qualify as a Public Officer a person has to be a natural person who is resident in South Africa. The Public Officer is responsible for attending to the tax affairs of the organisation and is deemed to be answerable for the numerous activities and duties which are required to be performed by the organisation, including, inter alia: the submission of annual tax returns; registration as a taxpayer and as an employer; submission of employees tax; monthly declarations and annual returns; notification of address changes and acceptance of notices served against the organisation.

In addition to the Public Officer role, the Treasurer, will be the officer ultimately responsible for the control of all financial activities within CHELSA, and through appropriate responsibility structures and financial reporting, will regularly monitor and manage expenditure. The Treasurer is responsible for supplying the Executive Committee with comprehensive documentation in support of expenditure, and it may reasonably demand this if it is not provided.

It is the responsibility of the Treasurer to monitor all expenditure, in particular expenditure against budget. It is the responsibility of the Executive Committee to jointly and severally oversee expenditure compliance and expenditure sustainability

### 3. ACCOUNTING OFFICER

The Accounting Officer has the responsibility of accounting for the day-to-day income and expenditure of the operation. This may be a full-time or part-time staff position, an out-sourced person or accounting firm, or a volunteer as befits the size and complexity of the organisation, its income and expenditure.

Given that Office Bearers at CHELSA are generally employed on a full-time basis, the appointment of an Accounting Officer will take place annually at the CHELSA AGM. The Accounting Officer will be a persona independent of the appointed Auditors. The Accounting Officer and the Treasurer will also be different, independent persona; the Accounting Officer to account for income, expenditure, assets and liabilities; the Treasurer to approve and oversee expenditure, budget compliance, financial sustainability and tax compliance.

- 3.1 An organisation may appoint as its accounting officer:
- a firm as defined in subsection (1) of the Public Accountants' and Auditors' Act, 1991 (Act No. 80 of 1991);
  - any person who is a member of a recognised profession listed in a notice referred to in subsection (2);
  - any other firm, if each partner in the firm is qualified to be so appointed; or
  - any other corporation, if each member of such corporation is qualified to be so appointed.
- 3.2 From these provisions, for a firm to be appointed as an accounting officer it must either be a common law partnership or a firm of accountants and auditors as defined in the Public Accountants' and Auditors' Act, 1991. A sole proprietor conducting his or her business under a business name (i.e. a name other than the name of its proprietor), therefore, cannot be appointed as a firm but will have to be appointed in his or her personal capacity.
- 3.3 In order to ensure that an organisation qualifies for appointment as accounting officer the firm or individual to be appointed must furnish the following additional information in its letter of consent to its appointment:
- The names of all the partners of the organisation;
  - the recognised professions to which each partner or member belongs;
  - the individual membership or practice number of each such partner or member; and
  - the practice number of the organisation allocated by the relevant recognised profession to the said organisation (Note: the membership or practice number of individual partners or members will not be accepted as the firm or close corporation will be appointed as accounting officer and not the individual partners or members).
- 3.4 Prospective accounting officers must, furthermore, note that the letter of consent to their appointment must be:
- on a letterhead containing the personal particulars of the accounting officer, if the appointment is made in a personal capacity [section 60 (4) (a) (i)];
  - on the letterhead of the firm, if a firm is appointed [section 60 (4) (a) (ii) and (iii)]; or
  - on the official letterhead of the close corporation, if a close corporation is appointed [section 60 (4) (a) (iv)]; and that it must be dated not earlier than three months prior to the date of lodgement.
- 3.5 Recognised Professions for Accounting Officers:
- The South African Institute of Chartered Accountants (SAICA)
  - Auditors registered in terms of the provisions of the Auditing Profession Act, 2005(CA)
  - The Southern African Institute of Chartered Secretaries and Administrators (ICSA)
  - The Chartered Institute of Management Accountants (CIMA)
  - The South African Institute of Professional Accountants (SAIPA)
  - The IAC who have obtained the Diploma in Accountancy (IAC)
  - The Association of Chartered Certified Accountants (ACCA)
  - The Chartered Institute of Business Management (MCIBM)
  - The South African Institute of Business Accountants (SAIBA)
  - The South African Institute of Government Auditors (SAIGA)

#### **4. PAYMENT SIGNATORIES AND PAYMENT RELEASE**

- 4.1 With the exception of payments made by credit card, all payments and account transfers will be made electronically, by EFT, in accordance with a daily limit imposed by the Executive Committee.
- 4.2 The Treasurer will initiate all EFT payments, which will be further authorised electronically by the Chairperson (or his/her delegate) on the same day of activating the payment.
- 4.3 A printout of all electronic transactions will be maintained by the Treasurer, a record of which will also be kept by the Accounting Officer.
- 4.4 Only EFT payments resulting from authorised expenditure will be allowed.

#### **5. GAAP COMPLIANCE**

- 5.1 The practices of the Accounting Officer will be in accordance with generally accepted accounting principles within South Africa.

#### **6. ACQUISITION OF THIRD PARTY GOODS AND SERVICES**

- 6.1 Suppliers of goods and services will be appointed on the basis of:
- The capability of the supplier to supply the goods and services at an acceptable price and within an acceptable timescale
  - The reputation of the supplier
  - A valid tax clearance certificate from SARS
  - Up to date registration if a CIPC registered company
  - Correctly headed business documentation (address and directors)
  - VAT details if registered for VAT
  - Broad Based Black Economic Empowerment (B-BBEE) credentials
- 6.2 Where possible, three quotations for the supply of goods and services will be obtained. The Executive Committee will approve the acquisition of third party goods and services.
- 6.3 Payment for good and services which are to be delivered will generally be made on receipt of said goods and services (pre-payment will not be acceptable). Where pre-payment is required to secure a service, e.g. airline booking or conference venue booking, then pre-payment will be acceptable.

#### **7. MANAGEMENT OF THIRD PARTY SUPPLIERS**

- 7.1 Performance of suppliers of goods and services will be annually reviewed by the Executive Committee.

#### **8. CONFLICT OF INTEREST**

- 8.1 Where a member of the Executive Committee has a potential conflict of interests in regard to issues under debate, the member should declare the conflict and recuse themselves from any ensuing

debate. Failure to do so is a material failure in good governance, and the committee member could face sanction if this is subsequently brought to light. Examples of conflict of interest include but are not limited to:

- A relationship with a party or organisation which is under scrutiny (personal friendship, relatedness through marriage or otherwise, etc.)
- A business interest with a party or in an organisation which is under scrutiny
- The potential for personal gain as a result of an issue under debate

## **9. PAYMENT OF EXCO MEMBERS**

9.1 No member of the executive committee will receive remuneration from CHELSA, regardless of the responsibilities carried or work undertaken. Legitimately incurred expenses are not remuneration.

## **10. LEVY COLLECTION (Annual Levies or Membership Fees)**

10.1 Invoices for levies due will be issued by the Treasurer (or his/her delegate) at the beginning of each financial year. Levies will be payable within 90 days. Failure to pay within 90 days will result in the temporary withdrawal of access to services offered by CHELSA, which sanction will continue until levies due are paid. Failure to pay levies due for an extended period will be taken up at the next AGM in regard to sanctions due.

## **11. FINANCIAL REPORTING**

11.1 The Treasurer will be responsible for reporting on finances to the executive committee and to members. In this regard the Accounting Officer will provide support and assistance on request.

11.2 A monthly cash flow statement will be tabled for the executive committee, as will statements of income and expenditure and cash reserves.

11.3 The Treasurer will be responsible for reporting on supplier performance and supplier payments and will make recommendations regarding changes in supplier appointments.

11.4 The Treasurer will be responsible for all statutory reporting to members, with the assistance of the appointed Auditors and the Accounting Officer.

## **12. ASSET MANAGEMENT**

12.1 The Accounting Officer will be responsible for maintaining an asset register for CHELSA, in accordance with information received from the Treasurer on assets acquired and disposed of, as approved by the Executive Committee.

12.2 The Accounting Officer will be responsible for asset depreciation in accordance with rates published by SARS.

## **13. CHELSA's BANK ACCOUNTS**

13.1 The Executive Committee will approve the opening or closing of bank accounts.

13.2 A minimum of one savings/transactional account will be held by CHELSA. This account will be used both to deposit income and pay costs via EFT.

- 13.3 Should EFT payments become too difficult to enact for certain payments, the Executive Committee will have the powers to approve a Credit card account, for use by the Treasurer, providing a modest credit limit is established, at no more than average monthly expenditure for CHELSA.
- 13.4 Should multiple accounts be in place, it will be the responsibility of the Treasurer to ensure that the maximum returns are achieved through diligent monitoring of account balances.

## **14. CHELSA'S BUDGET**

- 14.1 An annual budget will be prepared by the Treasurer in the second quarter of each year, approved by the Executive Committee in principle and then submitted to members at the AGM of the organisation, where it will be ratified or amended and ratified.
- 14.2 The budget will be prepared on the basis of zero-based budgeting principles, i.e. budgeting will not be a function of the previous year's budget, adjusted for inflation. Each budget will be established from first principles
- 14.3 The budget will be prepared with the sustainability of CHELSA in mind and in accordance with anticipated/planned income.
- 14.4 Budgeted expenses:
- Operating expenses for the CHELSA office: staff remuneration, office running costs (including rent, electricity, telephones, photocopier, stationery, travel, maintenance, staff training, insurance, bank charges and auditor's fees) and an amount for capital equipment upgrading are to be estimated for the coming year, based on the current year's budget and expected expenditure.
  - CHELSA Projects: Project Leaders / Managers (where applicable) based on proposals and requests for funding which have/will be approved.
  - Reserve Fund: An amount will be retained in a reserve fund. This may be used as bridging finance in the case of late payment of membership fees, or as start-up funding for an unbudgeted project, approved by the Executive Committee.

## **15. INCOME**

### **15.1 Operating income**

This is normally derived from membership fees and service levies, interest on investment and projected surplus at the end of the current year. Membership fees and service levies are applicable as determined by members at an AGM.

Invoices will be issued by the Treasurer (or his/her delegate), who is responsible for collecting amounts due to CHELSA. Records are maintained of all income related transactions.

### **15.2 External income**

This is derived from donations, grants, workshops, conferences, etc. Grants are solicited from foundations for specific projects of CHELSA. Fund-raising is primarily the responsibility of the Executive Committee.

When CHELSA activities generate additional external income, invoices or statements must be in the name of CHELSA and payments in the name of CHELSA.

### 15.3 Deposits

- All deposits will be made into the CHELSA savings account.
- Income records will be maintained in terms of originator and income class.
- Income received other than by EFT will be deposited within 48 hours of receipt and the deposit slip will become an accounting record of the organisation.

## 16 EXPENDITURE

### 16.1 Operating Expenditure

- CHELSA may or may not elect to employ staff on a part-time or full-time basis. However, an amount for expenditure on “bought-in” services will be budgeted for each year.

### 16.2 Travel Costs

- CHELSA office bearers delegated by the Executive Committee to conduct CHELSA business or represent CHELSA, may claim travel and accommodation expenses and funds may be advanced for expenditure to be incurred at a later date. Refunds will only be paid on presentation of supporting documentation and providing they are within SARS limits.
- It is the responsibility of recipients to account for their travel costs to the Treasurer by submitting supporting documentation. Any unspent funds must be returned and re-deposited in the CHELSA savings account within 14 days.
- Incidental expenses which were not budgeted for may be claimed and refunded on presentation of a motivation and supporting documentation to the Treasurer, if approved by the Executive Committee.

### 16.3 Project Expenditure

- The Treasurer is responsible for ensuring that details of income and expenditure relevant to a donor are kept in accordance with the donor’s stated reporting requirements.
- The Treasurer is responsible for ensuring that project expenditure is entirely in keeping with the donor’s stated project requirements.
- Project income and expenditure will be reflected as a line item in CHELSA’s financial reports with detailed Project expenditure reported as an appendix.

### 16.4 Attendance at Conferences/Workshops

- Prior to the commencement of conferences/workshops, a budget projecting income and expenditure will be submitted to the Executive Committee for approval. This will permit the organisation of advance payments for venues, flights, etc.
- A detailed set of records of all income and expenditure will be maintained for conferences/workshops.

### 16.5 Other Expenditure

- Any other expenditure, not included in an approved budget, may be motivated and approved by Executive Committee from time to time, provided it does not have a material impact on the organisation’s financial health. Expenditure or use of assets for personal purposes or gain will expressly not be permitted.

## 16.6 Approval of Expenditure

- All items of budgeted expenditure will be approved using the relevant expenditure voucher. These will be prepared and signed by the Treasurer and counter signed by the Chairperson. Any other expenditure, not included in an approved budget, must first be motivated by the Treasurer and approved by Executive Committee.
- The Accounting Officer will recommend a system of expenditure vouchers to be used by CHELSA.

## 17 VAT RECOVERIES

CHELSA is **not** registered as a vendor in respect of VAT.

## 18 FINANCIAL PROVISIONS BY MEMBERS

Each member shall bear all internal costs incurred by it in connection with its involvement in CHELSA and shall have sole discretion in determining such internal costs, i.e. no member will encumber CHELSA with costs incurred by them unless such costs fall within the approved budget or have been approved in advance by the Executive Committee.

## 19 INSURANCE COVER

CHELSA will obtain necessary insurance cover by a registered financial services provider for the contents of the CHELSA office, electronic equipment, and public liability. Claims will be subject to CHELSA paying the required excess, as per the individual insurance policy in force.

## 20 FINANCIAL YEAR

The financial year of CHELSA will run from January to December.

## 21 ANNUAL FINANCIAL STATEMENTS / ANNUAL AUDIT

A statement of income and expenditure during the previous financial year, as well as a balance sheet of CHELSA's financial position at the end of each financial year will be prepared by the external auditors appointed at the previous AGM. A set of financial statements together with the auditor's reports will be presented at the Annual General Meeting by the Treasurer, for approval.

The external auditors will draw on the accounting records of the Accounting Officer and any additional records maintained by the Treasurer in the creation of the audit report. The Treasurer and Accounting Officer will make themselves available to the auditors given reasonable notice, should they be required to answer queries arising during the audit.

The audit report and financial statements will be distributed to members as part of the documentation pack received by members prior to the AGM.

### **Appendix A:**

Monthly limit for Electronic payments (inter account transfers):	R 200,000.00
Monthly limit for Electronic payments (individual beneficiaries):	R 50,000.00

### **Appendix B: Preferred Suppliers of Services**

Existing preferred suppliers include but are not limited to:

Media Chef (Branding and Marketing) +27 12 346 5252

Octoplus Information Solutions +27 12 346 4823

### **Appendix C: CHELSA Bank Accounts**

ABSA Bank Savings Account:	91-8965-7860
ABSA Bank Investment Account:	92-9403-4385
Signatories:	Treasurer and Chairperson

### **Appendix D: Per Diem Rates (To be reviewed Annually)**

#### **South Africa**

- Per diem rates will be amended annually, published to members and will be in line with SARS approved rates.

#### **International**

- Per diem rates will be amended annually and published to members and will be in line with SARS approved rates.

Expenditure exceeding this, due to unforeseen circumstances, requires the approval of the Executive Committee.

### **Appendix E: Travel Re-Imbursement**

Flights:	Economy
Car Rental:	Class B
Accommodation:	Equivalent to South African 3-4 star grading.



**Appendix F: Appointed Auditors**

Exceptional Auditing Solutions

Practice number 901394

Place, Ground Floor, Corner Bronkhorst & Dey Street, Brooklyn

P. O. Box 50393, Moreleta Village, 0097

0828229214

0865437307

[elize@auditsol.co.za](mailto:elize@auditsol.co.za)

**Appendix G: Appointed Accounting Officer**

NK Accounting Services

N Kennedy ACMA, CGMA, Professional Accountant (SA), Master Tax Practitioner (SA)

CIMA Membership # 1-1GHBZ9, SAIPA Membership # 19227, SAIT Membership # M2443

Unit 34 Norma Jean Square, 244 Jean Avenue, Centurion, 0157

P.O. Box 68063, Highveld Park, 0169

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CHAIRPERSON



TREASURER