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Financial Management and Resource Utilization Policy

Document History

Version	Date	Description	Next Review
1	13/6/2024	Created and updated as per ACFID requirements	Before annual board meeting

If you require further information regarding this document, please contact: info@fairaction.ngo

Purpose

This policy articulates Fairaction International's dedication to stringent financial management and efficient resource utilization. Our commitment is to ensure that all financial practices and resource allocations are managed responsibly to enhance the effectiveness and reach of our initiatives focused on providing sustainable water solutions. This policy aims to prevent fraud and error, ensuring that every dollar contributed towards our mission is used optimally to achieve maximum impact.

Scope

This policy applies to:

- **Employees and Board Members of Fairaction International:** Ensuring those within our organization who manage or oversee financial practices adhere to the highest standards of integrity and accountability.
- **Subsidiary Organizations:** Extends to all subsidiary organizations, such as Fairaction Nigeria, ensuring uniform financial management and resource utilization practices across all locations and under all banners of Fairaction International.
- **Consultants, Vendors, and Contractors:** Includes all external parties engaging in business with Fairaction International and its subsidiaries, upholding our financial and ethical standards across all transactions and interactions.
- **Partners and Outside Agencies:** Covers all entities with whom we collaborate, including non-profits, governmental bodies, and private sector firms involved in joint projects or initiatives that require financial dealings or resource allocations.

Implementation and Compliance

- **Financial Controls:** Comprehensive financial controls will be enforced across all divisions, including subsidiaries, to monitor and manage funds and resources effectively. This includes regular financial audits, detailed reporting, and adherence to budgetary guidelines.
- **Consistent Training and Awareness:** Training on financial management practices will be mandatory for all staff across Fairaction International and its subsidiaries, ensuring a consistent understanding and implementation of financial policies.
- **Monitoring and Reporting:** Continuous monitoring will be conducted to ensure compliance with financial management standards. Regular financial reports will be assessed by the Board of Directors of Fairaction International and subsidiary governance bodies to address any issues

swiftly.

- **Transparency:** Commitment to transparency in financial dealings will be maintained across all levels of the organization, including subsidiaries, to build and sustain trust with donors, stakeholders, and partner organizations.

Responsibilities

Board Responsibilities

- **Policy Awareness:** It is the responsibility of Fairaction International's Board to ensure that all board members, staff, volunteers, and partners are fully aware of the Financial Management and Resource Utilization Policy. This includes understanding the implications of the policy and the behaviors expected to comply with its terms.

- **Handling Breaches:** The Board is also responsible for ensuring that any breaches of this policy that come to their attention are addressed promptly and effectively. Appropriate actions should be taken to rectify policy violations and to prevent future occurrences, which may include disciplinary measures, additional training, or changes to internal controls and procedures.

CEO Responsibilities

- **Information and Reporting:** The CEO of Fairaction International is tasked with ensuring that the Board receives all necessary information and reports related to the management and utilization of funds. This responsibility includes:

    - **Regular Updates:** Providing regular updates and insights into how funds are being allocated and utilized across all sectors of the organization, including subsidiary entities.

    - **Compliance Monitoring:** Reporting on compliance with the policy, highlighting any potential issues or risks, and suggesting measures to address them.

- **Financial Health:** Offering comprehensive reports on the financial health of the organization, including audits, budget reviews, and financial strategy assessments.

Additional Responsibilities

- **Senior Management:** While the CEO provides the bridge between operational management and the Board, other senior managers are responsible for the day-to-day adherence to the policy within their respective departments or functions. This includes ensuring that their teams are aware of and comply with the policy and that any irregularities are reported up the chain of command.

- **All Employees and Partners:** Each individual associated with Fairaction International has a duty to act in accordance with the policy. This involves reporting any discrepancies or concerns regarding financial management or resource utilization to their supervisors or directly to the CEO, as appropriate.

Policy

- **Purpose Alignment:** Fairaction International is committed to ensuring that all funds and resources are utilized solely for the advancement of our mission to provide sustainable water solutions. It is imperative that these resources are not used for personal gain or purposes unrelated to our organizational goals.

- **Responsible Handling of Funds:** All funds and assets under the control of Fairaction International must be managed responsibly. This includes ensuring that expenditures are reasonable, justified, and duly authorized according to established organizational procedures.

- **Budget Adherence:** Operations at Fairaction International will be conducted within the parameters of an approved budget. This budget is to be adhered to strictly to maintain financial discipline and ensure the sustainability of resources.

- **Overseas Funds Transfer:** Special care will be taken to ensure that any funds transferred overseas for projects or collaborations are received and properly accounted for. This includes implementing measures to prevent misappropriation and ensure compliance with international financial regulations.

- **Maintaining Financial Records:** Comprehensive and accurate financial records will be kept. These records are crucial for transparency, accountability, and for facilitating audits and financial analysis.

Implementation of the Policy

- **Third-Party Collaborations:** Fairaction International will ensure that any third parties involved with the organization, such as partners, contractors, and consultants, adhere to these financial management principles. Contracts and agreements will stipulate the requirements for financial management and the consequences of non-compliance.

- **Regular Audits and Reviews:** To uphold the integrity of financial management, regular audits and financial reviews will be conducted. These audits help in identifying any discrepancies or areas for improvement in the financial management system.

- **Training and Capacity Building:** Employees, especially those in financial roles, will receive ongoing training on the importance of budget compliance, ethical financial management, and the specifics of Fairaction International's financial policies.

By adhering to these policies, Fairaction International ensures that all financial resources are managed in a manner that supports our strategic objectives and maintains the trust of our donors, partners, and the communities we serve. This policy is integral to sustaining our efforts to achieve UN Sustainable Development Goal 6.1 and ensures our operations are conducted with the highest standards of financial integrity and accountability.

Annual Budget Management

Budget Planning and Review

- **Annual Budget Planning:** The Board of Directors at Fairaction International is tasked with conducting a comprehensive budget planning process each year. This process is an integral part of the organization's annual strategic planning activities, ensuring alignment between financial resources and strategic objectives.

- **Regular Monitoring:** Once the budget is established, it is subject to regular monitoring and review. This continuous oversight allows Fairaction International to maintain financial health and responsiveness to project demands and organizational needs.

- **Country-Specific Provisions:** The budget includes specific allocations for overseas programs, with provisions detailed country by country. This ensures that all international operations are funded appropriately and can operate effectively according to local needs and conditions.

- **Flexibility for Unforeseen Events:** Recognizing the dynamic nature of global operations, Fairaction International's budget is designed to be flexible, allowing for adjustments in response to unforeseen events. This includes potential reductions in cash flow or emergency funding needs, ensuring the organization can sustain its activities during financial uncertainties.

Expenditure and Authorization

- **Expenditure Approval:** All decisions regarding expenditure must receive proper approval to ensure financial accountability. The CEO, to whom the Board has delegated responsibility, must approve all expenditure decisions. This protocol ensures that all spending aligns with organizational goals and budget constraints.

- **Delegated Authority:** The delegation of financial authority to the CEO enables streamlined decision-making while maintaining rigorous checks and balances. This approach facilitates effective and efficient operational management without compromising the oversight role of the Board.

Implementation and Compliance

- **Compliance with Financial Policies:** All budget-related activities must comply with Fairaction International's established financial management policies. This compliance ensures that the organization adheres to best practices in financial governance and accountability.

- **Documentation and Reporting:** Detailed documentation of the budgeting process and regular financial reports are maintained and made available for Board review. These documents provide transparency and allow for informed decision-making regarding the organization's financial management.

Bank Accounts and Overseas Transactions

Bank Account Management

- **Account Ownership:** All funds of Fairaction International are to be held in bank accounts officially registered in the organization's name. This ensures all financial assets are legally and transparently managed under the entity's control.

- **Signatory Requirements:** For each bank account, two individuals nominated by the Board will serve as eligible bank signatories. Opening any account in the name of Fairaction International requires the authorization of both appointed signatories to ensure dual oversight and enhance security.

- **Formal Banking System:** Funds transferred outside of Australia for international operations or programs must be conducted through a formal banking system. This ensures that all transactions are traceable and secure, reducing the risk of fraud or misappropriation.

- **Confirmation of Fund Receipt:** For every transaction involving the transfer of funds overseas, the CEO or their designated delegate is responsible for obtaining and verifying written confirmation that the transferred funds have been received by the intended recipient. This step is crucial for ensuring that funds reach their proper destination and are accounted for accurately.

- **Documentation and Reporting:** All transactions, especially those involving significant sums or international transfers, must be thoroughly documented and reported. This documentation should include details of the transaction purpose, the recipient, the amount, and confirmation of receipt. Audits and reviews of these transactions will be conducted to ensure compliance with both internal policies and international financial regulations.

Third-Party Program Management

Collaboration with Third Parties

Fairaction International often collaborates with third-party organizations to deliver its projects and programs, particularly those related to sustainable water solutions in overseas regions. These collaborations are essential for extending our reach and enhancing the effectiveness of our initiatives.

Compliance with ACNC External Conduct Standards (ECS)

- **Resource Management:** As mandated by the ACNC External Conduct Standards, Fairaction International is committed to ensuring that all resources entrusted to third parties are managed with stringent controls and robust risk management processes. This is to guarantee that these resources are used solely for their intended charitable purposes.

Risk Assessment and Oversight

- **Board Authorization:** The Board delegates to the CEO the authority to determine the necessary level of oversight for the financial management of third-party collaborations. This decision is based on several factors:
    - **Risk Level:** The inherent risks associated with the third party's operational regions and activities.
    - **Relationship Quality:** The nature and history of Fairaction International's relationship with the third party.
    - **Third-Party Financial Procedures:** The robustness of the financial management procedures already in place within the third-party organization.
    - **Impact of Poor Management:** The potential consequences of inadequate financial management on part of the third party.

CEO Responsibilities

- **Financial Management Obligations:** The CEO is responsible for deciding the appropriate financial management obligations to be imposed on third parties. This could include:

- **Contractual Agreements:** Requiring third parties to agree to specific financial management obligations through Memorandums of Understanding (MOUs) or other forms of agreements.

- **Financial Management Training:** Offering training programs to third parties to enhance their capacity for sound financial management.

- **Policy Requirements:** Requiring third parties to develop and implement their own financial management policies, or providing a standard policy for them to adopt.

- **Control and Monitoring Systems:** Implementing Fairaction International's control systems to monitor the financial activities of third parties actively.

Ensuring Effective Implementation

The CEO, acting on behalf of the Board, will regularly review and adjust the oversight mechanisms to align with any changes in the risk profile or the operational dynamics of third-party engagements. This proactive approach ensures that Fairaction International's collaborations are always governed by the highest standards of financial integrity and accountability.

Financial Records

Record Retention

- **Duration and Detail:** Fairaction International is committed to maintaining comprehensive financial records for a minimum of seven years. These records must accurately reflect and explain all transactions, detailing how funds and assets are received and expended by the organization.

- **Purpose of Records:** The records should clearly illustrate Fairaction International's financial position and performance, ensuring transparency and accountability in all financial dealings.

Requirements for Financial Statements

- **Preparation:** The financial records maintained by Fairaction International must be structured to support the preparation of true and fair financial statements. These statements are essential for internal reviews, external audits, and compliance reporting.

- **Audit and Review:** Consistent with the requirements set forth by the Australian Charities and Not-for-profits Commission (ACNC) and other relevant bodies, Fairaction International conducts an annual audit or review of its financial statements. This process is crucial for verifying the accuracy of financial reporting and for maintaining stakeholder trust.

International Operations

- **Country-Specific Reporting:** For operations conducted outside of Australia, particularly in regions where Fairaction International implements water projects, financial records must be prepared on a country-by-country basis. This level of detail supports localized management and ensures compliance with international financial reporting standards.

- **Audits of Overseas Operations:** Each country office is required to prepare its own financial statements, which must be audited in accordance with local regulations as well as international standards where applicable. This ensures that all international branches adhere to the same rigorous financial controls as the headquarters.

Board Oversight

- **Review by the Board:** The Board of Directors regularly reviews audited financial statements to ensure ongoing compliance with financial management policies and to assess the organization's overall financial health. This review also helps guide strategic decision-making and resource allocation.

Policy Implementation

- **Ensuring Compliance:** The CEO at Fairaction International is tasked with ensuring that all financial records are kept in compliance with this policy. The CEO oversees the annual audit process and ensures that all financial reporting obligations are met.

- **Training and Guidance:** Staff responsible for financial management across all levels of the organization, including international offices, receive ongoing training and guidance on proper record-keeping practices. This training ensures consistency in how financial records are maintained globally.

Compliance

- **Board Responsibilities:** It is imperative for the Board of Directors at Fairaction International to not only comply with the Financial Records Policy but also to actively review its adherence. This review is a regular component of the Board's standard self-evaluation processes, ensuring that the policy remains effective and is followed correctly across all organizational levels.

- **Investigative Obligations:** Should the CEO or any Board member suspect that this policy has not been adhered to, they are required to initiate a thorough investigation. The purpose of such an investigation is to understand the nature of the non-compliance, address any issues identified, and implement measures to prevent future occurrences.

Related Documents

To complement and enforce the Financial Records Policy, Fairaction International adheres to the following related policies:

- **Anti-Corruption and Bribery Policy**
- **Counter-Terrorism and Anti-Money Laundering Policy**
- **Fraud Control Policy**

These documents collectively establish a robust framework to ensure compliance with legal and ethical standards, supporting Fairaction International's commitment to transparency and accountability in all financial activities.