

New South Wales Aboriginal Land Council - Financial Records Code – April 2015 (as amended)

Introduction

This code is not intended to replace or over-ride any of the obligations placed on Local Aboriginal Land Councils (LALCs) with respect to accounting and record keeping.

Those obligations are set out in:

- The *Aboriginal Land Rights Act 1983* (ALRA) (particularly in Part 8);
- The *Aboriginal Land Rights Regulation 2014* (ALRR) (particularly Part 6);
- The LALCs' Rules;
- *Section 153 of the Act* and NSWALC's LALC Annual Financial Reporting Policy;
- *Section 160 of the Act*;
- *Section 161 of the Act* and NSWALC's LALC Annual Reports Policy;
- The relevant *Australian Accounting Standards*.

This code attempts to draw together aspects of the minimum obligations and standards applicable to LALCs based on what is required of LALCs in order that they might receive an unqualified audit.

The New South Wales Aboriginal Land Council (NSWALC) has made this code the subject of a direction under *section 160 of the Act*. This code is therefore enforceable under *sub-section 160(2) of the Act*.

General Cash Controls

Receipts

1. The LALC must issue a receipt for all monies received by the LALC.
2. All monies received are to be banked promptly (preferably within one day).

Cheques and Cheque Books

3. The authorised signatories to all bank accounts held by the LALC are to be determined by the Board by formal resolution at a duly convened Board meeting.
4. Cheques must be signed by at least 2 authorised signatories and marked "Not Negotiable".
5. All cancelled cheques are to be retained and filed with the cheque book or attached to a payment voucher and filed in subsequent order.
6. The cheque should be marked clearly cancelled and any signatures applied defaced appropriately.
7. Access to cheque books is to be limited and the cheque books are to be securely stored.
8. All internet banking transactions should require two passwords for activation of any payments both passwords to be independently known only by the user.

Payments

9. Invoices received are to be checked for accuracy by the CEO prior to presentation to the Board of the Council for authorisation of payment or the details of all bill and

accounts that have been paid and not previously approved by the Board, for ratification.

10. Travel and accommodation expenses for LALC members and staff are to be approved by the Board of the Council or the CEO prior to being incurred.
11. Travel and accommodation expenses for the CEO are to be approved by the Board of the Council or the Chairperson prior to being incurred.
12. The full details of all authorisations and ratifications of payments are to be recorded in the minutes of each LALC Board meeting, including details of the:
 - (a) date;
 - (b) transaction/cheque number;
 - (c) payee;
 - (d) purpose of the transaction; and
 - (e) amount.
13. Any payment more than \$75.00 must be made by cheque or electronic banking must be signed or executed, in the case of electronic banking by any 2 of the authorised signatories, as ratified by the Board.

Documentation of Payments

14. Supporting Documentation for each payment is to be:
 - (a) sequentially filed;
 - (b) stamped paid;
 - (c) signed as authorised; and
 - (d) traceable to the cashbook/ledger.

Bank Reconciliations

15. The LALC is to prepare regular (at least monthly) bank reconciliations for all bank accounts within 21 days of the month's end.
16. Bank reconciliations are to be independently reviewed and the CEO/Chairperson is to sign off on the bank reconciliation.

Petty Cash Controls

17. A petty cash float reconciliation is to be prepared monthly.
18. Each monthly petty cash float reconciliation is to be independently reviewed and the CEO is to certify as to its correctness.
19. Petty cash funds are to be kept at all times in a secure location.
20. All petty cash records are to be kept up to date.
21. No payment from petty cash should exceed \$75.

Income

Debtors

22. A debtors list is to be reviewed monthly for any slow-paying debtors. The List is to be signed by the reviewer and note what follow up action has been taken, or is required.

23. In circumstances where a LALC is managing its own housing portfolio, a debtors list of rental property debts is to be reviewed monthly by the CEO and the reviewer is to sign off as evidence of review and include this information in the monthly CEO report to the Board.

Bad Debts

24. All decisions to write off bad debts, including reasons as to why the debts were written off, are to be recorded and independently reviewed prior to write-off.
25. The write-off of all bad debts is to be approved by the members of the LALC.
26. The details of all write-offs are to be included in the annual report. The annual report must disclose individual amounts of debt written off including details of:
 - (a) the debtor;
 - (b) the nature of the debt; and
 - (c) why the debt was written off.

Credit Notes and Invoices

27. All credit notes issued to debtors are to be recorded in a separate ledger/list, which is to be reviewed by a person with delegated authority at least monthly.
28. Prior to issuing an invoice, the invoice should be verified for accuracy by either the CEO or a person with delegated authority.

Deposits

29. All cash receipts are to be recorded via the completion of a sequentially numbered deposit requisition.
30. Deposit requisitions are to be independently reviewed.
31. Either:
 - (a) there is to be appropriate separation between staff who receive cash and those responsible for recording of these transactions, or
 - (b) the receipt of cash and the recording of these transactions are to be closely supervised.

Rental and Commercial Properties

Rent to be charged

32. Rents are to be charged on all properties that are let. The rents charged are to be reviewed by the Board at least annually.
33. Rent setting should be in line with the CBS (Residential Accommodation) policy of NSWALC and take into consideration *section 52A(1A) of the Act*.

Enforcement

34. Outstanding rents are to be recorded and followed up at least monthly, or as set down in the housing policy adopted by the LALC Board. The CEO is to inform the Board and the Board is to inform the members of the LALC of the action taken in respect of outstanding rent.

Rental Statements

35. Individual rental and commercial property statements – showing income received, payment of costs such as Council rates, water rates, insurance and repairs and maintenance – are to be prepared for each property, identifying them by location.

Payroll and Personnel

Records to be kept

36. Appropriate personnel records are to be maintained, including:
- (a) employee contracts or letters of employment setting out all the conditions/benefits of employment;
 - (b) records of all leave taken and accrued (including annual, long service and sick leave);
 - (c) weekly timesheets signed by the employee and authorised by the relevant person with delegated authority before wages payments are made;
 - (d) if applicable records of overtime and time in lieu, in particular authorisation of such time by the employee's supervisor or person with delegated authority;
 - (e) employee withholding declarations;
 - (f) wages records including gross wages, tax and other deductions reconciled to the Business Activity Statement and annual payment summaries
 - (g) superannuation records in particular the employee super choice form;
 - (h) records of workers' compensation payments including wage estimations and actual wage declarations made to the insurance company as required;
 - (i) payslips to be issued to all employees; and
 - (j) relevant salary sacrifice records i.e. agreement, employee notification
37. The requirements of the *Superannuation Guarantee* and NSW workers' compensation legislation are to be met in relation to all superannuation and workers' compensation transactions.
38. Payroll transactions are to be recorded on a timely basis.
39. Payroll records are to reconcile to the financial statements.

Authorisation of Payroll Transactions

40. All payroll transactions are to be properly authorised prior to payment. Payroll transactions of LALC staff, other than the CEO, are to be authorised by the CEO. Payroll transactions relating to the CEO are to be authorised by the Board of the council. Specific points requiring authorisation include:
- (a) Authorisation of timesheets including hours/days worked;
 - (b) Authorisation of overtime;
 - (c) Verification of wages, commission and salary rates;
 - (d) Verification of amounts withheld from employees for tax and amounts paid on behalf of employees for superannuation and any salary sacrifice related payments; and
 - (e) Authorisation of actual payments made i.e., by cheque or electronically.
41. Pay as You Go instalments are to be deducted from wages and paid to the Australian Taxation Office.

Capital Assets

Valuations

42. LALC's can choose to adopt either the "cost model" or "revaluation model" to value its property, plant and equipment.
43. If the LALC decides to adopt the cost model, all property, plant and equipment is able to be recorded at "cost" or "deemed cost". In addition, each LALC should annually determine the "impairment" on assets.
44. However, if a LALC chooses to adopt the revaluation model, the LALC is required to revalue all property, plant, and equipment at least once in every five years.
45. The deemed cost of an asset is the fair value of the asset granted after 1 July 2004 or if the assets were at zero value as at 1 July 2004 the fair value as at that date.
46. If the revaluation of assets is undertaken by a LALC, the new values should be approved by the Board. The approval should be evidenced in the minutes of the relevant Board meeting.

Insurance

47. Insurance cover to be taken out and kept current for the following:
 - (a) Public liability;
 - (b) All LALC residential properties;
 - (c) All LALC motor vehicles;
 - (d) Business properties and risks;
 - (e) All other material assets owned by the LALC.
48. Residential property insurance cover should note pending coverage during extended vacancy periods.
49. Insurance coverage should ensure that the LALC is able to replace or repair assets to no less than their original condition.
50. Insurance policies should be reviewed annually to ensure there is appropriate coverage and that any new assets have been accounted for or disposed assets have been removed.

Motor Vehicles

51. A vehicle log book is to be maintained and kept up to date for each vehicle owned and include as a minimum:
 - (a) Date of journey, start and end time, from – to, purpose of journey, driver, odometer, business or personal;
 - (b) Details of motor vehicle and registration number;
52. All LALC vehicles must have current registration and compulsory third party insurance cover.
53. All drivers of the LALC vehicles must hold a current driver's licence of at least provisional status.

Property Register

54. The LALC must keep a land register showing all the LALC's land holdings in particular noting Lot number and DP plan number.

55. The land register must classify each land holding according to the actual use of the land.
56. The land register must include the details of the monetary value of each land holding.
57. The land register is to be kept up to date and reviewed at least once in each 6 month period for completeness and accuracy.
58. Land is a separate class of asset to that of a building and should therefore be separately recorded as a different class of asset.

Fixed Asset Register

59. The LALC must keep a register of all other fixed assets. The fixed asset register may be combined with the land register.
60. The fixed asset register is to be regularly reviewed for completeness and accuracy by the CEO.
61. When determining the depreciation for a year, residual value and useful life of material depreciable assets are required to be individually reviewed on a yearly basis.
62. The LALC is also required to conduct yearly impairment testing on those assets identified as being material in nature.
63. The LALC is to ensure they have a system of identifying assets (folio number, serial number, engraving etc. and conduct a stock take annually to ensure assets are locatable and accurately recorded on the LALC's asset register (this applies to both fixed and portable assets).

Asset Registers to Agree with the Financial Statements

64. The land register and the fixed asset register must agree with the financial statements.

General Controls

Monthly Accounts and Reports

65. Monthly accounts/ management reports are to be presented in a timely manner to the Board of the Council by the CEO. The Board are to review and receipt the CEO report and this action is to be noted in the minutes.
66. The CEO is to review actual expenditure to the approved budget on a monthly basis.
67. Variances from the budget are to be reported by the CEO to the Board of the Council at required Board meetings as set down by the Act, together with explanations for the material variances.
68. Variances to budgets are to be approved by resolution at a meeting of the Board members as set down by the Act and tabled with the members for receipt at members' meetings.
69. Any variances as noted being greater than 10% of the approved NSWALC operational grant budget per budget category or by more than \$5,000 (whichever is the greater) needs a written variation approval by both the Board and NSWALC.
70. Monthly accounts/management reports should include a list of all accounts due by the LALC at the time of the report that have not been paid as well as a list of payments that have been made during the period;
71. Management accounts should be tabled and noted at members' meetings for transparency and included in the minutes of the meeting.

Related Party Transactions

72. All related party transactions involving members and/or employees are to be recorded separately and verified by a resolution of the members. The resolution should show the date and amount of the transaction, as well as the details of all parties to the transaction including their connection. Related party transactions must also be included in the LALC's annual financial statements as required by the NSWALC's LALC Annual Financial Reporting Policy.
73. All LALC members, staff and Board members must comply with the Act and appropriately disclose and record any conflicts of interest.

Business Activity Statements

74. Business Activity Statements are to be completed and lodged within the stipulated time frames.

Other Controls

Balance Sheet (Previously - Statement of Financial Position)

75. Balance Sheets are to be complete with regard to the following issues:
 - (a) all assets and liabilities must be accurately recorded.
 - (b) all material contingent liabilities and material commitments relating to the LALC are disclosed in the financial statements.

Comprehensive Income Statement (Previously – Statement of Financial Performance)

76. Comprehensive Income Statement's are to be completed with regard to the following issues:
 - (a) grants received should be accounted as income within the year they are received unless they were previously accrued for.
 - (b) Any unutilised grant funds should only be accounted as a liability when there is a current obligation to repay the grant as per the terms of the agreement.
77. The income statement must reflect all other grants received and the use of those grants. This includes non monetary grants in the form of benefits received (e.g. AHO Build and Grow Backlog Maintenance Funding).

Audit Management Letters

78. Audit management letters must be tabled before the Board.
79. The Board must respond to any review or audit management letter. Responses must be forwarded to the auditor with a copy supplied to NSWALC.

Debt Management Agreement

80. The LALC must formally acknowledge any debt to NSWALC by completion of a deed poll.
81. If the LALC has a recoverable debt to NSWALC the LALC must enter into a debt repayment agreement with NSWALC.
82. The LALC must fulfil their obligations to NSWALC in accordance with the agreed debt repayment agreement and
83. All LALC's with a debt to NSWALC must ensure that the debt is accurately recorded in the LALC's accounts.