CatholicCare
DIOCESE OF BROKEN BAY

Agency Financial Management

Policy

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Introduction

In carrying out activities to support its mission, CatholicCare Diocese of Broken Bay (CatholicCare) must comply with specific financial administration, accounting, control, management, audit and reporting requirements, as specified in legislation and by various government and accrediting agencies.

CatholicCare's financial governance structure comprises:

- CatholicCare values, mission and vision,
- Executive and Senior Management leadership,
- CatholicCare Advisory Council (including its Finance and Risk Sub-committee),
- Diocesan Finance Council, and
- Policy, procedures, systems and business processes.

The Senior Leadership Team plays an active role in providing leadership in relation to the stewardship of CatholicCare resources. The Chief Financial Officer is tasked with monitoring financial performance and compliance with policies relating to financial management.

Policy statement

CatholicCare promotes a culture of open, honest and accountable stewardship of its financial resources.

CatholicCare is accountable to State and Commonwealth governments for the manner in which funding provided by government is expended. Similarly, it is responsible to all stakeholders for the manner in which funds provided are expended.

The financial management framework is comprised of the policy, structure, systems, processes and practices adopted by CatholicCare to manage its finances.

It includes systems for planning, monitoring, controlling and reporting on financial and operational performance. The elements involved in the financial management framework are:

- Financial governance
- Organisation structure and delegations
- Strategic planning and operational budgeting for recurrent and capital expenditure
- Financial reporting and internal controls
- Operational practices and procedures
- Risk management and assurance processes

Scope

This policy applies to all CatholicCare Managers and staff, contractors and volunteers.

Principles

Governance

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. CatholicCare's approach to financial governance involves:

- Defining roles and responsibilities in terms of financial management,
- Establishing appropriate policies, systems, processes and delegations of authority,
- Identifying, assessing and managing risks,
- Monitoring via regular meetings and accurate, timely and fit-for-purpose reporting practices,
- Utilising modern and robust financial management systems, and
- Employing suitably qualified and experienced staff to manage financial resources.

Authorisations

CatholicCare funds may not be committed or expended except by approval of CatholicCare staff with the authority to approve expenditure in accordance with financial delegations in the *Delegations of Authority Policy*.

Where a delegate has a direct or personal interest in a transaction, neither the delegate, nor any other delegate who reports to them can approve that transaction.

Use of funds

Funds must only be expended on goods and services for CatholicCare purposes. Funds from external sources tied to particular purposes, such as grant funds, must be used only for the specified purpose.

Ownership of property

All items purchased from CatholicCare funds are the property of CatholicCare, unless there is an agreement in writing to the contrary associated with a particular grant or contract.

Where there is a tangible output from a service purchased with CatholicCare funds (e.g. a report), that output is the property of CatholicCare unless there is an agreement in writing to the contrary at the time the service was engaged.

Financial records

All financial transactions must be properly documented and accurately recorded in a timely manner and in accordance with CatholicCare policies, procedures and business processes.

It is a criminal offence to falsify accounting documents including altering, amending, concealing or destroying financial records, either intentionally or unintentionally, to facilitate or disguise illegitimate financial transactions.

Integrity

All staff act in an ethical and honest manner in all aspects of procurement and financial expenditure involving CatholicCare funds in accordance with the *Code of Conduct and Ethics Framework*.

Related Party Transactions

CatholicCare is an agency of the Catholic Diocese of Broken Bay. The Diocese provides financial support to CatholicCare in the form of charitable fundraising and donations. The Diocese also provides available Diocesan property under leasing arrangements to conduct its operations and other administrative services under arm's length agreements to assist CatholicCare in its operations. Another agency of the Diocese of Broken Bay, Catholic Schools Broken Bay, makes available under licence arrangements premises at selected Catholic Primary Schools to conduct complementary children's services in the form of Early Learning Centres and Out of School Hours Care, Related party transactions are documented and disclosed in the financial statements.

Asset Management

CatholicCare is committed to the responsible management of organisational assets and to being accountable for the assets purchased by ensuring:

- Assets are purchased with careful consideration and at the best possible price;
- Cyclical maintenance of relevant assets; and
- Appropriate insurance cover is maintained for assets.

Asset acquisition and disposal decisions are supported by well-developed business cases that also reflect life cycle costs.

An asset register is maintained that tracks the value and location of assets.

Care and use of CatholicCare property

All users of CatholicCare property must:

- Treat property with care and consideration, in accordance with accepted community standards;
- Use property for CatholicCare purposes only and in accordance with manufacturers' instructions, safe work practices and any relevant CatholicCare policies and procedures; and
- Ensure property is appropriately secured from damage, theft or misappropriation.

Roles & Responsibilities

Financial management roles and responsibilities are assigned to specific staff and are identified in organisation policies, position descriptions and in our Delegations Schedule.

Role	Responsibilities
Bishop	• Acceptance of Budget and Annual Financial Report. • Co-signs the Annual Responsible Entities Declaration with the Executive Director. • Reviews Quarterly financial performance report.
Diocesan Financial Council & CatholicCare Advisory Council	• Recommend acceptance of Budget and Annual Financial Report. • Reviews Quarterly financial performance report.
Executive Director	• Approves the budget and Annual Financial Report prior to acceptance by the Bishop. • Co-signs the Annual Responsible Entities Declaration with the Bishop. • Reviews monthly and quarterly financial performance report.
Chief Financial Officer	• Prepares the final budget and Annual Financial Report prior to approval by the Executive Director. • Prepares quarterly financial performance report. • Reviews monthly and quarterly financial performance with Finance Business Partners and Senior Leadership Team members.

Role	Responsibilities
Senior Leadership Team Members	• Prepares their program and service area budgets in conjunction with Finance Business Partners. • Reviews their program and service area monthly financial performance. • Prepares operational plans in line with the Strategic plan.
Finance Business Partners	• Prepare program and service area budgets in conjunction with the relevant Senior Leadership team member. • Prepare the monthly program level financial reports. • Review the monthly financial performance with the relevant Senior Leadership team member.
External Auditors	• Audit the Annual Financial Report • Provide an Independent Auditors Report.

Financial functions

1. Strategic planning

Strategic planning

Strategic planning processes inform CatholicCare operational planning and budget cycles.

The Strategic Plan establishes high-level objectives and initiatives from which operations plans and budgets are developed.

The Strategic Plan is developed by the Executive Director and the Senior Leadership Team in consultation with the Advisory Council.

Operations plans

CatholicCare's Operations Plans incorporate relevant aspects of the strategic plan. They focus on key activities and establish clear targets and strategies for each program/service area. Operations Plans are developed by the Senior Leadership Team member of the relevant service area.

2. Operational budgeting, monitoring and reporting

The annual budgeting process is an important tool for translating strategy into annual operations. The budget determines the allocation of resources and drives Annual Plans. The budget process is both formal and structured.

Budgets are prepared at the operational program level and then consolidated at an agency level. The operational budgets reflect our contractual requirements and operational plans. Budgets include recurrent, one-off and capital elements.

Budgets are prepared by Finance Business Partners working closely with Senior Leadership Team member. They are reviewed by the Chief Financial Officer and Executive Director prior to the formal approval process.

Consolidated budgets are reviewed by the Advisory Council (including its Finance Audit and Risk Sub-committee) and by the Diocesan Finance Council before being recommended to the Bishop for acceptance.

The following principles underpin budget development and management:

Honesty and accountability	Applied in all aspects of budget process, meeting the expectations of transparency and openness with a reporting framework that supports these principles.
Strategic Approach	Applied to the delivery of all services and programs. All expenditure decisions align with strategic direction and business objectives, as reflected in the strategic and operational plans.
Realistic Budgeting	Budget figures are realistic, based on the best available information, and utilise a zero-based budgeting approach.
New Initiatives	All new initiatives are evaluated in terms of meeting the organisation's strategic directions and they incorporate a cost–benefit analysis that includes the whole-of-life costing of the proposed new initiative.
Asset Sales and Debt	The operational budget is structured such that there is no reliance on asset sales to fund core services. Debt is considered a strategic tool for achieving the provision of services.
Financial Control	Financial and other resources under the organisation's control are used only for approved purposes and within CatholicCare's strategic framework, with all risks to finances being properly managed.

Regular monitoring of income and expenditure against budget is performed with necessary actions taken where variances exist. Monthly program level reports are produced by the Finance Business Partners and reviewed with the Senior Leadership Team member, Chief Financial Officer and Executive Director.

A quarterly financial report is prepared by the Chief Financial Officer and reviewed by the Advisory Council (including its Finance Audit and Risk Sub-committee) and by the Diocesan Finance Council.

3. Reserves and retained earnings

Reserves and retained earnings enable CatholicCare to:

- Ensure financial capacity to enable delivery of service obligations into the foreseeable future,
- Meet any unexpected or urgent expenditure,
- Manage variations in expected budget income,
- Allow for investment in strategic initiatives, and
- Allow for investment in infrastructure, maintenance and development.

Reserves are reviewed as part of the annual budget process for adequacy relative to the ongoing operations and are monitored on an ongoing basis through the financial review and reporting processes.

The approach is guided by CatholicCare's overall objectives of providing social welfare services to children, young people and adults in the Diocese of Broken Bay. At the same time CatholicCare recognises it is required to invest in its infrastructure and to maintain an appropriate level of resources necessary to ensure it has uninterrupted operations.

The reason reserves are held is to:

- Support working capital,
- Fund unexpected expenditure when projects overrun or unplanned events occur,
- Fund shortfalls in income when income does not reach expected levels, and

- Fund planned commitments that cannot be met by future income alone or to fund short term cash deficits.

4. Financial reporting and internal control compliance

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

External financial reporting requirements

CatholicCare is required to comply with a wide range of legislation and regulations at both State and Federal level for financial reporting.

An Annual Financial Report is prepared by the Chief Financial Officer for the reporting period 1 July to 30 June each year. The report includes a Responsible Entities Declaration which is signed by the Bishop and the Executive Director.

Independent external auditors are engaged to provide an audit opinion on the Annual Financial Report prepared by CatholicCare in accordance with the requirements of our registration under the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*.

The completed and signed Annual Financial Report is lodged with the ACNC and is then made publicly available.

Internal financial reporting requirements

Periodic financial reports are prepared to meet operational and service management requirements.

Period financial reporting is reviewed and discussed by the Advisory Council (including its Finance Audit and Risk Sub-Committee) and by the Diocesan Finance Council.

5. Risk management and audit processes

Risk management

The process of identifying risks, assessing risks and developing strategies to manage risks is known as risk management. CatholicCare recognises the need for risk management to be incorporated into strategic and operational planning, day-to-day management and decision making at all levels across the agency, as set out in the *Risk Management Policy* and *Risk Management Practice Guidelines*.

Fraud prevention

The prevention of fraud is the responsibility of all those connected with CatholicCare including staff, contractors and volunteers involved in services, activities and administration by adherence to the CatholicCare policies and procedures.

External audit

As per the requirements of our registration under the *Australian Charities of Not-for-Profit Commission (ACNC) Act 2012* and as a condition of many of the funding agreements relating to the receipt of government funds, CatholicCare accounts are externally audited.

The external auditor is appointed by Bishop on recommendation from the Diocesan Finance Council. The annual audit plan is reviewed by the Advisory Council and the Diocesan Finance Council.

It is the responsibility of the 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 Auditor also provides a management letter highlighting areas of improvement relating to financial management.

Related policies

- *CatholicCare Advisory Council Governance Framework and Policies*
- *Children's Services - Child Care Subsidy & Enrolment Policy*
- *Children's Services – Child Care Subsidy Practice Guidelines*
- *Code of Conduct and Ethics Framework*
- *Compliance Management Policy*
- *Compliance Management Practice Guidelines*
- *Conflicts of Interests Policy*
- *Credit Card Management Practice Guidelines*
- *Delegations of Authority Policy*
- *Financial Control Processes – Child Care Subsidy Practice Guidelines*
- *Fraud Prevention Policy*
- *Fraud Prevention Practice Guidelines*
- *Risk Management Framework*
- *Risk Management Policy*
- *Risk Management Practice Guideline*
- *Records Management Policy*

Links and references

- *Financial Management and Accountability Act 1997*
- *Australian Accounting Standards*
- *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*

Sign off and review

Version	Authorised by	Approved date	Review cycle	Review due
1.0	CatholicCare Executive	7 September 2018	1 year	September 2019
2.0	CatholicCare Executive	3 August 2020	1 year	August 2021
3.0	Chief Financial Officer	15 March 2022	2 years	March 2024
4.0	Chief Financial Officer	6 June 2024	2 years	June 2026
5.0	Chief Financial Officer	4 November 2024	Review date adjusted to align with new review schedule	1 April 2027

Revision history

Version	Description	Author	Amendment date
1.0	Policy	Policy Specialist	5 September 2018
2.0	Policy	Finance Manager	29 July 2020
2.1	Policy	Policy Specialist	28 July 2021
3.0	Policy	Policy Specialist	15 March 2022
4.0	Policy	Chief Financial Officer/Policy Specialist	6 June 2024
5.0	Policy	Chief Financial Officer/Policy Specialist	4 November 2024