

NOTES:

1. All congregations are requested to read, consider and comment on this proposed Financial Policy and to communicate with the Treasurer by
 - Email at eddiestop@global.co.za
 - Fax at 086 689 0652 or
 - Post at PO Box 11333, Queenswood, 0121
2. Comments should reach the Treasurer by the end of September 2012.
3. Please pay particular attention to clauses 5.2.4 and 5.2.5 as these represent a new policy which it is proposed will be implemented with effect from 1 January 2013.
4. Please ignore the “Contents” page for the time being. It will be updated and page numbers inserted when the policy is produced in final form.
5. The unwritten sections at the end (on the various trust funds) will be added at a later date.

PRESBYTERY OF TSHWANE
(the Presbytery)

FINANCIAL MANAGEMENT POLICIES

AND

PROCEDURES

CONTENTS

Introduction	
A. Objective of the policy	
B. Levels of responsibility	
C. Revision of this policy	
D. Roles and responsibilities	
E. Ethical standards	
1 Management of revenue income	
1.1 Assessment Income.	
1.2 Other Income	
1.3 Assessment management & recoveries	
2 Management of reserves & trust funds	
3 Cash at bank & payment procedures	
4 Receipt of income (cash, cheque & electronic transfer receipts)	
5 Financial liabilities	
6 Procurement of goods and services	
6.1 Procurement framework.	
6.2 Delegation of authority	
6.3 Quotations	
6.4 Purchases and payments	
7 Asset management	
7.1 Policy framework	
7.2 Security of Assets	
7.3 Management of assets	
8 Budgeting	
8.1 Budgeting framework.	
8.2 Budget implementation	
9	
10	
11	
12	

INTRODUCTION

A. OBJECTIVE OF THE POLICY

- i. The objective of this policy document is to provide a framework for a prudent and consistent application of the financial management policies and procedures of the Presbytery.
- ii. It also serves as a control instrument for possible financial management irregularities that may occur within the Presbytery.
- iii. The accompanying procedures serve to guide the responsible official on the systematic and consistent application of the policies.

B. LEVELS OF RESPONSIBILITY

Three levels of responsibility/authority have been established within the Presbytery:

- i. The Moderator, Clerk and Treasurer have accountability over the development of the policy.
- ii. The Treasurer is responsible for the maintenance of the policy.
- iii. The Presbytery Council - with the involvement/assistance of the auditor - is responsible for reviewing and approving the policy.

C. REVISION OF THIS POLICY

- i. Authority to change the policy and procedure vests with the Council. The Treasurer, assisted by the Moderator and Clerk shall recommend changes to this policy and procedure.
- ii. Any revision/update to the policy replaces/ supersedes any policy and procedure previously in use. Any revision/ update to the policy will become effective from the date of the Council meet at which this was approved, unless the Council declares otherwise.

D. ROLES AND RESPONSIBILITIES

i. THE MODERATOR

- The Moderator is expected to ensure that the Clerk and the Treasurer carry out their responsibilities in terms of this policy.

ii. THE CLERK

- The Clerk must ensure that the assets of the Presbytery are identified, adequately maintained and protected, and not unnecessarily placed at risk.
- S/he is expected to not approve any expenditure or make any arrangements having a cost implication, unless such expenditure is in line with approved budgets. All and any unbudgeted expenses must be discussed with the Moderator and the Treasurer.

iii. THE TREASURER

- The Treasurer is expected to implement the policies that have been approved by the Council.

- S/he must ensure that the Presbytery maintains fully integrated financial policies and procedures and that they are acceptable to the external auditors.
- S/he maintains proper accounting and reporting systems and ensures that the Council is kept abreast of the financial affairs of the Presbytery and its congregations in accordance with established reporting requirements.
- S/he is expected to not make any payments unless they are in return for contributions towards the purposes of the Presbytery and are in line with approved budgets.
- Within the confines of this policy framework, the Treasurer is responsible to ensure that the Presbytery remains financially viable and sustainable in that present and future financial obligations are met.
- The Treasurer must ensure that the Presbytery operates within the rules in relation to financial matters and complies with relevant legislative requirements.

E. ETHICAL STANDARDS

- i. This code of ethical standards is established for all officials and other role players in the Presbytery, in order to promote
 - mutual trust and respect, and
 - an environment where business can be conducted with integrity and in a fair, transparent and reasonable manner.

- ii. A Presbytery official or other role player involved in the implementation of the financial policy
 - must treat all providers and potential providers equitably.
 - may not use his position for private gain or to improperly benefit another person.
 - may not accept any gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person.
 - must declare to the Council details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process or in any award of a contract by the Presbytery.
 - must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest.
 - must be scrupulous in his use of property belonging to the Presbytery.
 - must assist the Council in combating fraud, corruption, favoritism and unfair and irregular practices in the procurement of goods and services.
 - must report to the Council any alleged irregular conduct in the procurement process of which that person may become aware, including

- ❖ any alleged fraud, corruption, favoritism or unfair conduct.
 - ❖ any alleged contravention of this policy.
 - ❖ any alleged breach of this code of ethical standards.
- iii. Declarations in terms of any vested interest, direct or indirect, or any potential conflict of interest must be recorded in the Minutes of the Council

1. MANAGEMENT OF REVENUE INCOME

1.1 ASSESSMENT INCOME

- 1.1.1 Assessment income constitutes the primary source of income for the Presbytery.
- 1.1.2 All monies due and payable by congregations to the Presbytery are determined by the Council in open session at the beginning of each financial year.
- 1.1.3 All monies due to the Presbytery shall be under the control and supervision of the Treasurer.
- 1.1.4 Any monies received by any Office Bearer/ staff member/ Commissioner on behalf of the Presbytery shall without delay be handed over to the Treasurer to be paid into the Presbytery's banking account.
- 1.1.5 Assessment income may be paid directly into the Presbytery's banking account by the congregation. The name of such congregation should be used as a deposit reference. All payments received by the Presbytery from a congregation shall be deemed to be assessments unless the Treasurer is notified of an alternate purpose for the funds deposited.
- 1.1.6 The Treasurer shall keep the Council informed of all assessment income received from congregations from time to time and report on congregations in default.
- 1.1.7 All payments received must be reconciled on at least a monthly basis.

1.2 OTHER INCOME

Except for donations given in support of the Presbytery, all and any other income received must only be applied for the purpose for which it was given and must not be utilized for any other reason without the specific permission of the Council.

1.3 ASSESSMENT MANAGEMENT AND RECOVERIES

- 1.3.1 Congregations are encouraged to effect payment of their Assessments periodically during the year, rather than in a lump sum at the end of each financial year.
- 1.3.2 Notwithstanding anything to the contrary contained herein, every congregation will be obliged to pay at least the minimum prescribed assessment before the first Council meeting in each financial year. Failure to make such payment will result in the withholding of all travel refunds.
- 1.3.3 Payments are credited to the appropriate general ledger account in the books of the Presbytery in the financial year in which the payment is received and are not allocated to any prior year in which the payment may have accrued.
- 1.3.4 Each year, within two months of the end of the Presbytery's financial year, every congregation shall complete and submit to the Treasurer the prescribed "return of income" (yellow) form, reflecting total assessable income, assessment payments made during the year and

the balance outstanding. Any such balance outstanding shall be immediately due and payable.

2 MANAGEMENT OF RESERVES AND TRUST FUNDS

- 2.1 Excess funds, not immediately required for the day to day operations of the Presbytery, shall be placed in a separate investment account. Interest earned on such investment will accrue to the Presbytery. Funds shall be transferred from the investment account into the Presbytery's current account only when such funds are required for operational purposes. Transfer of reserves directly from the investment account to third parties is strictly forbidden.
- 2.2 All funds held in trust for any specified purpose shall be reflected as such in the balance sheet of the Presbytery and must be used for no other purpose.
- 2.3 Where the amount in question warrants it, such funds shall be placed in a separate investment account, at a registered bank or other reputable institution approved by the SSB. Such investment account shall be easily identifiable as relating to the purpose for which the funds are being held and all interest earned on such investment will accrue to the said purpose. Funds may be transferred into the Presbytery's current account only when required for the relevant purpose. Transfer of any trust funds to third parties, directly from the investment account, is strictly forbidden.
- 2.4 The Treasurer is responsible to the Council for the review, approval and monitoring of investments and shall report balances held in any such investment accounts at all meetings of the Council.
- 2.5 No investments may be made on speculative facilities or outside the borders of the Republic of South Africa.
- 2.6 All necessary prudence and care shall be exercised by the Treasurer in the management of risk associated with the investments. Fundamentally, all relevant information and professional advice shall be sourced where necessary to ensure that the resources of the Presbytery are not unnecessarily placed at risk.

3. CASH AT BANK AND PAYMENT PROCEDURES

- 3.1 The Treasurer or, by arrangement with the Treasurer, an alternative person mandated by the Council to operate such bank accounts, shall make all arrangements with the Presbytery's bankers.
- 3.2 The Treasurer shall continuously monitor the financial requirements of the Presbytery and ensure that surplus cash is invested in appropriate financial instruments as approved by the Council from time to time.
- 3.3 All accounts shall be in the name of the Presbytery.
- 3.4 The Presbytery shall maintain all banking facilities with Standard Bank of South Africa Limited, unless otherwise approved by the Council.
- 3.5 Cheques shall be manually signed by any two signatories in accordance with the cheque signing mandate approved by the Council. Those persons authorised to sign cheques must satisfy themselves as to the validity of the payment to which a cheque relates and should make whatever enquiries they deem necessary. Cheques may only be signed when accompanied by the correct documentation. All cheques should be

endorsed "not transferable". Under no circumstances will cash cheques be issued.

- 3.6 Pre-approved and routine, administrative payments shall be made by the Treasurer by electronic transfer into the banking account of the recipient. In making such payments the Treasurer shall satisfy him/ herself as to the validity of the payment and should make whatever enquiries s/he deems necessary. All electronic transfers shall be supported by the correct documentation.
- 3.7 All correspondence with the bank as well as all supporting documentation should be appropriately retained on file.
- 3.8 A cash book should be maintained for each banking account. This cash book should be a complete record and contain sufficient detail as to all transactions relating to these accounts.
- 3.9 All banking and investment accounts shall be reconciled each month and verified by the Moderator, Clerk or such alternative person as the Council may appoint.
- 3.10 The Treasurer shall prepare, each month, a schedule of all payments made. This schedule must be verified against the bank statement and signed as approved by the Moderator, Clerk or such alternative person as the Council may appoint.

4 RECEIPT OF INCOME (CASH, CHEQUE AND ELECTRONIC TRANSFER RECEIPTS)

- 4.1 The control of all monies due to the Presbytery shall be under the supervision of the Treasurer.
- 4.2 All income, from whatever source and in whatever format, must be paid into the Presbytery's bank account.
- 4.3 All payments received must be reconciled.
- 4.4 Un-identifiable payments are processed to a "suspense" ledger account and upon an enquiry from a congregation are reallocated to the correct account. Notification of unidentified amounts will be given to the Council at each Council meeting. Such payments will be held in suspense until the end of the financial year following the year of receipt (ie for not longer than 2 years) after which they will be taken into income.

5. FINANCIAL LIABILITIES

- 5.1 The Presbytery's financial liabilities take one or more of the following forms:
 - 5.1.1 Current liabilities.
 - 5.1.2 Contingent liabilities.
- 5.2 Current liabilities
 - 5.2.1 Current liabilities refer to all liabilities of the Presbytery due and payable within a 12 months period.
 - 5.2.2 Settlement and/or treatment of current liabilities
 - The normal method of payment for all current liabilities shall be by cheque or electronic bank transfer.
 - All accounts payable are accounted for in the financial year in which they are paid, except that any pre-approved payments remaining

unpaid at the end of the Presbytery's financial year are reflected as accruals in the Presbytery's financial statements.

5.2.3 Documentation for settlement/payment of liabilities

The payment of expenses will take place against one or more of the following prime entry documents:

- Invoice/ Statement of account.
- Goods received note.
- Payment requisition.
- Expense claim.
- Travel claim.
- A service level agreement.

5.2.4 Expense claims:

- Provided that the expenditure has been provided for in the budget or has been specifically approved by the Council, reimbursement of all expenses shall be effected upon submission of a written claim. Only hardcopy, faxed and emailed claims will be accepted and, where the circumstances warrant it, claim forms may be completed and signed by the Treasurer on behalf of the claimant. Cash slips, invoices and other documents supporting the expense must be submitted to the Treasurer for filing, either as attachments to the claim form or as soon as possible after communication of the claim.
- The Treasurer shall make whatever enquiries are necessary in order to satisfy him/ herself that the claimed expense is valid and was incurred in the carrying out of the Presbytery's business.
- In the event of a dispute regarding any claim, the decision of the Moderator, Clerk and Treasurer, consulting together, shall be final.

5.2.5 Travel claims:

- Provided that the purpose for which the travelling has been done contributes to the business of the Presbytery and/or has been provided for in the budget or been specifically approved by the Council, reimbursement shall be effected upon submission of a written claim. Only hardcopy, faxed and emailed claims will be accepted and, where the circumstances warrant it, claim forms may be completed and signed by the Treasurer on behalf of the claimant.
- Except where specifically approved by the Council, travel claims may be submitted for scheduled Council meetings and events, provided the claimant was in fact present at such meeting or event. In all other respects, the Treasurer shall make whatever enquiries are necessary in order to satisfy him/ herself that the claimed expense is valid and was incurred in the carrying out of the Presbytery's business.
- All travelling expenses will be paid to the relevant congregation, who will be responsible to reimburse the appropriate minister/ commissioner. As far as possible, ministers and elder commissioners from the same congregation should travel to Council meetings together.

- No travelling expenses will be reimbursed in respect of any minister/ commissioner unless the Presbytery is in possession of the necessary “Congregation Information & Elder Commission form for the current financial year.
- Travelling expenses are deemed to be a reimbursement for an actual expense, incurred on the Presbytery’s behalf, rather than as an allowance. Claims are reimbursed based on the distance travelled, calculated at a rate to be determined by the Council each year in the annual budget. A travel claim may include actual costs incurred in respect of toll roads. Claims for reimbursement of public transport costs must be accompanied by a ticket, receipt or other proof of the expense; failing which reimbursement will be made on the estimated distance covered.
- Reimbursement is made for the use of the vehicle only; passengers are not entitled to claim.
- In the event of a dispute regarding any claim, the decision of the Moderator, Clerk and Treasurer, consulting together, shall be final.

6 PROCUREMENT OF GOODS AND SERVICES

6.1 Procurement Framework

- 6.1.1 The purpose of this policy is to provide a set of guidelines and procedures to regulate the procurement system of the Presbytery.
- 6.1.2 The principles of this policy framework are to
- establish a standard procurement system that is cost effective, transparent and fair.
 - ensure that all goods and services procured have been properly authorised, assessed and evaluated against available resources in the budget.
- 6.1.3 The Presbytery may not act otherwise than in accordance with this policy framework when
- procuring goods and/or services.
 - disposing of goods no longer needed.

6.2 Delegation of authority

- 6.2.1 Procurement of any item, other than routine purchases of stationery, must be provided for in the budget or specifically authorized by the Council in open meeting.
- 6.2.2 Except where an alternative person is specifically instructed by the Council, either the Clerk or the Treasurer shall be responsible for procurement.

6.3 Quotations

- 6.3.1 Formal quotations from at least three service providers shall be obtained for all purchases, services and contracts entered into on behalf of the organisation where the cost is expected to exceed R5 000. Where the cost is less than R5 000 the principles of “prudent shopping” shall apply.
- 6.3.2 Quotations should normally be obtained in writing where it is practical to do so.

- 6.3.3 Where quotations have been obtained by telephone, details must be noted on the supporting documentation.
- 6.3.4 The responsible representative has authority to accept the lowest quotation on behalf of the Presbytery provided it falls within the budgetary provision and will authorise the acceptance. Where the lowest quotation is not accepted, reasons should be appended to the documentation.

6.4 Purchases and payments

- 6.4.1 Once the quotation procedure has been completed, the purchasing and payment procedure noted below shall be followed.
- 6.4.2 The payment of expenditure will take place against one or more of the following prime entry documents:
- Invoice/ Statement of account
 - Goods received note.
 - Payment requisition.
 - Expense claim.
 - Travel claim.
 - Contract.
- 6.4.3 All payments made by the Presbytery shall be by cheque or electronic transfer drawn on the Presbytery's bank account and authorised in the following manner:
- In all instances the ordering of goods and services must be commenced with the approval of the Council.
 - Authority for payment must be granted by the authorised representative of the Presbytery, after that person has satisfied him/ herself that all goods received are in agreement with the order placed.
 - All supporting documents to be attached to the payment requisition.
 - The authorised representative shall be responsible for examining, verifying and certifying the related invoices and any other payment vouchers arising for payment.
 - Certified accounts should be passed to the Treasurer without delay so that payment can be made in accordance with suppliers accepted payment terms. The Treasurer shall examine accounts as s/he sees fit and is entitled to seek such information and explanations as s/he requires and will ensure that no prior payment has been made.

7 ASSET MANAGEMENT

7.1 Policy Framework

- 7.1.1 The objective of the policy is to ensure that the assets of the Presbytery are adequately maintained and protected, and not unnecessarily placed at risk.
- 7.1.2 It is the responsibility of the Moderator to ensure that the Presbytery operates within a comprehensive system of internal controls, and that assets are processed within established and approved controls that, as

a minimum, are sufficient to meet standards consistent with prudent risk management policies.

7.2 Security of Assets

- 7.2.1 All assets with values equal to or more than R10 000 must be insured at their replacement value with an excess of no more than 10% where required.
- 7.2.2 A risk assessment/ evaluation must be undertaken on an annual basis on all the assets to determine the replacement values of the assets.
- 7.2.3 Where warranties are provided, these must be utilized exhaustively before any other resources can be considered.
- 7.2.4 All reasonable steps shall be taken to ensure the physical security of the organisation's assets.

7.3 Management of assets

7.3.1 Capitalisation of assets

- All assets with values equal to or more than R10 000 and having an expected lifespan in excess of 2 years are capitalized.
- All other assets are treated as revenue expenditure in the income and expenditure account.

7.3.2 Recording of assets

- All assets of a capital nature (valued at R5000 or above) are recorded in the fixed assets register, which provides the following details:
 - ❖ Description of the asset.
 - ❖ Acquisition value, which must include all attributable costs necessary to bring the asset to a state required for use.
 - ❖ Acquisition date.
 - ❖ Supplier.
 - ❖ Location.
- All assets must be recorded at their original or acquisition values.
- Additional expenditure
 - ❖ All additional expenditure associated with an asset must be capitalised if such expenditure will result in the prolonged lifespan of the asset by at least two years.
 - ❖ Otherwise it must be treated as maintenance costs to be expended in the year incurred.

7.3.3 Depreciation of assets

- All assets of a capital nature must be depreciated at an appropriate rate over the useful life of the asset.
- All depreciation values shall be charged to the Income and Expenditure Account for the year.
- Accumulated depreciation for each asset shall be maintained in the books account.

- Land shall not be depreciated as it is considered to have an infinite value.
- All fixed assets (buildings) shall be revalued every 5 years in order to determine the true market value.
- Any revaluation surplus or deficit shall be recorded as a non distributable reserve in the books of account of the Presbytery.
- The following depreciation rates shall apply:

<u>ASSET TYPE</u>	<u>DEPRECIATION RATE</u>
Motor vehicles	25%
Computer hardware	33.3%
Computer software	33.3%
Office equipment	16.7%
Furniture and fittings.	16.7%
Buildings	2%
Land	Nil

7.3.4 Disposal of assets

- Assets are disposed of as instructed by the Council.
- All assets to be disposed of shall be revalued by a competent authority to determine their fair value.
- Except where an alternative person is specifically instructed by the Council, either the Clerk or the Treasurer shall have authority to dispose of assets.
- The manner in which assets are disposed of is determined on a case by case basis depending on the desired objectives for the disposal of such assets.

8 BUDGETING

8.1 Budgeting framework

- 8.1.1 The Treasurer must prepare and submit to the Council a proposed budget for each financial year not later than the last meeting of the Council in the current financial year. Budgeting is based on the “10:10:80” principle in which
- 10% of anticipated assessment income is given back to God in the form of mission outreach
 - 10% of anticipated assessment income is saved/ set aside to enable the future growth of the Presbytery and
 - the remaining 80% is applied to the operational costs of the Presbytery.
- 8.1.2 The preparation of the budget shall be informed by the annual Presbytery planning meeting, immediately after which all committee and other input into the budget must be submitted to the Treasurer promptly, before the report deadline for the next Council meeting. No budget allocation will be made for events or anticipated expenditure not submitted to the Treasurer in this way.
- 8.1.3 The Council shall approve the budget at the first meeting of the following financial year.

- 8.1.4 The budget must.
- be consistent with any service delivery agreement or other agreements between the Presbytery and any supplier.
 - be consistent with the strategic plans of the Presbytery
 - reflect actual and potential liabilities and commitments
- 8.1.5 The Council may revise the budget:
- in the event of unforeseen but necessary expenditure.
 - to authorise any other expenditure within its strategic plans.
- 8.1.6 The Presbytery may incur expenditure only in accordance with its approved and/or adjusted budget.

8.2 Budget implementation

- 8.2.1 The Treasurer is responsible for implementing the organisation's budget, including taking effective and appropriate steps to ensure that:
- Spending of funds is in accordance with the budget.
 - Revenue and expenditure are properly monitored.
 - Spending is reduced as necessary when revenue is anticipated to be less than projected in the budget.

8.2.2 Management of budgeted expenditure

The Treasurer is responsible for financial administration of the Presbytery and must take all reasonable steps to ensure that:

- the resources of the Presbytery are used effectively, efficiently, economically and transparently.
- full and proper records of the financial affairs of the Presbytery are kept and subjected to external audit annually.
- Irregular, fruitless and wasteful expenditure and other losses are prevented and that expenditure is in accordance with the operational policies of the Presbytery.

8.2.3 Management of budgeted revenue

The Treasurer must take all reasonable steps to ensure that:

- the Presbytery has and implements effective revenue collection systems to give effect to the budget.
- all revenue due to the Presbytery is collected promptly.
- all money received is promptly deposited into the Presbytery's bank accounts.
- the Presbytery has and maintains a management, accounting and information system that recognises and accounts for revenue when it is earned.

9 FINANCIAL REPORTING

- 9.1 The Treasurer shall submit comprehensive financial reports to the Council at every scheduled Council meeting. These reports must consist of at least an Income Statement, Balance Sheet and Assessments received report. Explanations should be provided for any item requiring clarification and attention shall be drawn to any unidentified payments. The Council shall have the right to raise questions in regard to the report.

- 9.2 An external auditor shall be appointed by the Council at the first scheduled meeting of each Financial Year and the books and other financial records of the Presbytery submitted for external audit within three months of the end of each Financial Year.
- 9.3 The Annual Financial Statements shall be approved by the Moderator, Clerk and Treasurer and
- distributed to all congregations at the first scheduled meeting thereafter
 - filed on record with the appropriate General Assembly Committee and the UPCSA Central Office.
 - filed on record with SARS
- 9.4 Any disputes arising from audit differences, material irregularities, break down in internal controls and other like issues shall be reported, by the external auditor, to the Council in open sitting.

10 LOANS

- 10.1 The funds held by the Presbytery have been provided by the congregations within its bounds for the purpose of facilitating ministry. Any and all applications of these funds need to be guided by this purpose.
- 10.2 Loans to ministers and congregations within the bounds of the Presbytery will only be considered under exceptional circumstances and only where funds for the intended purpose are not available elsewhere.
- 10.3 Loans must be repayable within the space of one year and will bear interest at 8% per annum (or such other rate as the Council may decide from time to time) on the amount outstanding in any month in which the agreed instalment is not paid.
- 10.4 The full outstanding balance of any loan will immediately become due and payable if the recipient ceases, for any reason, to be a member of the UPCSA or if a minister, for whatever reason, leaves the bounds of the Presbytery.
- 10.5 Completed, signed applications for loans must be submitted to the Treasurer for processing. All loans are approved by the Council in open sitting.
- 10.6 Monthly instalments are paid directly into the Presbytery's bank account, referenced with the word "loan" and the name of the recipient.
- 10.7 The Treasurer will report to the Council on the status of all loans at every Council meeting.

11 BENEVOLENT FUND

12 DEVELOPMENT FUND

13 GROWTH FUND

14 PRESBYTERY PROJECT