



AUSTRALIAN DENTAL ASSOCIATION VICTORIAN BRANCH INC.

BRANCH POLICY STATEMENT 2.01

FINANCE AND AUDIT

1. INTRODUCTION/ PURPOSE

This policy provides guidance to Council, Finance Risk and Audit Committee members and Branch staff on the governance and administration of ADAVB finances. The duties of directors and the role of the Finance Risk and Audit Committee should be read in conjunction with this policy.

2. ANNUAL REPORT

2.1 In Newsletter

The short form version of the ADAVB Annual Report shall be approved for distribution to Members as an insert in the October edition of the Branch Newsletter.

2.2 Integration with Strategic Overview

The Annual Report and Strategic Overview shall be integrated, published in full on the Branch homepage and be made available for members on request as a full printed copy.

3. METHODS OF PROCUREMENT

The ADAVB secretariat may use various forms of making purchases, the procedures and guidelines for the utilisation of credit cards, PayPal, online auctions and petty cash are to be found in Appendix 1.

4. RESERVES OF THE BRANCH

4.1 The contingency and investments reserves of the Branch should be a figure equivalent to one full year's subscriptions.

4.2 That the reserves of the Branch be identified against the following categories:

- Protected (including Benevolent Fund, Leave Provisions, future capital works)
- Contingency
- Investments
- Buildings

5. INVESTMENT

5.1 Authority

The Chair of the Finance Risk and Audit Committee and Chief Executive Officer are jointly authorised to implement investment action recommended by the Branch's financial advisers, according to this Branch Policy Statement, with subsequent report to the next meeting of Executive Committee and mention in Quarterly Management Reports to Council.

5.2 Portfolio

The following objectives shall be adopted for the Branch's investment portfolio:

- To establish and maintain a conservative balanced portfolio with a time horizon of five to ten years.

- To build wealth in excess of inflation over the time horizon by the addition of investments offering capital growth in the medium term.
- To aim for a minimum of one year's Branch subscriptions maintained in reserve against catastrophic contingency.
- To aspire to build reserves, so that they make an increasingly substantial contribution to the generation of non-subscription revenues – in line with the Branch's Strategic Overview.
- To build reserves by the reinvestment of at least half of the dividends and interest earned within the investment portfolio.
- To achieve secure earnings, at least as attractive as currently available 90-day term deposit rates.
- To review portfolio strategy and performance annually, with expert advice.
- To achieve diversification across and within asset classes, using negatively correlated fund managers where appropriate.

In summary, the key objective is to minimise the likelihood of negative returns over a three to five-year period and maintain the real value of the investment portfolio. The Branch is willing to accept the lower return potential associated with a low tolerance of risk. A secondary objective is to ensure the portfolio generates a solid income stream. A large component of the portfolio will therefore be invested in cash and fixed interest securities.

5.3 Investment Strategy

The following strategy shall be adopted in relation to investment of Branch reserves in a conservative portfolio and fixed interest vehicles and equities within the following ranges:

Asset Class	Mandate
Domestic Equities (including REITS*)	10 -40%
International Equities	0 -20%
Fixed Interest – Domestic and Global	40-75%
Cash	10-35%

* Australian Real Estate Investment Trusts

Notes:

- The Branch sees its risk profile as low to moderate on income, low on capital and low on risk overall.
- The Branch's investment in the premises is not included within this investment portfolio.

6. LIABILITY INSURANCE

- 6.1 The Branch will ensure that there is adequate liability insurance for the Association's Directors and Officers.

7. SUBSCRIPTIONS & ACCOUNTS

- 7.1 Annual subscriptions and accounts may be paid electronically or by cheque or cash. Subscriptions paid monthly may only be paid by setting up an ongoing automatic electronic debit.
- 7.2 Payments as described in 7.1 above should be transferred to the Branch's operating account as soon as practicable.
- 7.3 A fee to recover the cost of administering overdue membership accounts may be charged for members whose subscriptions are in arrears for up to one month, and an additional fee may be charged for members whose subscriptions are in arrears for between one and two months, recognising additional administrative costs associated with the readmission process. Such fees are to be determined annually by Council as part of the budget process.

8. SUPPORT FOR DENTAL STUDENT MEMBERS

- 8.1 Joint support for dentist student societies in Victoria will be provided at a specified amount as agreed by the ADAVB and if appropriate a suitable sponsor. Funding support will align with strategic objectives to engage with student members, and include:
- Dentist student research projects (ADAVB/ eviDent/ Sponsor)
 - Student society administration (as required)
 - Selected activities included in the sponsorship prospectus
- 8.2 To the extent possible, equitable support will be provided to all Victorian dentist student societies.
- 8.3 The annual amount of funding that ADAVB provides for student support shall be as specified within the approved budget.

9. TENDER FOR AUDIT

The tender for audit services shall occur every three to five years.

10. PURCHASES

10.1 Equipment and Service Purchases

Acquisition proposals for major purchases or for service contracts - where costs anticipated:

- exceed \$5000 but less than \$15,000, three price comparisons should be obtained
- exceed \$15,000 but less than \$25,000, three quotations should be obtained from potential suppliers or contractors

10.2 Tenders and Contracts

- Tenders to be called whenever services in excess of \$25,000 p.a. value are sought
- Services valued in excess of \$25,000 p.a. and less than \$35,000 p.a. in total are subject to a formal letter of agreement approved by Council
- Where services valued in excess of \$35,000 p.a. in total are sought, a formal contract is required after Council approves the result of the tender.
- Such letters or contracts must specify the length of the agreement, which must not be greater than five years, unless otherwise approved by Council

10.3 Calling for Tenders

- Where the project involves costs of less than \$35,000 p.a.; tenders may be invited by direct contact with nominated individuals or organisations
- Where the cost of the project is expected to exceed \$35,000 p.a.; advertising for expressions of interest should be considered.
- Renewal of a tendered service may be approved by Council based on well documented recommendation from management.

12. GOVERNANCE AUDITS

In addition to the engagement of external auditors, to assist the Branch in meeting its statutory reporting obligations, the Council and the Finance Risk and Audit Committee conduct governance audits each year. Guidance Notes for these audits are provided at Appendix 2.

Branch Policy Statement Number	2.01
Adopted by Council	20 July 2009
Reviewed by Constitution and Policy Committee	15 January 2015 14 July 2015 20 August 2015 17 March 2016 22 February 2018

Amended by Council	6 December 2010 20 June 2011 20 February 2013 17 March 2014 16 March 2016 20 July 2015 12 October 2015 21 March 2016 20 February 2017 27 November 2017 26 March 2018 25 February 2019
Relevant Rules	
Relevant By-Laws	
See also	Historical policy reference 613/06, 393/05, 376/05, 83/02, 51/02, 186/01, 181/01, 29/01, 229/00, 67/00, 36/00, 149/98, 20/97, 311-12/96, 169/92

Appendix 1	ADAVB Methods of Procurement Procedures & Guidelines
Appendix 2	Guidance Notes – Conducting a Governance Audit



ADAVB METHODS OF PROCUREMENT

A. CREDIT CARDS

Introduction

A credit card will be made available to the CEO, the CPD and Training Manager, the Operations Manager and the Practice Plus team. It is the responsibility of these staff to comply with the following policy and guidelines.

Authorised Users

The credit cards are to be used for the sole purpose of making purchases which, due to their immateriality, urgency or restricted access, cannot be purchased through the normal purchase order processes.

Card Security

The cardholder must take maximum care in ensuring the safe custody of the credit card. It is the cardholder's responsibility to ensure that lost, stolen or misplaced cards are reported to the bank and the Finance Manager immediately.

Credit and Card Purchasing Limits

The cardholders must not exceed the following credit card monthly limits:

- CEO – not greater than \$28,500,
- CPD and Training Manager – not greater than \$15,000
- Operations Manager – not greater than \$500
- Practice Plus – not greater than \$1,000

Cash Advances

Credit card cash advance transactions are not allowed under any circumstances.

Authorised Expenditure

Use of the ADAVB credit card for private or personal expenditure is not allowed under any circumstances.

Card Usage

The ADAVB credit cards may only be used by the authorised cardholders.

Monthly Accounting Requirements

To enable the prompt monthly accounting process, all tax invoices and receipts are to be provided to the Finance Manager on a monthly basis, with explanation of each expense item and authorisation by both the card holder and one of the Branch's authorised signatories. It is the responsibility of the cardholders to ensure adherence with this policy and procedure.

GST Tax Invoices

All credit card transactions \$50 or greater must be supported by a tax invoice to enable ADAVB to claim input tax credits for GST paid. Accordingly, the cardholder must insist on suppliers providing appropriately formatted tax invoices for all purchases of \$50 or more.

B. PAYPAL

PayPal is a method of payment that permits a credit card to be attached to the PayPal account. Purchases on PayPal in this regard are effectively treated as a purchase on a credit card.

PayPal, like other credit card purchases, should only be used where other procurement methods are not appropriate.

Where payment by PayPal is required the PayPal account must be set up in connection with the CEO's ADAVB credit card and the CEO's work email address.

PayPal purchases using corporate credit cards must be monitored by the Chair of the Finance Risk and Audit Committee.

C. ONLINE AUCTION PURCHASES

All purchases using online auction facilities such as eBay and Gumtree require the prior approval of the CEO.

The ADAVB must not maintain a corporate purchase account for online auction houses.

Any purchases via online auction site will require an account and attachment of an ADAVB credit card to that account.

In determining whether an online auction site such as eBay is an appropriate source of supply, the CEO shall consider factors such as price, insurance, freight, warranty, after sales support, seller's location and alternative suppliers.

D. PETTY CASH

A petty cash float is an amount of cash held by the Finance Manager from which small payments may be made for goods and services.

Petty cash shall only be used for purchases up to a limit of \$100 where it is not appropriate to use either Purchase Orders or a credit card. Larger amounts should be reimbursed via EFT.

Evidence of expenditure such as a tax invoice and receipt should be attached to the petty cash voucher. If this is not possible e.g. parking fees, then the date, details of the event and reason for the expenditure should be written on the voucher.

Authorisation must be sought from the CEO, or relevant manager before purchasing goods or services wishing to be claimed through petty cash. All petty cash reimbursement vouchers must be authorised by the Finance Manager or CEO.

GUIDANCE NOTES – CONDUCTING A GOVERNANCE AUDIT

What is a Governance Audit?

An audit is an objective assessment of evidence which ensures that appropriate protocols and procedures are in place to manage risks, and that these protocols and procedures are being followed by Directors (Councillors) and/or those delegated to act on the Directors' behalf; usually committees and senior staff.

A key aim of governance (or internal) audits is to ensure that Directors and their delegates are meeting their legal and ethical obligations as Directors. A governance audit will seek to ensure that risks are properly managed and controlled, and compliance and reporting obligations are met. A risk can be defined as a probability or threat of damage, injury, liability, loss, or other negative occurrence that is caused by external or internal vulnerabilities, and that may be neutralized through pre-emptive action¹. The ADAVB Strategic Risk Inventory is updated by Branch Council as required, often on the advice of the Finance Risk and Audit Committee (FRAC), which has been charged with this responsibility.

As the Branch does not have an internal audit unit, external auditors are engaged by the Chair of FRAC, assisted by the other members of FRAC.

The Executive Officer of FRAC can provide administrative assistance (e.g. arranging meetings). However, to ensure the independence of the audit, Directors, committees and staff should not be given prior notice about what is being audited before data collection.

At the end of their term, the outgoing Chair and Deputy Chair should brief the incoming Chair and Deputy Chair about the audit procedures, and provide them with the audit record and copies of previous audit reports.

Process

1. FRAC meets to determine:
 - the areas of risk to be audited (these will generally come from the ADAVB Strategic Risk Inventory, but audits are not limited to risks included in this document);
 - which external auditor is responsible for auditing each risk (which will usually be the auditors appointed at the previous AGM, unless other expertise or independence is required); and
 - the timeline for collection of data/evidence.

¹ www.businessdirectory.com/definition/risk

2. The relevant external auditor contacts the CEO, relevant staff or external agencies (e.g. the bank) to obtain data/evidence on each of the risks to be audited.

Note: Before approaching staff or contractors for information, the external auditor must advise the CEO of those who will be approached, so he can authorise them to assist with access to sometimes sensitive information.

3. The external auditor obtains information on the accepted and/or approved procedures for handling this area of risk in an organisation, including legal responsibilities, usually selecting risks which have been identified on the Strategic Risk Inventory. The focus of the audit is then targeted on the controls specified for each of the nominated risk areas – including whether the controls are in use, and if so, how effectively they appear to be using whatever objective measures are available. Where staffing establishment or structural issues are identified, these fall outside the scope of governance audits, and these matters should be referred to the CEO for advice to Executive Committee.
4. FRAC meets to discuss the data/evidence obtained and whether this is in line with accepted practice/ agreed protocols/ compliance and reporting requirements.
5. The external auditor prepares a report on the audit findings for Council's consideration. This report should include:
 - areas of risk audited;
 - methodology;
 - findings;
 - strengths in current practices for handling each risk; and
 - recommendations for improvement, including how improvements could be made.
6. The CEO should be provided with reasonable time to provide comment on the report and recommendations, prior to the report being considered by Council.
7. Council considers the report and consults with management about any changes required.
8. Management work with staff to implement changes, where required.

Methodology

Methods used to collect data may include, but not be limited to:

- Talking to the CEO, relevant staff and/or contractors, ;
- Reviewing meeting papers;
- Reviewing files; and/or
- Reviewing financial records.

It is not necessary, or practical, to obtain all data/evidence about each risk being audited. Rather, external auditors should aim to collect a random sample of data. This will give an indication as to how the risk is usually handled, while causing minimal disruption to the normal operations of the organisation.

For example, if the focus of the governance audit was assessing that credit card use was within budget and policy limits, then requesting access to say two monthly statements over the past year, perhaps one from each half year, would provide opportunity to assess the pattern of use and adherence to requirements.

Supporting documents

ADAVB Strategic Risk Inventory

References

'Audit Committees – A Guide to Good Practice', The Auditing and Assurance Standards Board, Australian Institute of Company Directors and the Institute of Internal Auditors Australia, February 2008

Attachments

Attachment 1 - Audit Record Template

Attachment 2 - Audit Checklist

ATTACHMENT 1 – AUDIT RECORD

YEAR	RISKS/AREAS AUDITED	
1 (2011-12)	1	Investment portfolio
	2	IT back-up systems
2 (2012-13)	1	Insurance Policies
	2	Staff turnover
	3	CRO calls
	4	CPD – most cost effective
	5	Phone calls (Number of calls, who takes them and how they are directed)
3 (2013-14)	1	Long service leave entitlements
	2	Director training
	3	Electronic data protection
4 (2014-15)	1	IT cost benchmarking
	2	External contracts
5 (2015-2018)	1	None conducted due to review of audit procedures and extent of previous audits
	2	

The Executive Officer of FRAC will update this document each year following the audit.

ATTACHMENT 2 – AUDIT CHECKLIST

- | | | |
|---|---|--------------------------|
| 1 | First meeting date has been set | <input type="checkbox"/> |
| 2 | First meeting: | |
| | • Areas of risk to be audited have been agreed and external auditors engaged | <input type="checkbox"/> |
| 3 | External auditors confirm that data/evidence has been collected from the relevant staff and that information has been collected on the accepted practice for handling each area of risk, including legal responsibilities | <input type="checkbox"/> |
| 4 | Second meeting date set - External | <input type="checkbox"/> |
| 5 | Second meeting: | |
| | • Data/evidence has been reviewed | <input type="checkbox"/> |
| | • Accepted practices have been reviewed | <input type="checkbox"/> |
| | • Strengths have been identified | <input type="checkbox"/> |
| | • Recommendations for improvement have been identified | <input type="checkbox"/> |
| 6 | A report, including areas of risk audited, methodology, findings, strengths in current practices and recommendations for improvement, has been prepared for Council | <input type="checkbox"/> |
| 7 | The CEO has had an opportunity to review the report and respond | <input type="checkbox"/> |
| 8 | Council has considered the report and consulted with management about any changes required | <input type="checkbox"/> |
| 9 | Recommendations have been implemented | <input type="checkbox"/> |