

# Finance and Delegations Policy

**Version reference:** Version 2.0

**Effective date:** 11 November 2022

**Review date:** As required

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## Purpose

1. This policy establishes the principles and rules by which the NZRAB manages its finances, so as to protect the NZRAB's resources and reputation.
2. Good quality financial reporting allows the organisation to:
  - a. make sound financial decisions;
  - b. comply with its statutory financial reporting obligations;
  - c. monitor progress against the NZRAB Strategic Plan and budget;
  - d. provide transparent and reliable financial information to the NZRAB Board, the Minister and the public.

## Principles

### *Accounting Standards*

3. Proper financial accounts are to be maintained in accordance with the applicable financial reporting standards issued by the New Zealand Accounting Standards Board.
4. All transactions must be lawful, including being undertaken in compliance with New Zealand's tax legislation.
5. All amounts stated in this policy are exclusive of GST.

### *Reporting*

6. Financial Management reports are to be reviewed monthly by the Chief Executive.
7. A Finance Report is to be provided for each Board meeting. These reports include:
  - a. a statement of financial performance;
  - b. a statement of position;

- c. commentary on performance, variances to budget and any material financial issues the Board should be aware of.
- 8. The Audit and Risk Committee is to review the draft Year End financial statements and provide any necessary guidance to Management and recommend to the Board that it approve the financial statements in sufficient time to meet the NZRAB's audit requirements.
- 9. Management is to provide all information requested by the NZRAB's auditors, in accordance with the timeframe agreed with the auditors.
- 10. The NZRAB Annual Report is to be prepared in accordance with the requirements of the Registered Architects Act 2005 (the Act) and financial reporting standards.

*Procurement*

- 11. Where a product or service is to be purchased that is expected to cost more than \$20,000, quotes or estimates are to be obtained from three potential suppliers (Competitive Tender) and any decision to purchase must be authorised within financial delegations and take into account probity, quality, and the expected whole of life costs of the product or service. However, the Chief Executive may, in his or her discretion, determine that a Competitive Tender need not be undertaken, and in this case the Chief Executive must report to the next Board meeting on the rationale for not having undertaken a Competitive Tender.

*Authorisation of Commitments*

- 12. All commitments and payments are to be processed in accordance with the NZRAB Delegated Authority and Responsibility Schedule (appended as **Attachment 1**).
- 13. A GST invoice must be obtained and must be signed or digitally approved by the person who initiated the expenditure, unless a personal benefit will accrue to the person initiating the expenditure, in which case the invoice must be signed or digitally approved by the Chief Executive for staff, and by the Board Chair for the Chief Executive.

*Payments*

- 14. All payments (Direct Debits, Automatic Payments and Electronic Payments) are to be approved by two signatories, these being the Chief Executive or the Executive Officer – Public Protection or the Chair, and the Finance Officer.
- 15. For NZRAB credit card payments, a copy of any online invoice or receipt must be provided to the Finance Officer, and credit card transactions must be authorised and approved by the Chief Executive, or by the Chair for the Chief Executive's credit card transactions.

16. NZRAB credit card holders leaving the employ of the NZRAB must surrender their credit card to the Finance Officer or the Chief Executive at least two weeks prior to leaving, unless otherwise agreed by the Chief Executive.

*Income*

17. Income from fees and penalties chargeable by the NZRAB under the Act or the Registered Architects Rules 2006 is to be dealt with in accordance with the Act and Rules, and with financial reporting standards.
18. Refunds may be given to applicants, in accordance with the Rules and this Policy:
  - a. Where an application for registration lapses under the terms of Rule 11 of the Rules, the refund is 50% or no refund, as determined by Rule 11.
  - b. Where the refund relates to a review of assessment procedures under Rule 35 and the Board refers the matter back to be reassessed under Rule 37, a 100% refund of the application fee must be provided in accordance with Rule 37.
  - c. Where a refund is requested in any other circumstances, applying Rules 11 and 37 as a model, on a case by case basis with the prior authorisation of the Chief Executive, a refund may be given as follows:
    - i. Where an applicant decides to withdraw their application before it has been given to an assessment panel, the refund is 50%.
    - ii. Where an applicant decides to withdraw their application after it has been given to an assessment panel, there is no refund.
    - iii. In cases of hardship or exceptional circumstances such as loss of employment, serious illness, or death of a person in a significant relationship with the applicant, a 100% refund may be given, where evidence of the hardship or circumstances is provided by the applicant (or by their representative in the case of the applicant's death or incapacity).

*Fixed Assets*

19. The cost price of the assets purchased may be capitalised as per the asset thresholds set by the Inland Revenue.
20. Depreciation is to be recognised annually and based on generally accepted accounting standard depreciation rates, and in accordance with adopted accounting policies.

*Budget*

21. An annual budget is to be prepared by Management and presented to the Audit and Risk Committee. The Committee recommends the budget's adoption to the Board in sufficient time for the budget to be adopted in advance of the year to which it relates.
22. In preparation of the annual budget, projections for the following six years are to be prepared. These projections are to reflect:
  - a. known trends of the Board activities past and future;
  - b. future inflationary influences.
23. The purpose of the forward projections is to assist the NZRAB with setting the level of Annual Certificate of Registration (ACR) fee and changing the level of that fee from time to time as needed.
24. The annual budget is to take into account the Board's collective duties to the Minister, including, in accordance with the Schedule to the Act, ensuring that the organisation operates in a financially responsible manner and endeavouring to ensure that it —
  - a. maintains its long-term financial viability;
  - b. covers all of its annual costs from its net annual income;
  - c. acts as a successful going concern;
  - d. prudently manages its assets and liabilities.

*Reserves*

25. The NZRAB must at all times have sufficient, but also not excessive, financial resources to carry out its day-to-day operations and manage the risk that it may face unexpected costs from time to time. To this end, the NZRAB shall endeavour to have projected working capital (minus accounts receivable and pre-payments) for the following six years of between 25 per cent and 50 per cent of annual budgeted expenditure.
26. Any cost recovered resulting from disciplinary matters would be to replenish financial reserve. Any proposal to draw on the financial reserve should be approved by the Audit and Risk Committee and must be reported to the full Board.

*Costing of activities*

27. All costs are to be allocated to the fees charged by the NZRAB in accordance with **Attachment 2**.

### *Fee Setting*

28. When reviewing the NZRAB's chargeable fees, except for the ACR fee, the full cost of delivery of each activity subject to a fee is to be determined. Full costs include direct and indirect costs.
29. Fees should be set to ensure that the Board complies with its statutory obligations, can properly perform its functions, and maintains its reserves in accordance with paragraph 26.
30. As a general principle, fees should be set on a full cost-recovery basis. However, the Board may consider other aspects and information that supports a different formula that is more appropriate and has the support of major stakeholders.

### *Investment of Surplus Funds*

31. The current account shall be maintained at the minimum level required to cover immediate payments.
32. All surplus funds are to be held in an interest-bearing account of a New Zealand Trading Bank either on call or on term deposit. Any other investment options must comply with clause 42 of the Schedule to the Act and have the prior approval of the Board Chair.
33. NZRAB must follow the below guidelines when investing the surplus funds to ensure sufficient liquidity is maintained to meet the cash flow requirements —
  - a. At the end of each financial year, invest the cash at bank at the lowest point during that year for 12 months.
  - b. At the beginning of each financial year once the bulk of ACR payments have been received, invest 50% of available funds for 6 months.
  - c. At the mid-point of the financial year invest the projected cash surplus for 6 months.

### *Sensitive Expenditure*

34. Sensitive expenditure is to be dealt with in accordance with the Sensitive Expenditure Policy.

## **Responsibilities**

### *The Board*

- a. sets the NZRAB's overall strategic direction within the parameters set by the Act and Rules;

- b. adopts the Strategic Plan, Business Plan, and budget;
- c. ensures appropriate financial management systems are in place, including delegations;
- d. monitors performance against the Strategic Plan and budget;
- e. reports to the Minister via the Annual Report.

*The Audit and Risk Committee*

- a. assists the Chief Executive and Finance Officer in setting the annual budget;
- b. makes recommendations to the Board regarding compliance with this Finance and Delegations Policy;
- c. makes recommendations to the Board in accordance with its Terms of Reference.

*Management*

- a. prepares the draft budget;
- b. manages day-to-day financial decisions, recording and internal controls, having regard to risk;
- c. reports to the Audit and Risk Committee and to the Board on the NZRAB's financial and overall performance;
- d. prepares the Annual Report for approval by the Board.

**Document control**

#	Date	Author position	Approval method	Detailed changes/description
1.0	10 Feb 2021		Board meeting	
2.0	08 Nov 2022	Chief Executive	Board meeting	Proposed amendments submitted to the Board for approval

Attachment 1

## NZRAB Delegated Authority and Responsibility Schedule — Levels of authorisation required

Function or Activity	Board	Chair	Chief Executive Officer	Operations Manager	Finance Officer	Comments
1. Strategic Plan and budget	✓					
2. Annual Report	✓					
3. Registrations, continuing registrations, discipline/penalties, suspensions, cancellations	✓					Where applying to individual architects
4. Authorising the commitment to an expense (e.g., place an order) <b>NB: All expenditure <u>must</u> be within budget, unless authorised by the Board</b>	✓ >\$50,000		✓ ≤\$50,000	✓ ≤\$20,000	✓ ≤\$5,000)	
5. Authorising payment of an expense (sign invoices)	✓ >\$50,000 Chair of A&R Committee to authorise Chair's expenditure	✓ ≤\$50,000 to authorise CE's expenditure	✓ ≤\$50,000	✓ ≤\$20,000)	✓	Invoices to be signed by initiator of expense. Authoriser of payment is CE for staff, Chair for CE, Chair of A&R Ctee for Board Chair
6. Credit card limits			\$10,000	\$10,000		Reflecting business usage
7. Signatories on bank accounts (making payments by direct credit, etc – two signatures required)		✓	✓	✓	✓	
8. Income (banking)					✓	
9. Leases/rental arrangements	✓					Rent review terms to be approved by Board

Function or Activity	Board	Chair	Chief Executive Officer	Operations Manager	Finance Officer	Comments
10. Asset purchase	✓ >\$10,000		✓ ≤\$10,000			
11. Asset disposal – up to \$ (book value)	✓ >\$2,000		✓ ≤\$2,000			
12. Banking new accounts/new arrangements			✓			
13. Insurance			✓			
14. NZRAB Policies	✓					
15. Press release		✓				
16. Travel – overseas	✓					
17. CEO credit card/personal reimbursement		✓				
18. Staff credit card/personal reimbursement			✓			
19. CEO appointment	✓					

<b>Function or Activity</b>	<b>Board</b>	<b>Chair</b>	<b>Chief Executive Officer</b>	<b>Operations Manager</b>	<b>Finance Officer</b>	<b>Comments</b>
20. CEO responsibilities, performance appraisals, salary reviews	✓					Board may appoint a Committee of the Board for the review
21. Staff/contractors appointment outside budget	✓					CE undertakes performance & annual salary reviews
22. Staff/contractors appointment within budget, responsibilities, performance appraisals, salary reviews			✓			

## **Attachment 2**

### **Allocation of activity costs for review purposes (refer clauses 24-26 of the Finance & Delegations Policy)**

- direct costs are the materials, labour and expenses that can be traced directly to or identified with a specific service
- partially direct costs are the materials, labour and expenses that are not explicitly identified but can be estimated with reasonable accuracy
- indirect costs are the materials, labour and expenses that cannot be traced directly to or identified with a specific service as they cover a range of services.

### **Allocation Methods**

***Direct costs*** for services that attract a fee are to be fully allocated to the appropriate cost centre.

***Partially direct costs*** are to be allocated in relation to fees charged as follows:

- Costs of staff are to be apportioned to NZRAB activities for which a fee may be charged, based on the time spent, the remainder to be apportioned to the ACR fee. For the purpose of apportionment to a chargeable activity, an employee's hourly rate is their annual base salary divided by hours worked on the NZRAB activity to which the hours are being allocated.
- Postage is calculated on the average courier charge multiplied by the number of packages to be sent for the activity.
- Costs for registration services and activities are to be apportioned 45% to Initial Registration, 45% to Continuing Registration and 10% to Equivalency.

All ***indirect costs*** are to be fully allocated to the ACR fee.