

## Australia China Business Council

### Finance Policy

**Effective: 11/06/2024**

#### 1. Purpose

The purpose of this policy is to specify a control framework to address operational risk arising from finance activities undertaken by the organisation as a whole and ensure each part of the organisation delegated to undertake finance activities:

- (a) understands their roles and responsibilities relating to those finance activities and the scope and limitation of their delegation; and
- (b) undertakes those finance activities in a controlled and consistent manner and in accordance with the risk appetite specified by the Board.

#### 2. Background

Under the Constitution, the Board has:

- (a) established a Finance Committee, chaired by the Treasurer, to assist it in making decisions relating to the financial management of the organisation as a whole in accordance with the Finance Committee Charter (attached);
- (b) delegated to each Branch Executive Committee the role and responsibility to undertake finance activities of their branch, and reserved all remaining responsibilities for itself; and
- (c) appointed a Chief Executive Officer and, subject to the Constitution, delegated to the Chief Executive Officer the day-to-day management of the organisation, including the responsibility to undertake finance activities of the organisation.

#### 3. Branch Treasurer

Each Branch Executive Committee must delegate to a member of that Branch Executive Committee the role and responsibility to undertake finance activities on behalf of the branch (**Branch Treasurer**). While the Branch Executive Committee may delegate the role and responsibility to undertake finance activities on behalf of the branch to the Branch Treasurer, the Branch Executive Committee remains ultimately responsible for the finance activities of the branch.

Within 14 days after the branch annual general meeting of members, each Branch Executive Committee must provide to the Treasurer written notice of that delegation to the Branch Treasurer.

In undertaking the finance activities of the branch, the Branch Treasurer must have regard to the law and the Constitution, including:

- (a) exercising due care, skill and diligence;
- (b) exercising their roles and discharging their responsibilities in good faith and in the best interests of the organisation;
- (c) avoiding a conflict of interest or a conflict of duty; and
- (d) refraining from making improper use of information gained through their role as Branch Treasurer or taking improper advantage of their role as Branch Treasurer.

#### 4. Branch service providers

Each Branch Executive Committee may employ staff or engage contractors to assist the Branch Treasurer in performing its obligations relating to undertaking finance activities on behalf of the branch. While the Branch Executive Committee may employ staff or engage contractors to assist the Branch Treasurer, the Branch Executive Committee remains ultimately responsible for the finance activities of the branch.

As at 01/04/2024, the Branch Executive Committee has appointed the Systems Manager to assist the Branch Treasurer in performing its obligations in undertaking finance activities on behalf of the branch.



## 5. Branch service providers

Each Branch Executive Committee may employ staff or engage contractors to assist the Branch Treasurer in performing its obligations relating to undertaking finance activities on behalf of the branch. While the Branch Executive Committee may employ staff or engage contractors to assist the Branch Treasurer, the Branch Executive Committee remains ultimately responsible for the finance activities of the branch.

As at 01/04/2024, the Branch Executive Committee has appointed the Systems Manager to assist the Branch Treasurer in performing its obligations in undertaking finance activities on behalf of the branch.

## 6. Cost centres

Each part of the organisation that undertakes finance activities are referred to as cost centres, and as at the date of this policy there are the following cost centres:

Part of organisation undertaking finance activities	Cost Centre
VIC Branch Executive Committee	VIC Branch
NSW Branch Executive Committee	NSW Branch
QLD Branch Executive Committee	QLD Branch
WA Branch Executive Committee	WA Branch
ACT Branch Executive Committee	ACT Branch
SA Branch Executive Committee	SA Branch
National Executive	NAT Office

## 7. Cost centre responsibilities

Each cost centre must:

- (a) maintain proper records in accordance with the standards and templates provided by the Finance Committee;
- (b) monitor financial performance by reviewing financial reports provided by the Treasurer against the approved budget for the cost centre;
- (c) manage accounts payable, accounts receivable and payroll relating to their employees and contractors;
- (d) approve expenses incurred by the cost centre in accordance with the expense approval process and expense limits specified in the ACBC Expense Authorisation & Reimbursement Policy (attached);
- (e) process and reconcile bank transactions using the finance platforms and systems approved by the Finance Committee;
- (f) process accounting entries using the platforms and systems approved by the Finance Committee;
- (g) approve transactions in banking portals within the Branch Treasurer's delegated authority;
- (h) prepare and provide timely and accurate budgeting and cash flow forecasting to the Treasurer;
- (i) prepare and provide timely and accurate monthly financial statements to the Treasurer;
- (j) assist the Treasurer in preparing financial reports for the Finance Committee;
- (k) ensure the Treasurer is informed via regular and timely reporting on financial performance, irregular financial transactions and any potential breaches; and
- (l) provide general assistance and support to the Treasurer on any finance related queries and questions.

## 8. Finance Committee responsibilities

The Finance Committee must:

- (a) procure and approve the organisation’s finance platforms and systems;
- (b) manage the organisation’s insurance program and corporate filings;
- (c) manage the organisation’s finance archives and records;
- (d) update and maintain the organisation’s policies and procedures relating to finance activities;
- (e) provide general advice to Branch Treasurers on finance queries and questions; and
- (f) ensure the Board is informed via regular reporting on consolidated financial performance.

## 9. Recharge

Below is an outline of the recharge process for costs incurred by the National Executive cost centre on behalf of the whole organisation:

- (a) for costs that can be directly attributed to a specific cost centre, those costs are recharged to that cost centre in full. Examples include costs relating to IT licences.
- (b) for costs that can’t be directly attributed to a specific cost centre, those costs are recharged to each cost centre in the same proportion as the membership income received by that cost centre divided by the total membership income of the organisation. Examples include costs relating to the organisation’s platform and systems, insurance program and corporate filings, office rent and salaries relating to support services.

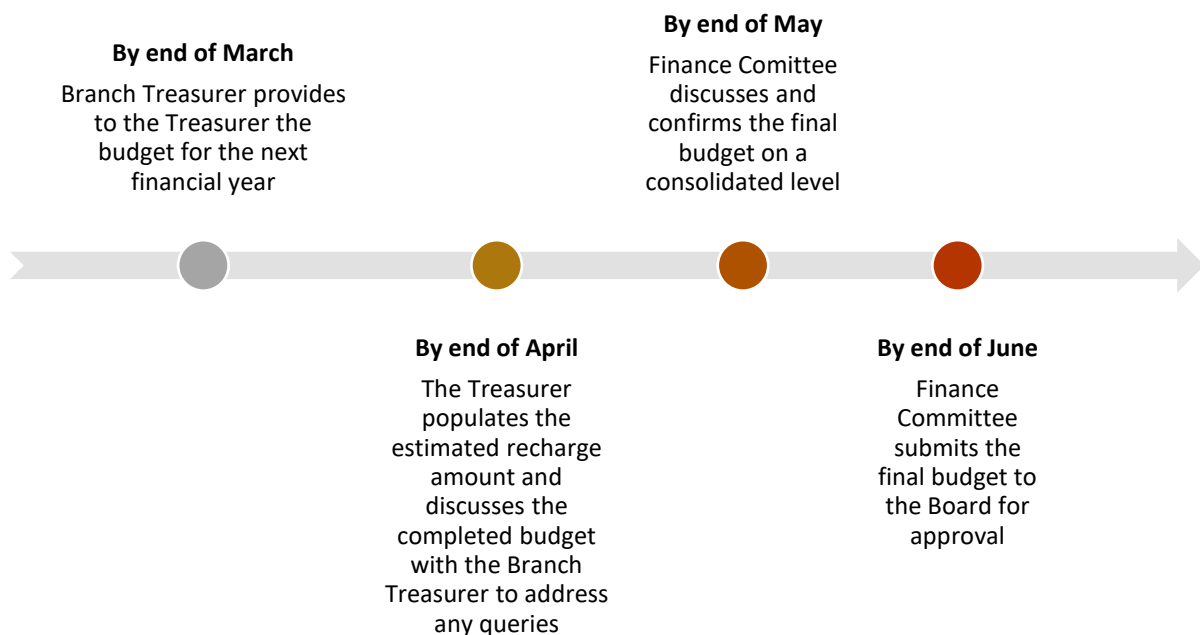
## 10. Budget

Each year, the Finance Committee must prepare and finalise a consolidated budget for the organisation and submit the consolidated budget to the Board for approval. The Finance Committee must oversee the annual budget process and each Branch Treasurer must prepare a budget for their branch and provide assistance to the Finance Committee during the annual budget process. The Board may review and approve the consolidated budget submitted by the Finance Committee.

The organisation targets to achieve a balanced budget at branch level and at a consolidated level.

Once the consolidated budget has been approved by the Board, each Branch Treasurer must undertake the finance activities of their branch in accordance with the approved budget.

Below is an outline of the budget process for each financial year (from 1 July to 30 June) for each cost centre:



## 11. Audit

Each year, the Finance Committee must engage an external auditor to undertake an annual audit of the financial accounts of the organisation and submit the audited financial accounts to the Board for approval. The Finance Committee must oversee the annual audit process and each Branch Treasurer must provide assistance to the external auditor during the annual audit process. The Board may review and approve the organisation's audited financial statements submitted by the Finance Committee.

## 12. Liquidity

The organisation measures liquidity using the cash ratio and the quick ratio.

In order to ensure that there are sufficient funds available to meet its financial commitments in a timely manner and plan for unforeseen events which may decrease cash flow, the organisation targets:

- (a) A cash ratio of between 0.75 and 1.25 at an individual cost centre level and at an overall consolidated level; and
- (b) A quick ratio of 1.5 at an individual cost centre level and at an overall consolidated level

Where:

- Unforeseen events may include an unplanned decrease in income, an unplanned increase in expenses or business disruption;
- Cash Ratio = Cash / Current Liabilities

If the cash ratio is equal to or greater than 1, it indicates the organisation has enough cash and cash equivalents to meet all short term obligations if they were due at the same time. If the cash ratio is less than 0.5, it indicates the organisation has twice as much short term liabilities compared to cash.

- Quick Ratio = (Cash/Cash Equivalence + Accounts Receivables) / Current Liabilities

If the quick ratio is less than 1, it indicates the organisation doesn't have enough cash or cash equivalents to meet all short term obligations if they were due at the same time. If the quick ratio is more than 1, it indicates that the organisation remains solvent in the short term.

Within 14 days after the end of each quarter, each Branch Treasurer must report the above ratios to their Branch Executive Committee and the Treasurer. At each Board meeting, the Treasurer must report the above ratios at an individual cost centre level and at an overall consolidated level to the Board.

## 13. Bank accounts

Each cost centre may open a bank account, provided it has been approved by the Board.

In order to obtain Board approval, the Branch Treasurer for the relevant cost centre must submit a proposal to the Board specifying the following:

- (a) basis for opening the bank account;
- (b) costs associated with opening the bank account;
- (c) interest rate of the bank account and its comparatives;
- (d) tax associated with opening the bank account;
- (e) risks associated with opening the bank account;
- (f) procedures applicable to monitoring and managing the bank account; and
- (g) who controls the bank account, which must include the Branch Treasurer and at least one other executive approved by the Treasurer.

Within 14 days after the end of June and December each year, each Branch Treasurer must report on the status of the bank account to their Branch Executive Committee and the Treasurer, including the account status and authorised signatures. At each Board meeting, the Treasurer must report on the status of all bank accounts at a consolidated level to the Board.

#### **14. Investments**

Each cost centre may invest surplus cash, provided the investment accords with the Constitution, does not affect the organisation's tax free status and has been approved by the Board.

In order to obtain Board approval, the Branch Treasurer for the relevant cost centre must submit a proposal to the Board specifying the following:

- (a) basis for making the investment;
- (b) costs associated with making the investment;
- (c) tax associated with making the investment;
- (d) risks associated with making the investment;
- (e) procedures applicable to monitoring and managing the investment;
- (f) accounting policy applicable to the investment; and
- (g) who controls the investment, which must include the Branch Treasurer and at least one other executive approved by the Treasurer.

In order to ensure that there are sufficient funds available to meet its financial commitments in a timely manner and plan for unforeseen events which may decrease cash flow, the Board may approve any of the following liquid investments:

- (a) short-term term deposit of between 3 and 7 months' duration;
- (b) exchange-traded funds investing in cash or cash equivalence; and
- (c) exchange-traded funds investing in fixed income.

Any investment in shares or equities, foreign exchange, derivatives or any other speculative transactions must be approved by the Board.

Within 14 days after the end of June and December each year, each Branch Treasurer must report on the status of the investment to their Branch Executive Committee and the Treasurer, including the returns and any risk to liquidity. At each Board meeting, the Treasurer must report on the status of all investments at a consolidated level to the Board.

#### **15. Audit and assurance**

Within 14 days after the end of each financial year, each Branch Treasurer must provide to their Branch Executive Committee and the Treasurer a written assurance that this policy has been complied with. From time to time, the Treasurer may undertake an audit of compliance with this policy and report to the Board on compliance with this policy.

#### **16. Breach register**

If there is a breach of this policy, the relevant Branch Treasurer must notify their Branch Executive Committee and the Treasurer immediately after becoming aware of the breach, specifying the following:

- (a) the cause of the breach;
- (b) the impact of the breach;
- (c) any actions taken to rectify; and
- (d) any actions taken to mitigate future recurrence.

The Treasurer must maintain a breach register and must enter any breach in the breach register. The Branch Treasurer must either rectify the breach or seek Board approval for the breach.

#### **17. Reporting and updating**

Below is a summary of the reporting and updating requirements specified in this policy:



No	Content	Frequency	From	To
1	Branch Treasurer delegation reporting	Annual	Branch Executive Committee	Treasurer
2	Budget reporting	Annual	Branch Treasurer	Branch Executive Committee, Treasurer
3	Audited financial accounts	Annual	Treasurer	Board
4	Financial statements reporting	Monthly	Branch Treasurer	Branch Executive Committee, Treasurer
5	Financial updating	Quarterly	Treasurer	Board
6	Liquidity updating	Quarterly	Branch Treasurer	Branch Executive Committee, Treasurer
7	Bank accounts updating	Semi-annual	Branch Treasurer	Branch Executive Committee, Treasurer
8	Investment updating	Semi-annual	Branch Treasurer	Branch Executive Committee, Treasurer
9	Breach reporting	Ad hoc	Branch Treasurer	Branch Executive Committee, Treasurer

**18. Board approval**

This policy is approved by the Board and can only be amended with the Board’s approval.

**19. Questions or queries**

If a Branch Treasurer has any questions or queries relating to the operation of this policy, they are encouraged to contact and discuss with any of the following key contacts:

Branch Executive Director	the key connection between the Board and the Branch Executive Committee
Chief Executive Officer	Tom Parker - <a href="mailto:Tom.parker@acbc.com.au">Tom.parker@acbc.com.au</a>
Treasurer	Lucy Peng – <a href="mailto:treasurer@acbc.com.au">treasurer@acbc.com.au</a>