

# Finance Internal Controls Policy

## 1. PURPOSE

The Internal Finance Internal Controls Policy was developed to ensure sound financial management and reduce possibilities of fraud while the ACLT and its policies are being set up.

## 2. SCOPE

2.1 This policy applies to the Board of Directors (Board), the Executive Director (ED), and any other staff or contractors working under the ED.

2.2 Major restrictions/conditions

- The financial year of ACLT is from January 1<sup>st</sup> to December 31<sup>st</sup>.
- Staff and Board Members are requested to sign a declaration of confidentiality when hired. All financial information related to ACLT remains confidential.
- This policy is written under the assumption that ACLT will receive its charitable status in 2023. Clauses that apply only once ACLT becomes a charitable organization are highlighted in blue.

## 3. Accounting Systems and Procedures

The ACLT follows Canadian Generally Accepted Accounting Principles (GAAP) and uses the accrual basis of accounting. Expenses are accrued in the year in which they are incurred. Financial Statements are prepared in accordance with professionally accepted accounting principles.

<ul style="list-style-type: none"><li>• Journal entries are entered for all revenues and expenses by the Bookkeeper and overseen by ED</li></ul>
<ul style="list-style-type: none"><li>• The value of donated services provided to the organization such as volunteer work is not recorded in the accounts.</li></ul>
<ul style="list-style-type: none"><li>• Donations in-kind will be recorded at the estimated fair market value of the item received however acceptance of these instruments is not set up at present time. Canada Helps will be used as a main instrument for accepting donations in-kind.</li></ul>
<ul style="list-style-type: none"><li>• All bank statements will be reconciled quarterly.</li></ul>
<ul style="list-style-type: none"><li>• Year-end books are closed no later than six months after the end of the fiscal year.</li></ul>
<ul style="list-style-type: none"><li>• All documents are retained for seven years.</li></ul>

#### 4. Internal Controls

ACLT employs internal controls to ensure that financial transactions are properly authorized, appropriated, executed, and recorded to ensure protection from fraud and error. The Board and staff are prohibited from activities that might present a conflict of interest.

##### Roles and Responsibilities

##### **Role Responsibility**

<i>The Board</i>	They are responsible for: <ul style="list-style-type: none"> <li>• Providing, with the direction and approval of its Finance Committee, guidance on all issues related to:                             <ul style="list-style-type: none"> <li>▪ Financial operations; and,</li> <li>▪ External review and/or audit requirements</li> </ul> </li> <li>• Approving and establishing all financial management policies, guidelines, and controls to provide assurance to its members and the public and to exercise prudent stewardship of its funds.</li> <li>• Overseeing financial systems that conform to                             <ul style="list-style-type: none"> <li>▪ all applicable Federal and Provincial Statutes, Legislation (including the <i>Income Tax Act</i> and <i>Trustee Act</i>)</li> </ul> </li> <li>• Delegating oversight responsibility to the Treasurer and the Finance Committee, and regular oversight to the ED.</li> </ul>
<i>Treasurer</i>	They are responsible for: <ul style="list-style-type: none"> <li>• Reporting to the Board on financial matters</li> <li>• Interacting with the ED for financial details of reports</li> <li>• Attending audits to ensure board responsibilities are fulfilled.</li> <li>• Advising ED</li> </ul>
<i>Finance Committee</i>	They are responsible for: <ul style="list-style-type: none"> <li>• Assisting the Board in fulfilling its oversight responsibilities with respect to                             <ul style="list-style-type: none"> <li>▪ Financial planning and reporting requirements;</li> <li>▪ Financial risk management;</li> <li>▪ Financial control framework;</li> <li>▪ Financial audit processes.</li> </ul> </li> <li>• Providing the final edits on public financial reports.</li> </ul>

*Executive  
Director (ED)*

They are responsible for:

- Verifying that the revenues are properly booked, banked, and receipted efficiently and effectively.
- Ensuring that appropriate internal controls are in place for cash and in-kind donations.
- Acting as the ACLT's primary fiscal agent, implementing all financial policies and procedures.
- Enacting the financial management policies, guidelines, and controls—with the oversight of the Financial Committee.
- Supervising the bookkeeper
- Providing regular reports to the Finance Committee. This will ensure the accuracy of the accounting records, internal controls, financial objectives & policies, financial statement preparation, and bank reconciliation review & approval.
- Ensuring that the ACLT:
  - Makes the most effective use of its funds;
  - Is protected from undue financial risks; and,
  - Is safeguarded against fraud and theft.
- Maintaining security (including insurance) of its assets according to accepted business standards and practices, minimizing those who have physical or indirect access to money, securities, and other valuable property.
- Preparing and submitting financial reports **and audits if required** for foundations, federal & provincial organizations, and other funders for the project.
- Preserving and securing proper financial records.
- Issuing charitable receipts and ensuring that both charitable receipts and information related to donors and members comply with current provincial and federal (including privacy) legislation and security practices.

*Bookkeeper*

They are responsible for:

- Recording all financial data in the financial records of the business, including
  - Payables,
  - Receivables,
  - General journal entries

- Ensuring that the revenues and expenses are properly booked, reconciled, and receipted.
- Preparing, revising, maintaining, and submitting various monthly, quarterly, and yearly reports for ED and Treasurer in preparation for board meetings.
- Preparing, submitting, and complying to year end audit.

## Signing authorities

### *Distribution of Financial Duties*

- Two official signing officers' signatures or preauthorization are required on all cheques, drafts, and money orders. Refer to *Governance policy and by-laws* for more information.
- A signing officer must provide personal information as required by financial institutions. Any change to signing authority must be documented through the financial institutions' authorization forms.
- Specific authorization is required for contracts in accordance with the Expenses and Accounts Payable Procedure ( see Appendix A).
- The establishment or closure of bank accounts or lines of credit requires a Board resolution and has to comply with the acceptable accounting framework as identified by the Canadian Institute of Chartered Accountants (CICA).
- It is the responsibility of the ED to oversee the bookkeeper or any staff.

## 5. Financial Planning and Reporting

The ACLT ensures sound short and long-term financial goals and a balanced plan through effective planning and reporting standards and practices for the annual budget, annual review or audit, and financial reports. The ACLT develops an annual budget before the start of each fiscal year which estimates financial results and requirements. The budget provides a plan against which actual results can be evaluated. Financial reports are delivered on a quarterly basis, or as requested by the Board. The quarterly reports are used to provide information for the current period, the budget, and a variance column giving the difference between the actual result and the results that were budgeted.

## 6. Revenue and Accounts Receivables

The ACLT receives revenues from donations that are often restricted by the funders and bound by responsibility for good stewardship of these funds. The ACLT may receive revenues such as:

- donations
- In-kind donations
- government funding

- planned giving
- grants

These revenues must be accurately recorded and publicized as per donor wishes.

### 6.1 Methods of Payment

The ACLT accepts cash, cheques, bank drafts, certified cheques, and money orders as payment and will set up online methods of payment through 3<sup>rd</sup> party fundraising organizations (ex. Eventbrite, Canada Helps) once charitable status received.

#### 6.1.1 Invoicing

- The ACLT invoices strictly to trace project revenues and is not used for retail.
- ACLT does not charge HST or any other taxes.
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- All grants and projects are invoiced or claimed as per contribution agreements unless they require claim forms as a replacement.

#### 6.1.2 Transactions

All contributions shall be recorded and allocated to appropriate projects by the ED in accordance with the CRA guidelines and GAAP.

- The following are the equivalent of cash transactions and must be cleared by the bank or financial institution prior to the completion of the transaction.
  - Cheques (with two signatures)
  - Canada Helps donations (to be established once we are charity),
  - External fundraising ticket sales.

#### 6.1.3 Cash Handling

Bank deposits shall be made in a timely manner, at least weekly and/or if amount exceeds \$1,000.

Chequebooks, cash and returned bank statements with cancelled cheques shall be safe-guarded and accessible only to ED or the Treasurer.

### 6.2 Roles and Responsibilities

<b>Role</b>	<b>Responsibility</b>
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<i>Treasurer</i>	They are responsible for:
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- Ensuring proper custody of all the ACLT's revenue, financial accounts, and assets—with oversight of the Finance Committee and the Board.

*Executive  
Director (ED)*

They are responsible for:

- Ensuring revenues are booked, banked, and receipted effectively under generally accepted accounting principles (GAAP) and practices under the oversight of the ED.
- Ensuring the reconciliation of charitable receipts to donations booked and investigating any discrepancies. (once we are a charity)
  - Reporting unresolved discrepancies to the Treasurer and Auditors as soon as identified.
- Ensuring all transactions are completed on a timely basis
  - Ensuring that all records will be kept in a secure location.
  - Balancing all cash and transaction records monthly.
  - Investigating discrepancies, and reporting any to the Treasurer.

Invoicing

- Ensuring all supporting documents, invoices, claims are reviewed, signed, and submitted per contract details.
- Ensuring that the funder receives either the original copy or an emailed copy, and one copy is filed in accounts receivable.
- Reviewing accounts receivable quarterly.

Grants and Contribution Agreements

- Ensuring that cash management practices protect the funds required to complete the organization's obligations under the grant and contribution agreements.

## 7. Expenses and Accounts Payable

Expenses are recorded by ED in accordance with the accrual basis of accounting. The expenses at the ACLT include:

- Program expenditures: staff, volunteer and contractor expenses; program supplies and services; and travel;
- Administrative costs: software, hardware, board meeting and travel costs; communications, office supplies, insurance, overhead and promotional expenses.

All expenses are categorized and accounted for according to GAAP. Refer to *the Expenses and Accounts Payable Procedure* in Appendix A for detailed information.

### 7.1 Roles and Responsibilities

<b>Role</b>	<b>Responsibility</b>
<i>Board</i>	They are responsible for: <ul style="list-style-type: none"> <li>• Setting policies and procedures for authorization of expenses and controls related to the usage of funds.</li> <li>• Two Board Directors (President, Vice-President, or Treasurer) authorize any contract which does not conform to the board’s approved budget.</li> <li>• Determining the salary of the ED.</li> </ul>
<i>Treasurer</i>	They are responsible for: <ul style="list-style-type: none"> <li>• Ensuring that the usage of funds is in compliance with the policies and approved budget—in conjunction with the ED.</li> </ul>
<i>Executive Director (ED)</i>	They are responsible for: <ul style="list-style-type: none"> <li>• Ensuring that the usage of funds is in compliance with the policies and approved budget—in conjunction with the Treasurer.</li> <li>• Approving and allocating all expenses (all budgeted purchases of goods and services)</li> <li>• Authorizing payments</li> </ul> Program Expenditures <ul style="list-style-type: none"> <li>• Authorizing contracts of \$10,000 or less that conform to the Board’s budget</li> <li>• Adhere to the Travel and Expenses Policies and Guidelines. (Appendix B)</li> </ul>

**Appendix A**

Expenses and Accounts Payable Procedure

<p><b>Purpose</b></p>	<p>This Procedure provides guidance on the treatment of general organizational expenses as well as the appropriate controls over expenses. Details on controls that apply to all expenses, plus procedures on the expenses listed, are outlined in this procedure.</p> <ul style="list-style-type: none"> <li>• Program expenditures: contractor expenses.</li> <li>• Administrative costs: Suppliers, board meeting and travel costs, and, insurance.</li> </ul>								
<p><b>Scope</b></p>	<p>Applies to the</p> <ul style="list-style-type: none"> <li>• Board of Directors (Board),</li> <li>• Executive Director (ED)</li> <li>• ACLT’s employees and contractors</li> </ul> <p>Major restrictions/conditions</p> <ul style="list-style-type: none"> <li>• Expenses are recorded by department, and in accordance with the accrual basis of accounting.</li> </ul>								
<p><b>Standard</b></p>	<p>The below standards apply to all expenses</p> <table border="1" data-bbox="548 999 1490 1539"> <tr> <td data-bbox="548 999 727 1213"> <p><b>Approved Purchases</b></p> </td> <td data-bbox="730 999 1490 1213"> <p>All approved purchases must be reconciled and tracked with receipts, purchase orders, and packing slips. All invoices and bills will be reviewed by the ED and may be requested for review by signing officers, the finance committee, or the board of directors.</p> </td> </tr> <tr> <td data-bbox="548 1218 727 1356"> <p><b>Accounts Payable</b></p> </td> <td data-bbox="730 1218 1490 1356"> <p>Current year accounts payables will be filed by ED and the bookkeeper. All preceding years will be stored and kept for seven years as per CRA requirements.</p> </td> </tr> <tr> <td data-bbox="548 1360 727 1539"> <p><b>Expense Allocation</b></p> </td> <td data-bbox="730 1360 1490 1539"> <p>The ED is responsible for finalizing all allocations of expenses to the appropriate projects.</p> <p>The ED is responsible for posting allocation entries with payment.</p> </td> </tr> </table> <p>Paying for Expenses</p> <table border="1" data-bbox="548 1612 1490 1860"> <tr> <td data-bbox="548 1612 769 1860"> <p><b>Payments</b></p> </td> <td data-bbox="773 1612 1490 1860"> <p>All expenses must be paid by personal financial means and will be reimbursed upon submission of the expenses along all required receipts etc.</p> </td> </tr> </table>	<p><b>Approved Purchases</b></p>	<p>All approved purchases must be reconciled and tracked with receipts, purchase orders, and packing slips. All invoices and bills will be reviewed by the ED and may be requested for review by signing officers, the finance committee, or the board of directors.</p>	<p><b>Accounts Payable</b></p>	<p>Current year accounts payables will be filed by ED and the bookkeeper. All preceding years will be stored and kept for seven years as per CRA requirements.</p>	<p><b>Expense Allocation</b></p>	<p>The ED is responsible for finalizing all allocations of expenses to the appropriate projects.</p> <p>The ED is responsible for posting allocation entries with payment.</p>	<p><b>Payments</b></p>	<p>All expenses must be paid by personal financial means and will be reimbursed upon submission of the expenses along all required receipts etc.</p>
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<b>Program Expenditures</b>							
<b>Contractual Agreements</b>	<p>Contractual agreements are authorized to ensure the financial integrity of the ACLT.</p> <p>Development and entrance to contractual agreements with vendors, governments, funders and other third parties are normally included in the budget and approved by the Board. For contractual agreements not normally included in the budget, must follow the below steps:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"><b>Contracts of \$10,000 or less which conform to the Board's budget</b></td> <td style="width: 50%; padding: 5px;">Can be authorized by the ED and signed by two signing officers.</td> </tr> <tr> <td style="padding: 5px;"><b>Contractual agreements for non-budgeted contracts.</b></td> <td style="padding: 5px;">Must be authorized by two of the following Board representatives (President, Vice-President and Treasurer) .</td> </tr> </table> <p>All contracts must follow the below guidelines.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Prior to making a commitment for the expenditure of funds, there must be sufficient funds in a budget approved by the Board of Directors. When availability of funds is confirmed, steps to purchase the goods and/or services can proceed.</td> </tr> <tr> <td style="padding: 5px;">Under no circumstances are the purchasing limits of each authority to be circumvented through the use of two or more purchase orders to commit funds in the purchase of any one item or service.</td> </tr> </table>	<b>Contracts of \$10,000 or less which conform to the Board's budget</b>	Can be authorized by the ED and signed by two signing officers.	<b>Contractual agreements for non-budgeted contracts.</b>	Must be authorized by two of the following Board representatives (President, Vice-President and Treasurer) .	Prior to making a commitment for the expenditure of funds, there must be sufficient funds in a budget approved by the Board of Directors. When availability of funds is confirmed, steps to purchase the goods and/or services can proceed.	Under no circumstances are the purchasing limits of each authority to be circumvented through the use of two or more purchase orders to commit funds in the purchase of any one item or service.
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Under no circumstances are the purchasing limits of each authority to be circumvented through the use of two or more purchase orders to commit funds in the purchase of any one item or service.							
<b>Reimbursement/ Travel Expenses</b>	<p>ED, Board of Directors and volunteers must adhere to Travel and Other Expenses Procedure.</p> <p>Board of Directors and volunteers' work-related expenses require approval by the ED and reimbursed upon submission.</p>						
<b>Administrative Costs</b>							
<b>Suppliers</b>	<p>The ACLT will sustain a relationship with two or more suppliers for any major recurring type of expense. Periodically, supplier performance will be reviewed and assessed by the ED.</p>						

**Appendix B**  
**Travel and Other Expenses Procedure**

<b>Purpose</b>	Procedure on how to receive reimbursements for exceptional expenses or out-of-pocket pre-approved expenses incurred on behalf of the ACLT in support of any budgeted item or project.	
<b>Scope</b>	Applies to	
	<ul style="list-style-type: none"> <li>• ED</li> <li>• Board Members, Volunteers</li> <li>• Employees, sub-contractors</li> </ul>	
<b>Standard Rates</b>	Major restrictions/conditions	
	<ul style="list-style-type: none"> <li>• Board members, sub-contractors, and volunteers can only receive compensation for reimbursements approved in advance by the ED or Treasurer.</li> <li>• Reimbursement claims must be accompanied by a completed Expense claim form ( see Appendix C)</li> </ul>	
<b>Standard Rates</b>	The standard rate for mileage is a flat rate based on the rate determined by CRA - Reasonable per-kilometer allowance: <a href="https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/benefits-allowances/automobile/automobile-motor-vehicle-allowances/reasonable-kilometre-allowance.htm">https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/benefits-allowances/automobile/automobile-motor-vehicle-allowances/reasonable-kilometre-allowance.htm</a>	
	Meal Allowance for those traveling are determined by CRA; Meals and allowances as follows: <a href="https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/travel-directive/appendix-b-meals-allowances-april-2022.html">https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/travel-directive/appendix-b-meals-allowances-april-2022.html</a>	
<b>Process</b>	<b>Action Steps</b>	
	<b>Preapproval</b>	<ol style="list-style-type: none"> <li>1. Receive approval for the expense from the ED before purchasing</li> <li>2. Ensure you receive an itemized receipt with the tax outlined from point of purchase.</li> </ol>
	Reimbursement for out-of-pocket/exceptional and travel expenses	
	<ol style="list-style-type: none"> <li>3. <b>Fill out the Expense Claim Form as soon as possible after the expense was incurred.</b> <ul style="list-style-type: none"> <li>• <b>Attach all detailed receipts to completed expense report</b></li> </ul> </li> <li>4. <b>Send to ED</b></li> <li>5. <b>Reimbursement will be made by cheque</b></li> </ol>	

Subject: Finance  
 Applies to: Board, ED, staff volunteers

Approved by ACLT board on:  
 No: #1

**Appendix C**

ACLT TRAVEL EXPENSE FORM						
Name:			Date:			
Phone:			Email:			
Address:						
PROJECT ALLOCATION:						
MILEAGE						
DATE	FROM	TRAVEL LOCATION	TO	ALLOCATION	TOTAL KM	KM x \$0.61
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
						\$ -
TOTAL:						\$ -
EXPENSES						
DATE	NAME	CITY		DESCRIPTION	TAX PAID	**RECEIPT AMOUNT
	VENDOR					
TOTAL:					\$ -	\$ -
TOTAL COMBINED REIMBURSEMENT:					<b>\$0.00</b>	
Signature:				Date:		
Approved by:				Date:		
<i>**Please attach all original itemized receipts to the back of the expense form</i>						

This policy and procedures were adopted with approval from the Nature of New Brunswick.