



Management Support Unit (MSU)

Board /Management Committee Financial Delegations

Information Sheet 23

Introduction

The Board of a not-for-profit organisation has responsibility for the governance of that organisation – that is, for the exercise of control and authority over all its affairs. Where the Board has power to engage in an activity (by virtue of the relevant incorporations legislation or by their constitution for example), it can delegate that responsibility to another party to enable the organisation to operate effectively and efficiently.

What are delegations?

A delegate is a person or entity designated to act for, or represent, another or others – in this case the Board. When a function is delegated, the Board is not absolved of the responsibility and remains accountable for what occurs.

Who can the Board delegate to?

A Board may delegate responsibilities to:

- A Board Sub Committee (which needs to include Board members)
- The Chief Executive Officer
- Any Board member
- Any staff member

Careful thought needs to be given to what powers and responsibilities are delegated and to whom this delegation is given.

Financial delegations

Financial delegations are part of the Board's financial accountability policy. A financial delegation occurs when the Board authorizes individuals (or sub-committees) to perform financial transactions or exercise financial controls on its behalf. Delegations of financial authority are intended to ensure that the organisation operates effectively by empowering its employees or sub-

© 2009

NCOSS

66 Albion St, Surry Hills NSW 2010

phone: 02 9211 2599 ext 127 fax: 02 9281 1968

email: msu@ncoss.org.au web: www.ncoss.org.au/msu

committees with appropriate authority so they can carry out their responsibilities. The Board also has the right to revoke any delegations.

General principles concerning financial delegations

Delegations are generally approved under specified conditions. These include:

- Delegations must be exercised under authorised policies and procedures of the organisation.
- Delegations must be appropriate to the *functions* of the position (they need this delegation to do their job).
- Delegations need to be exercised with due regard to budget limitations.
- Delegations apply to particular *positions* within the organisation, not to particular individuals.
- A delegation given to a position will apply to any subsequent person who holds that position.
- A delegate may not exercise any delegation that will result in any benefit to them personally.

How are delegations made?

The Board needs to make a formal decision to delegate particular powers or functions, including financial delegations, to particular positions, and this decision should be recorded in the Board meeting minutes.

The organisation needs to have a document that records these delegations (called an instrument of delegation) and this document needs to be updated and signed by the Chairperson. The instrument of delegation needs to identify the responsibilities of the delegate, as well as any special conditions.

Appropriate wording for an instrument of delegation may be:

Resolution of the Board on (day, month, year)

This delegation is valid from the above date until such time as amended or revoked by special resolution of the Board.

The Board hereby delegates the following powers to the Chief Executive Officer, subject to the stated limitations:

Delegation

Limits

Signed

Chairperson

Each resolution should be recorded in a schedule of delegations. These documents need to be available to the Chief Executive Officer and staff, and should be reviewed at least annually by the Board to ensure that delegations are appropriate and up to date.

Even though a delegation has been made, the Board may still exercise its authority in this area and make a decision itself. In addition, a delegation may be revoked at any stage.

Limits to delegations

The document of delegation specifies both the financial limits of each delegation as well as the conditions under which the delegation may be exercised. It should include:

- The position/s to whom the delegation is given (for example, the Chief Executive Officer, Manager or Financial Officer)
- The limit for both budgeted and unbudgeted items – for example, the CEO may be able to spend up to \$15,000 on a budgeted item without special approval but only \$5,000 if the expenditure is outside the budget.
- The delegation may exempt budgeted items from needing approval – for example, salaries, rent, audits, insurance costs, travel costs; training may all be allowable expenses, as long as they are within budget, without special approval.
- Conditions under which special approval is needed from the Treasurer or the Board.
- Payments. Responsibility for payment of accounts is generally delegated. A clear process (for example one that requires authorisation by the CEO and two signatures for each cheque) needs to be defined.

Risks of delegation

It is essential for delegations to be made properly or the organisation or the delegate may be at risk – for example, if a CEO authorises expenditure in the belief that this is within their delegation but the Board believes the delegation has not been properly approved. The Board needs to assess the risk to the organisation of each delegation: For example, is the limit of the delegation too high so that the capacity of the organisation to operate within the budget or to maintain an effective cash flow is compromised?

For this reason, it is essential to ensure regular monitoring and reporting processes, including internal and external review and audits, and risk management assessments of the Board delegations.

What are the responsibilities of the delegate?

The person who holds the delegation must comply with the limits as well as special conditions that have been placed on the delegation.

Financial Delegations Schedule

A financial delegation register or schedule may be compiled in a number of ways – according to activity or the position of the delegate for example:

Example A

Activity	Delegation	Limit/Condition
1. Approve payment of budgeted operating expenses	Chief Executive Officer	Payable up to budget limit plus 5%
2. Petty cash reimbursement	Finance Officer	Up to \$200 per item for budgeted expense

Example B

Position	Authority to transfer funds	Authority to sign cheques	Authority to charge fees	Authority to secure new funding
Chief Executive Officer				
Financial Officer				
Administrator				

References

North Coast Academy of Sport, *NCAS Financial Delegations Policy*,
<http://www2.ncas.org.au/ncas/uploaded/policies/NCAS%20Financial%20Delegations%20Policy.pdf>

(This reference includes an example of a financial delegations schedule).

Victorian State Services Authority, *Good Practice Guide on Governance for Victorian Public Sector Entities*

<http://www.ssa.vic.gov.au/CA2571C900701857/0/B01C08408C5266D6CA2571CA00255C58>

Youth Action and Policy Association (YAPA), *Financial Delegations and Payments*

<http://www.yapa.org.au/yapa/internalpolicies/financialdelegationspayments.php>

(This document provides an example of a financial delegations policy)