

SQS 7

The service unit implements policies and procedures to ensure effective financial management.

- 7.1 The service unit has procedures for developing and endorsing budgets.
- 7.2 The service unit has policy and procedures to manage financial resources and monitor financial performance.
- 7.3 The service unit has procedures to regularly consider opportunities for introducing efficiencies/containing cost.

A. INTRODUCTION TO SQS 7 – FINANCIAL MANAGEMENT

Service Quality Standard 7 focuses upon the effective management of the financial resources of your service unit. It is very important to be able to demonstrate financial accountability and sound financial management practices in order to satisfy the requirements of the Funding and Service Agreement as well as meet all legal and ethical obligations.

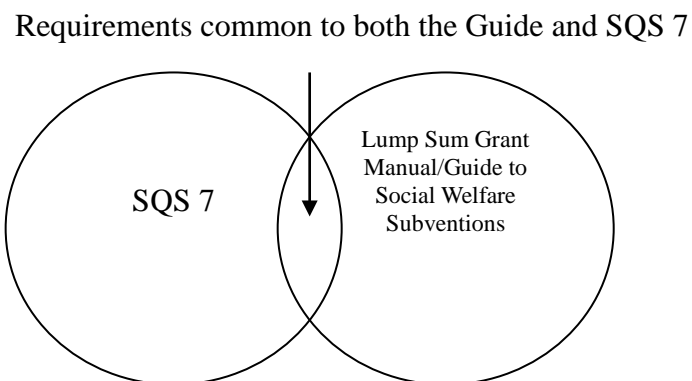
Financial reports are used to monitor and make decisions about how the services are run. Secondly, they are used as an accountability mechanism to the bodies that provide funding so that they can be assured that funding has been used for its intended purposes.

SQS 7 places emphasis upon the management processes associated with the service unit's financial resources. In particular, SQS 7 is concerned with monitoring financial performance, regular review of the service unit for opportunities for containing cost and implementation of efficiencies..

For service units that are part of a larger agency, in most cases, the agency head will take overall responsibility for financial management. It is necessary for each service unit to have its own budget and records of expenditure, however each service unit does not need its own reports. It is acceptable for budgets and records of expenditure for each service unit to appear clearly in an agency wide report (i.e. as a separate section, column or row).

The requirements of the SWD for the preparation and reporting of financial information is covered by the 'Lump Sum Grant Manual'/ 'Guide to Social Welfare Subventions' document ('Manual/Guide'). In particular, the 'Manual/Guide' covers subvention principles and rules on the use of subventions, payments and the keeping of Books of Account, and the submission of financial information. The 'Manual/Guide' covers some, but not all of the criteria of SQS 7.

Therefore complying with the 'Manual/Guide' will achieve some, but not all of the requirements of SQS 7. The relationship between the 'Manual/Guide' and SQS 7 is shown in the diagram below. The areas in common relate to the way in which financial data is prepared and reported. However, SQS 7 also covers financial performance monitoring, service review and the management of efficiencies.



B. REQUIREMENTS FOR MEETING SQS 7

In order to meet SQS 7, your service unit will need to:

1. Have procedures for developing and endorsing budgets for service unit and individual activities within service units

The service unit should establish and follow its procedures to prepare budgets for the individual service unit and activities of the service unit. Such budgets are used as the basis to manage financial resources.

2. Have policy and procedures to manage financial resources and monitor financial performance

The policy and procedures should spell out the mechanism in place covering the following elements:

- The personnel responsible for managing financial resources (including authorization/delegation/approval level of use of financial resources) and monitoring financial performance
- Measures to avoid conflict of interest
- Measures to handle resources obtained from other funding bodies, donation proceeds, gift-in-kind.

The procedures should be consistent with the requirements of the Lump Sum Grant Manual/Guide to Social Welfare Subventions and allowing for the executive staff and the relevant committee (or relevant sub-committee) to receive and discuss on a regular basis.

3. Regularly consider opportunities to improve efficiencies or containing cost

The service unit should have procedures to regularly consider opportunities for introducing efficiencies or containing costs.

4. Ensure that the relevant policies and procedures in (1), (2) and (3) are implemented.

C. RESOURCES TO ASSIST YOUR SERVICE UNIT TO MEET SQS 7

This handbook contains some resources that will assist a service unit manager develop systems and practices that will help the service unit meet SQS 7. In particular, we have provided:

- Guidelines for preparing budgets;
- Sample policy on managing financial resources and monitoring financial performance; and
- Guidelines on financial performance monitoring.

It is expected that service units will only be concerned with those documents appropriate to the service unit level and not those held at the agency level, again, depending upon the size and structure of your agency.

GUIDELINES FOR PREPARING BUDGETS

1. Introduction

These guidelines have been prepared to assist a service unit prepare budgets . They describe some of the tasks or procedures associated with the preparation of budgets. These guidelines have been designed to assist smaller service units. Accounting staff or external financial advisers could provide expert financial management advice.

2. Contents

In order to develop budgets, your service unit will need to:

- i. maintain appropriate financial records
- ii. prepare and distribute appropriate financial reports;

i. maintain appropriate financial records

Development of a budget occurs on an annual basis. A planned approach to developing your budget includes reviewing the past year's performance against the budget, predicting service changes for the next year and estimating both income and expenditure for the next year. The budget planning cycle must be scheduled to fit with other planning cycles such as the annual strategy plan and the staff training plan. It should be based on the objectives of the annual plan.

Agencies and service units will maintain a number of financial records that can contribute vital information to the budget process and to the general financial management of the service unit.

These records may include some of the following: (NB: you may not keep all of these at the service unit level)

- annual budget;
- monthly reports of progress and variance against budget;
- cash flow forecasts;
- cash books;
- revenue receipt counterfoils;
- payment vouchers;
- staff pay lists;
- register of fixed assets;
- accounts ledger;
- journal for all transfers & adjustments

ii. prepare and distribute appropriate financial report

The service unit will need to prepare regular financial reports and ensure that they are in the format required by SWD as detailed in the Lump Sum Grant Manual/Guide to Social Welfare Subventions. Careful financial management will require that the service unit prepares monthly financial reports covering income, expenditure and progress against budget.

It is important that the service unit has a circulation list and a time schedule to ensure that these reports are received on time by senior staff and management committee (or relevant sub-committee) for review, discussion and approval.

3. Links

You will need to consider how these procedures align with other service unit procedures and highlight the appropriate links. For example these guidelines relate to those on service planning and staff training.

4. Administration Issues

In this section of the guidelines, you will need to indicate:

- the date of the guidelines;
- how and to whom the guidelines will be distributed; and
- how and when the guidelines will be reviewed.

SAMPLE POLICY

MANAGING FINANCIAL RESOURCES AND MONITORING FINANCIAL PERFORMANCE

[Insert name of service unit]

1. *[Insert name of service unit]* aims at maintaining effective and efficient financial system to facilitate the orderly conduct of financial transaction of the service unit, and the effective management of financial resources.
2. To meet the financial management obligation, *[Insert name of service unit]* should have a mechanism stating clearly the responsibilities and duties of personnel responsible for managing financial resources (including authorization/delegation/approval level of use of financial resources) and monitoring the financial performance of the service unit. The roles and responsibilities of *[Insert the staff title]* for financial management will be noted in their job description.
3. All the members who are involved in the financial decision-making process should disclose their interest to the service unit. Measures are in place to avoid conflict of interest between the executive committee members and the service unit.
4. *[Insert the staff title]* will be responsible for handling resources obtained from other funding bodies, donation proceeds, and gift-in-kind. Donation receipt will be issued after a monetary donation has been received.
5. *[Insert name of service unit]* will ensure that the resources will be used in an efficient way. Regular performance review and monitoring will be conducted by *[Insert the staff title]* to identify inefficiencies and better ways of using resources.

DATE: *[Insert date policy is created]*

DISTRIBUTION: *[Insert how and to whom policy will be distributed]*

REVIEW: *[Specify when and how the policy will be reviewed]*

GUIDELINES ON FINANCIAL PERFORMANCE MONITORING

1. Introduction

These guidelines have been prepared to assist a service unit develop its own processes or procedures for financial performance monitoring.

2. Contents

These guidelines have been developed to assist smaller service unit. They need to be reviewed and your service unit will need to:

- i. have clear procedures and delegations of responsibility;
- ii. regularly consider opportunities for introducing efficiencies and containing costs;
- iii. have measures to avoid conflict of interest;
- iv. have measures to handle resources obtaining from other funding bodies, donation proceeds, gift-in-kind;
- v. be aware of long term planning requirements.

We explain each of these requirements below:

i. have clear procedures and delegations of responsibility

The service unit will need to develop clear procedures for the management of financial matters. These may be located in your service unit's operations manual.

For example, procedures may cover such things as:

- approval processes for large expenditures;
- petty cash;
- limits to local authority e.g. spending limits not requiring approval;
- capital works and equipment; and
- minor repairs.

ii. regularly consider opportunities for introducing efficiencies and containing costs

The service unit will need to be focused at all times on directing resources towards areas of maximum benefit for service users and thus it must be rigorous in its review of costs and expenditures. The service unit will need to develop an efficiency review schedule that covers all aspects of the service unit and has the objective of identifying areas for improvement and action.

Continuous performance monitoring in resource utilization is a key aspect of financial management and the service unit will need to have procedures such as quotation guidelines to demonstrate that actions have been taken to improve efficiency.

In addition, regular efforts could be made to seek input from staff and service users to identify inefficiencies and better ways of using resources. This could

be done in a number of ways such as at staff meetings, suggestion boxes and as a part of service user consultations or feedback sessions.

iii. have measures to avoid conflict of interest

The procedures may cover the following things:

- what kind of interest should be disclosed;
- under what circumstances it would be considered as possible conflict of interest;
- the actions to be taken by the person concerned (e.g. declaration of interest, restraint from participating in decision making, etc.),
- the actions to be taken by the service unit in cases when the key responsible person for handling the relevant financial procedures is involved in situation of conflict of interest.

iv. have measures to handle resources obtaining from other funding bodies, donation proceeds, gift-in-kind;

The procedures may cover the following things:

- person responsible for deciding acceptance and handling of resources from other funding bodies, donation proceeds and gift-in-kind;
- accounting/reporting procedures, if any, in handling donation;
- disposal alternatives in dealing with gift-in-kind.

v. be aware of long term planning requirements

Successful financial management requires integration between the financial planning and strategic planning cycles. The service unit needs to ensure that the two planning activities occur in a coordinated manner and that there are members in common to both planning groups.

The service unit could develop a flow chart that maps out the key dates and timelines for both planning cycles and circulate this to key personnel.

3. Links

You should consider how these procedures align with other service unit procedures and highlight the appropriate links. For example these guidelines relate to those on service planning, staff recruitment and staff training.

4. Administration Issues

In this section of the guidelines, you will need to indicate:

- the date of the guidelines;
- how and to whom the guidelines will be distributed; and
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- End -