### CDWAI Accounting Policy

## Preamble[[1]](#footnote-1)

Whereas CDWAI is currently a small Non-Government Organisation (NGO), we aspire to grow in capacity to manage development funds from varied donors in ways that honour our commitment to effective and efficient development for the betterment of those who we work and train alongside in PNG villages and towns and to do so with integrity and fairness.

At the time of drafting this policy management is made up of the team leader, the team members designated to prepare major narrative reports and financial acquittals to donors, the team members preparing project applications, policies and other key documents (including project environmental management plans) and the member preparing job descriptions and other recruitment documents.

## Policy

CDWAI aspires to becoming a financially healthy organisation through the adoption of sound internal controls and accountancy practices.

## What are internal controls?

Internal controls are systems of policies and procedures that enable effective and efficient operations, safeguard assets, ensure accurate and reliable financial reporting and promote compliance with laws and regulations.

The effective implementation and monitoring of a sound internal control system helps ensure that CDWAI meets its objectives of safely, equitably and accountably providing effective services to PNG communities, while minimising the risk of fraud, mismanagement or error.

These systems relate to accounting and reporting but more widely to staff management, to both internal and external communication processes and to error handling.

Sound internal controls include procedures for:

* Handling funds received and expended by CDWAI
* Preparing appropriate and timely financial reporting to board members and senior management
* Conducting the annual audit of the organisation's financial statements
* Maintaining inventory records of property and assets
* Evaluating the performance of the organisation
* Evaluating staff and programs.

Good internal controls will:

* Ensure proper financial reporting - maintaining accurate and complete reports required by legislation and management, minimising time lost correcting errors and ensuring resources are correctly and efficiently allocated
* Deter and detect fraud, ensuring those responsible quickly identify faud and errors when they occur
* Reduce exposure to risks - minimising the chance of unexpected events
* Help CDWAI achieve its overall objectives through continuous monitoring of performance and the implementation of activities
* Encourage good management - allowing management to receive timely and relevant information on performance as well as key figures that can indicate variances from targets
* Safeguard assets - ensuring the organisation's physical, intellectual property and monetary assets are protected from fraud, theft and errors

## Roles of the CDWAI board, management, staff and volunteers

The CDWAI board and management bear ultimate responsibility for internal control within the organisation. This primary responsibility is to ensure the organisation is accountable for its programs and finances to contributors, members, government regulators and other key stakeholders.

The role of the board is to support and govern, not to oversee, manage or undertake operations.

An important part of the board's responsibility is to question and monitor the activities of the organisation, especially in relation to the financial health and overall viability of CDWAI. It is important that the board develops appropriate methods to undertake this responsibility.

Firstly, the Board Meeting Agendas should having a standard item for the CDWAI Financial Officer to present a set of accounts every meeting and the Team Leader to provide explanations concerning any aspect of activities, as requested.

A major role of management is to ensure accountability is in place and adhered to. The key purpose of this accountability is to ensure the organisation:

* Adheres to CDWAI's mission, vision and key performance objectives
* Complies with all applicable laws and ethical standards
* Protects the rights of members and other stakeholders
* Creates and adheres to all personnel and accounting policies
* Prepares and files all compliance reporting
* Provides adequate and relevant information to the board when requested.

To ensure that the internal controls are successful, like all other staff, both the board and management must also comply with the controls. The "tone at the top" sets the benchmark for staff.

All staff including volunteers carry the responsibility to ensure internal controls are operating properly and complied with. Explaining the importance of internal controls to staff and volunteers is time well spent as it helps them understand and appreciate why things are done in a certain way.

As well, staff and volunteers will be more likely to support controls if they are involved in the process of developing controls for their area of responsibility. When establishing internal controls, there are two key areas that the organisation should consider:

1. The control environment or culture of CDWAI

2. Risk assessment.

## The control environment

A culture of always doing things honestly, safely and fairly will create a strong control environment for CDWAI. This important part of establishing internal controls requires a "tone" of honest, fair and supportive behaviour by board members and the team leader or managers that all staff, including volunteers, and other key stakeholders can see clearly.

An effective control environment is an environment where competent team members understand their responsibilities, the limits to their authority, and are knowledgeable, mindful and committed to doing what is right, and doing it the right way according to CDWAI policies and procedures. That will show their commitment to CDWAI's culture. In the same way, when board members and management demonstrate their commitment to internal controls by adhering to CDWAI policies and procedures they will set a "tone" of healthy culture.

The success of the control environment will rely on setting policies and procedures that embrace CDWAI's overall objectives. Such policies and procedures should cover the following:

* Human resources - including hiring policies, conflict of interest, job descriptions, training, performance evaluations, salaries and disciplinary procedures
* Administration and financial - including job responsibilities, allocation of duties, procedures for key administration activities, reporting relationships, financial authorities and access to assets
* Reporting - including a description of the frequency, content and preparation responsibility for the different reports to all donors and key stakeholders
* Systems - including access security, system hardware and software purchase and maintenance, procedures for key activities such as purchasing and disbursement of funds, disaster recovery and emergency planning.

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| Control Environment | Policy Type | Key aspects |
| Financial | Financial Reporting Policy | CDWAI financial year is 1 January to 31 DecemberCDWAI prepares separate financial reports for internal funds and for project/donor funds and as donors require.Petty cash expenditure is detailed in these reports. |
| Reporting | Record keeping | Clear lines of responsibility and accountability are established at the AGM of CDWAI – normally held in first two months of each calendar year. |
| Systems | Disaster recovery plan | Back up of financial and other data to Gmail, CD-ROM or memory stick on a weekly basis. |

## Information and Communication

The CDWAI board commits to clear, timely and helpful communication with the CDWAI team leader or managers, and through them to the HR Officer, Project Coordinators and team members including volunteers.

The CDWAI team leader, managers and core team members such as the finance officer/ admin manager and project coordinators commit to:

* Responding to emails within 48 hours – acknowledging frequent internet access challenges
* Providing stories for the CDWAI website that assists stakeholders understand CDWAI activities and outputs/ outcomes.

## Internal Financial Controls

##  Cash receipts checklist

**Objective**

To ensure that all cash intended for CDWAI is received, promptly deposited, properly recorded, reconciled and safeguarded.

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| Procedure | Checklist |
| Initial Receipt | All cash receipts are logged in a cash book. |
|  | Receipts for any cash donations are provided. |
|  | Cash donations are kept in a locked safe deposit box, prior to banking. |
| Deposit | Cash is deposited as soon as possible into CDWAI’s bank account and tagged appropriately. |
| Bank Reconciliation | Bank reconciliations are reviewed by the Treasurer or Chairman of the board or their nominee within the CDWAI . |

## Accounts receivable checklist

Although CDWAI seldom has accounts receivable, CDWAI policy is as follows-

**Objective**

To ensure that all accounts receivables are received in a timely manner and deposited, recorded and reconciled

## Cash Payments Checklist

To ensure that cash is disbursed only upon proper authorisation of the team leader or management, for valid purposes, and that all payments are properly recorded

## Purchases Checklist

Refer to the separate CDWAI procurement policy. Refer - <https://cdwai.net/library/record/view/id/102>

## Payroll Checklist

**Objective**

To ensure that: payroll payments are only made upon proper authorisation of management to bona fide employees; payroll payments are properly recorded; and that CDWAI complies with PNG legal requirements.

## Petty cash controls checklist

**Objective**

To ensure that petty cash and other working funds are disbursed only for the proper purposes and are adequately safeguarded and recorded.

CDWAI will in its AGM in February 2019 agree to specific Petty cash controls so modifying this policy.

**Approved: Team Leader**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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1. CDWAI acknowledges the great help of this document in preparation of this policy.

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