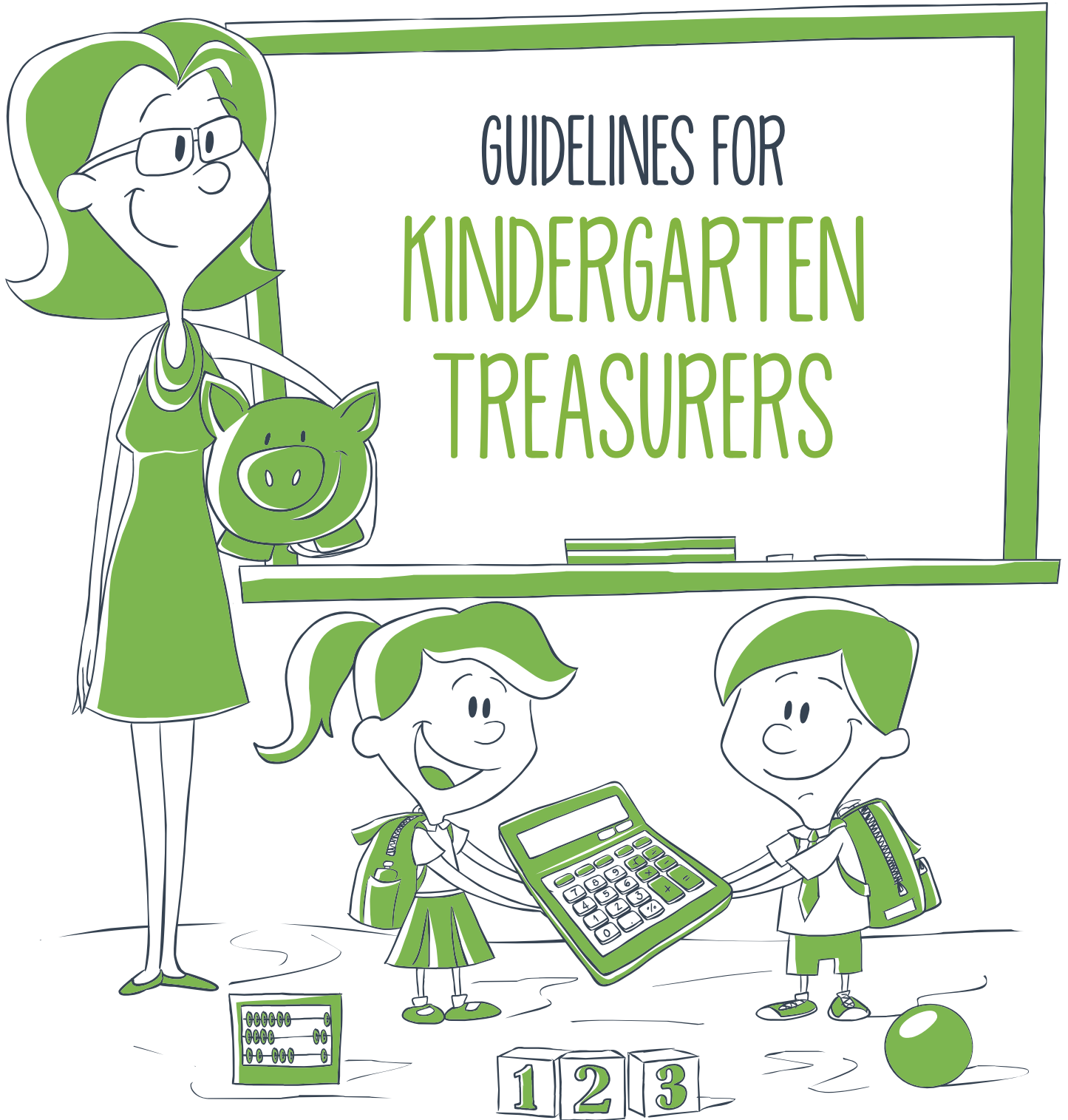


3RD EDITION



GUIDELINES FOR KINDERGARTEN TREASURERS

April 2015

Summary

This paper outlines practical steps to fulfilling the treasury role at a committee run kindergarten or childcare centre. The overall responsibility and desired outcomes of the treasury are explained in an accessible and credible manner. Checklists are included to support your processes and planning. Content is prioritised and common potential issues are flagged to make your job as treasurer straightforward and effective. If you have put your hand up to be treasurer or want to know more about this important role in your kindergarten or childcare centre this is the guide for you and we hope you enjoy it.

ABOUT THE AUTHOR

Michael Kent has written these guidelines from his experience as a kindergarten treasurer and also the owner of Slate Accounts, a bookkeeping company that services kindergartens and other businesses and organisations. As a Chartered Accountant, Michael was an obvious choice when asked a number of years ago to be treasurer of his daughter's kinder. But in actual fact, at the time, with a more commercial and corporate background, he wasn't sure where to start or how best to help. Some years later, with the experience of his own bookkeeping business and having advised a number of other kinder treasurers, he could see the need for a simple guide to help treasurers get started and know where to focus their efforts.

This paper is the "how-to" guide Michael wished he had.



Prepared by **Slate Accounts**. Available on:

<http://slateaccounts.com.au/kindergarten-treasury-guidelines/>

Introduction

For those not familiar with managing accounting and finance processes, taking on the role of a kindergarten’s treasurer can be a little daunting and a challenge. In actual fact, a treasurer should be able to meet their responsibilities and help their kinder and committee by following some simple steps to make sure things are set up right from the beginning, and then methodically undertaking some regular monthly processes and checks.

This paper helps treasurers by clarifying their role and responsibilities, and mapping out our suggestions of the things treasurers should do on commencement, and on an ongoing basis, to ensure their kinder’s finances are being managed properly.

The paper has been written for supervisory treasurers who are not responsible for entering transactions and maintaining the accounts. In our experience it’s common for these treasurers to have commercial or financial experience without recent hands on experience with the nuts and bolts of business accounting processes. Such treasurers are perfectly qualified to do a great job, but can usually benefit from some advice on where to start and what to look for.

It also does not cover everything a treasurer has to or can do to help. Areas that treasurers commonly deal with but which are not addressed include fundraising, grants, the audit and AGM, finance policy development, capital planning and project management.

The role and responsibilities of a kinder treasurer

Today’s treasurers are usually relying on the service’s staff, bookkeepers and an auditor to help them do the job. When that is the case, the treasurer’s focus needs to be on checking and understanding, rather than doing.

IN PARTICULAR, THE TREASURER NEEDS TO ENSURE THESE FIVE THINGS:



SOLVENCY



PROTECTION



APPROVALS



COMPLIANCE



RECORDING

1. the kinder is solvent – it will have enough cash
2. its assets are protected – that money is not stolen, and is spent in controlled ways
3. spending is approved – usually by way of a budget process
4. relevant compliance obligations are met – typically those to the ATO, DEECD, and the Associations Incorporation Reform Act 2012 (Vic)
5. financial records are kept properly.

The detailed financial reporting requirements for incorporated associations (the entity type most commonly used by kindergartens) are spelt out in the Associations Incorporation Reform Act 2012 (Vic) (the Act).

Key tasks and reviews on arrival

When first taking up the role, treasurers should read up a little on the kinder’s obligations and review its finances and processes looking for risks or issues impacting their areas of responsibility. The following tasks and reviews are a good place to start:

Read Part 7 of the Act, the association’s rules, and any funding agreements

If your kindergarten is an incorporated association, this part of the Act spells out its obligations to keep accounts, report and have reviews and audits. It’s a fairly quick and easy read so we recommend getting it straight from the horse’s mouth. Generally the requirements for accounting, reporting and reviews increase if the entity earned (last year) more than \$250,000 in income, and again if it earned more than \$1m. You need to know what income “tier” your kinder is, and therefore what its obligations are. You will also need to read the kinder’s rules. These go into a little more detail. Your kinder may have adopted the off-the-shelf model rules¹ or may have its own. In any case these spell out a number of things that treasurers need to do. While common sense, seeing it in black and white helps make it clear. Finally, the kinder is likely to be receiving funding from the Department of Education and Early Childhood Development (DEECD), and may have other funding sources. Read the Kindergarten Guide published by the DEECD² for a great overview of the Victorian industry, it’s legislative framework, and kindergarten funding obligations. You should also review your funding agreement which has record keeping and financial reporting obligations specific to your kindergarten. DEECD’s obligations are unlikely to be greater than those in the Act so you should be covered, but it is good to check. If you are funded by DEECD you will need to submit some financial information annually to meet its funding accountability requirements (referred to as “FAR”). This is usually due within 3 months of year end or 7 days after the AGM. The kinder may also need to keep an asset register which is sometimes overlooked.

KEY TASKS FOR TREASURERS ON ARRIVAL:

1. Know the kinder’s obligations - read the kinder’s rules and the Act and funding agreements
2. Read any finance policies
3. Review the last audit reports
4. Understand the spending processes
5. Check record keeping processes
6. Review the accounts
7. Review the budget
8. Check that compliance is up to date

¹ Available here: <http://www.consumer.vic.gov.au/clubs-and-not-for-profits/incorporated-associations/running-an-incorporated-association/rules#model-rules>

² Available here: <http://www.education.vic.gov.au/childhood/providers/funding/pages/kinderfundingcriteria.aspx>

Read any existing finance policies

Your kinder may not have any, which is fine, in which case it would be relying on the Act and rules to govern the treasurer's role and how things are done. Important things to look for in the finance policies or rules would be:

1. How many people need to sign cheques.
2. Whether the treasurer or anyone else can get some form of authority to approve payments on their own.
3. The role of the budget. In most cases the budget's role is simply to delegate spending authority from the committee. The model rules (and possibly those in your kinder) require each and every payment to be authorised by the committee, but allow the committee to "authorise the Treasurer to expend funds ... up to a specified limit without requiring approval from the Committee ..." i.e. spend up to the budget.
4. If there are any special restrictions or guidance for the use of reserves. In some cases an old committee may have tried to limit your committee by putting in place a rule book for how spare cash can be spent. Depending on your rules, it is likely your committee can simply overrule or abandon that rule or policy, but it has likely been developed with some thought and it would be important for any new treasurer to understand at least the purposes for any like this they find.

If your kinder is funded by DEECD it must also have a fees policy that outlines the total annual fee, payment options, any deposits required and what action will be taken if fees are not paid. The Kindergarten Guide (see above) explains more.

Review the last auditor's (or reviewer's) report³, and have a chat with them.

1. **Learn from the last.** You'll most likely need to have your accounts audited in some way or another at the end of each financial year. The incumbent treasurer should have arranged for this and the auditor's report often spells out observations or problem areas to address. Speak to those close to the processes, and the auditors themselves to make sure you understand these. If your audit report doesn't have any commentary (some don't) make a time to speak with them about the process.
2. **Prepare for the next.** The kindergarten's "finance team", you and its bookkeeper or manager, should know from the outset what and how it will be audited so things can be set up right from the start. Speak with the team, and find out from the auditor how it went, what was difficult and time consuming, and consider what could be done to ease things next year.

³ The Act spells out the different reviews or audits required by incorporated associations, depending on their tier. For lower tiers, reviews can be conducted that are less detailed and onerous, but which provide a lower level of assurance, considered appropriate given the size of the entity. In any case the term "audit" is used throughout this paper for all audits and reviews a kinder might be required to have undertaken.

Review spending processes to make sure there are appropriate controls and limits in place.

Ideally these would be written in a finance policy document, but if not, the service's manager or bookkeeper should be able to confidently talk you through them. If they are not written, it would be reasonable to ask someone to write down the controls as they understand them, and use that as a starting point. Typically controls might include:

1. Requirements for spending to be within the budget.
2. Dual authorisation of payments, which may be more for higher values. It may be ok for a single person to have some authority to spend lower values, if controls are in place such as a monthly maximum and end of month review by the treasurer. A separate bank account that only the service manager can spend from is a practical way to administer and review this type of authority. Also consider the difficulty of setting up complex payment authority rules if your bank cannot enforce them.
3. Requirements for some kind of competitive market engagement for larger spending commitments.
4. A process whereby someone (likely the manager) approves payroll inputs (mainly timesheets) before they are submitted for payment.
5. Segregation of duties that require a person other than the bookkeeper to authorise payments.

While the kinder's staff will have a view, it might be prudent to ask the bank directly to give you the names of all people with any authority on the bank accounts, and to explain the authorising rules. These rules are commonly confused, especially when passed from committee to committee without being written into a finance policy. It is also common for old signatories to remain on the account and these should be cleared.

If in doubt, an independent bookkeeper, accountant or the auditor would normally be happy to talk through ideas and help you structure something. Generally while many services still use dual signed cheques, we find it is safer and much easier for the signatories to use an online banking service that requires dual authorisation.

Check that appropriate record keeping processes are in place for tax receipts, timesheets and staff employment records.

Bookkeepers should be able to find these easily. Throughout the year you may also want to do the occasional tax invoice check – just choose a handful of transactions and ask the bookkeeper to email copies of the relevant documents. Also check timesheets against payroll occasionally to make sure things are matching up.

Review the accounts, ideally month on month for the last two years, scanning for the issues listed below.

Observe what's happening and question staff or the exiting treasurer about anything interesting. Some things to take a look at that might be relevant:

Balance sheet

1. Check that the bank accounts are reconciled. If you are not sure about this, ask the bookkeeper to explain it and show you. If they can't, call in help!
2. How much is in the bank, what is the trend?
3. What debt does the kinder have?
4. How large are its receivables and what is happening to this over time?
5. Are the superannuation, PAYG (staff's income tax withheld) and GST liabilities being paid off as they should be? The bookkeeper will be able to tell you the frequency for PAYG and GST. Super is payable in month 1 of each quarter for the previous quarter.
6. Is there an "ATO integrated client account" on the balance sheet (or the equivalent by another name) that shows the exact amount the kinder owes over time to the ATO? If not, consider asking the bookkeeper to keep one as this is a great control and discipline.
7. Do fixed assets and depreciation look about right? Ask the bookkeeper for the fixed asset register and depreciation schedule.
8. Are there any cash reserves that might give the kinder a buffer?
9. Check that there are provisions for long service and sick leave (See section below on this).
10. How much capital has been spent in the last couple of years?

Profit and Loss / Income Statement

1. Is it profitable?
2. Are there any odd looking expense entries or month-on-month inconsistencies?

Cash flow statement

1. When does cash come in from fees?
2. Are fees paid in a reasonable time?

While some of this can get a bit technical, you are not expected to be the expert. If you are not sure about any of the above, the kinder should engage a bookkeeper or accountant to review the matter for you, and explain it in plain English. Keep an issues list of any gaps or anomalies and try to resolve them throughout the year, balancing the risks and priorities with the time, energy and resources of the kinder. Once again, the committee is unlikely to expect the treasurer to do all the fixing, and should pay for external resources to fix anything that the kinder's staff or regular bookkeeper cannot.



Review the budget, or prepare one.

In many cases the leaving treasurer will have prepared a budget, and depending on the cycle of the kinder, it may have been approved by the committee. In these cases it's important to review it for reasonableness.

There are two distinct purposes for a budget, apart from the fact that the DEECD requires them as a criteria for any of its funding. Its first is to act as a financial forecast, as a simple matter of prudent financial management. The process of preparing a budget for the year ahead will get people thinking about future costs, what funding and subsidies are available, and therefore what fees will be needed to cover the shortfall. The other quite different purpose (depending on your kinder's policies or rules) is to delegate spending authority from the committee to account signatories.

One of the main things to determine when reviewing the budget is that the kinder has enough cash. Make sure you consider both the profit and loss forecast (many budgets are just this) and a cash flow forecast. For some kinders they will be similar, but cash payments that will not be on the profit and loss forecast can be big. Check expected debt payments, PAYG, GST or superannuation payments to make sure there is cash to cover them.

If you find the budget is unreasonable or too tight, discuss changes with the kinder's bookkeeper or manager, and then take it to the committee to approve the change. It is likely that kinder's policies or rules allow for the budget to be changed as often as the committee likes, and most committees will appreciate their treasurer being on the front foot.

Check compliance is up to date.

The key compliance tasks the treasurer needs to worry about are:

1. lodging BASs and IASs
2. paying superannuation
3. lodging and annual return
4. getting an annual audit (or review)
5. lodging the annual financial accountability requirements (FAR) information and enrolment data with the DEECD (this is often handled by the kinder's secretary or manager, but as Treasurer you should be aware of the requirements and deadlines to make sure the correct funding entitlement is received by the kinder).

The kinder's bookkeeper will be able to explain how frequently BASs and IASs should be lodged. Ideally ask for a "compliance calendar" to be drawn up showing when everything is due, as you'll need to keep a track of it through the year⁴.

It is most likely BASs are due quarterly, and IASs due monthly, but due dates depend on who lodges them. The bookkeeper should also be able to get you a copy of the ATO's Integrated Client Account for the kinder. This shows the lodgement of all previous BASs and IASs and is the best way to verify

⁴ Treasurers may benefit from drawing up a more comprehensive calendar when they first arrive covering other items including term dates, committee meetings, dates for grant applications and funding reporting, end of financial year (often not 30 June), when the audit and AGM will take place.

that it is up to date. The bookkeeper will also be able to confirm whether Super has been paid, and a review of the superannuation liability account should be consistent with this confirmation.

Key tasks each committee meeting

Having worked out the lay of the land, you'll probably have a little issues list to prioritise and then chip away at throughout the year. Apart from that, it is most likely you will be required to provide financial statements to the committee each month⁵. You'll therefore need to arrange with the bookkeeper to get copies of the accounts with enough time to review them, ask questions and have any necessary changes made before the meeting.

We find it really helps to actually write out your own review checklist and work through it each reporting period. It might sound a bit elementary, but it helps for a number of reasons:

- It reduces stress - once you've thought it all through, why worry about re-thinking it.
- It ensures you don't miss anything.
- It will improve the quality of the bookkeeper's work in the first place – regularly checking things usually does.
- It makes the task more approachable, which helps beat procrastination!

You'll probably find the checklist develops and morphs over time, which is normal because changing issues and processes will impact the things you need to consider each period. Some other points to improving your checklist:

- It should be specific as to the evidence that you need to review. For example, rather than simply listing that bank reconciliations are to be sighted, it should specify how this is to be checked, for example, by comparing internet banking balances with the accounts, or by the bookkeeper emailing through PDF bank statements.
- It should be shared with the bookkeeper. The checklist is not about catching anyone out, so letting the bookkeeper know what you will be checking will improve their work.
- Ask the bookkeeper to compile the evidence needed to complete the checklist. It will normally be much quicker and easier for the bookkeeper to do this when they are doing their work.

The other part of preparing for the period accounts review is to agree with your bookkeeper what reports are to be provided. Normally we would advise a reports pack that included the following:

- Balance sheets and profit and loss statements showing each month of the year, and year to date.
- The month's and year to date profit and loss compared with budget, and the variance.
- Detailed aging report for payables and receivables, showing how many days since the invoice date your debtors and creditors are.

As for the checklist, while it will contain a lower level of detail addressing exactly how your kinder does things, it should normally cover the items listed below. The checklist is structured in the context of the balance sheet and profit and loss statements, as the primary aim is get those correct.

⁵ Either because of your kinder's rules, or just good practice adopted by the committee.

Balance Sheet

- 1. Bank accounts:** checking that the bank accounts, and any petty cash accounts, have been reconciled. This is fundamental, and ensures that all bank transactions have been entered into the accounts. While the bank accounts are on the balance sheet, a reconciled bank balance will also be critical to getting the profit and loss accounts correct as it shows that all bank transactions have been processed – hopefully to the right accounts.

Evidence: bookkeepers can produce a bank reconciliation report which will explain any differences between the bank balance in the accounts, and the actual balance reported by the bank. The bank reconciliation report should be compared with actual bank balances either by looking online, or by getting the bookkeeper to send screen shots or statement PDFs with the monthly report pack.

- 2. Accounts receivable:** these need to be checked to see everyone has been invoiced correctly, that people are paying on time, and that there are no old invoices listed that will never be paid. Consider the approach used to collect unpaid invoices. It's best if the approaches to be used to collect these amounts are documented in the fees policy and possibly put to the committee for approval. Check that these processes have been followed through with any late invoices.

Evidence: review an aged receivables report showing all the invoices that have not been paid, and how old they are. There should be some separate worksheet or process your bookkeeper can provide linking enrolments with attendance and the amount invoiced to each family. Consider the need for something like a "collections report" listing collections actions taken against old invoices.

- 3. Loan accounts:** if there are any overdraft, credit card or loan accounts, these should be reconciled and checked in the same way that other bank accounts are.

- 4. Accounts payable:** as with accounts receivable, these need to be checked to see all expected invoices have been entered, that bills are being paid on time, and that there are no old invoices listed that should not be paid. Make sure the process for gathering, approving and entering invoices for payment is understood and being followed.

Evidence: review an aged payables report showing all the invoices that have not been paid, and how old they are. Consider any obvious ones missing or incorrect.

- 5. Compliance liabilities (Superannuation, GST and PAYG):** you'll need to confirm that compliance lodgements have been done and paid. This should include superannuation, GST and staff PAYG income tax that has been withheld from their salaries. As previously mentioned, it will be helpful to have a compliance calendar handy for this, listing what is due when. Every payrun, the amount withheld from staff for superannuation and PAYG is recorded as a liability that must be paid later to super funds or the ATO. Usually these amounts are paid quarterly, so the liability grows with every payrun, and reduces when it is paid. Confusingly, the liabilities are unlikely to reduce to zero⁶. If this is unclear, ask your bookkeeper to explain the cycle and how it works.

⁶ By the time the liabilities are paid, usually on the 21st or 28th of the month after the end of the relevant quarter or month, there will have been an additional payrun that not due for another month or quarter.

Evidence: the ideal way to check that GST and PAYG have been paid is by having the bookkeeper provide a copy of the ATO Integrated Client Account available from either of the Business, BAS agent or Tax agent portals. This account lists all the debits and credits an entity has with the tax office: everything it has lodged, the resulting cumulative balance owed (either way) and when this is paid or credited. The bookkeeper should be able to provide a superannuation reconciliation that links the amount of superannuation paid with a report from the payroll system. Given that this area can get tricky, these checks and reviews are probably enough if you have confidence in the bookkeeper, especially if your accounts are reviewed or audited at year-end.

If throughout the year you become uncomfortable or things don't stack up, in the first instance ask the bookkeeper to complete a GST and payroll reconciliation and walk you through it. If it is still a mystery, ask an independent bookkeeper or accountant to do the same.

Profit and Loss

Checking the balance sheet, in particular the bank reconciliation, and that all invoices receivable and payable is a major part of making sure income and expenses have been recorded. The key profit and loss reviews then become:

- 1. Budget variance reporting:** checking the actual profit and loss against the budget to ensure the kinder is not spending too much, and that income is as predicted. Note any major variances, you may need to go back to the committee and get its agreement to vary the budget, or to approve one-off variances. It may be enough to focus more at a sub-total level, rather than query every account variance, especially if total income, total employment costs, and total operational expenditure are on budget.

Evidence: feel free to play with formats that work best for you, but typically one would review some kind of actual vs budget variance report for the period (i.e. the relevant month) and also for the year to date.

- 2. Expense account review:** Review expense accounts looking for any missing, or wrongly allocated expenses. Depending on the tier of the kinder, or the bookkeeper's and / or treasurer's preference, expenses might be being "accrued". This is where irregular cash expenses are split and recorded proportionally in all the months they are relevant for. An example would be a year's insurance



paid in say December but for which 1/12 is expensed each month. You will need to know the approach taken for these types of expenses as it will affect the look of the accounts.

Evidence: a multi-period profit and loss report can be helpful for this, listing the current month and say 6 prior months in neighbouring columns. It easily shows anomalies that can be queried. Also question missing expenses, especially for the regulars like rent, insurance (if accrued), interest and possibly others.

Best practice in kindergarten finance management

If you've got the basics running smoothly and have some time to take on improvement projects, tackling a change to any of the following would be a great place to start. We believe the list below represents a good collection of best practice ideas for improving the financial management of your kindergarten and you could do it a great service by putting any of them in place.

Adopting a cloud accounting package

if you're currently using desktop based accounting software, switching to the cloud should be a high priority. Of a number of software packages to consider, we'd confidently recommend Xero, but Saasu and Quickbooks Online are also good and MYOB's cloud software offerings are improving all the time. Key benefits of switching to the cloud will include:

- 1. Anywhere and anytime access to the accounts** – this makes running your monthly review, and finding information so much more convenient. It also improves transparency, which reduces the risk of poorly managed accounts and fraud.
- 2. Faster more efficient bookkeeping** – cloud software receives "feeds" directly from banks that effectively does the data entry for you. All bookkeepers need to do is tell the software what each transaction is (and the software will "learn" this over time). This removes a lot of the data entry from bookkeeping and usually reduces the overall time required to complete it.
- 3. Transparent bank reconciliations** – bank feeds make it easier for treasurers to confirm that bank accounts have been processed and reconciled, a critical control that's much harder to appreciate using desktop software.
- 4. Better reporting** – Xero in particular produces very readable reports that people are inclined to actually look at and consider. The more committee members reviewing numbers and asking questions, the better!
- 5. Data safety and security** – your accounting data will be stored using enterprise grade security and back-up processes. Compared to the average office PC running a MYOB or Quickbooks file, there is much less risk of losing your data, and no need to manage regular backups or the annual "roll-over".

Paying suppliers and staff electronically

If you're one of the many kindergartens that still use a cheque book, paying by internet banking will really help everyone. Transaction approvals are all logged and auditable, and approving from a computer will suit most people more than signing cheques in a rush at the kinder. The bookkeeper

or administrator will be spared the chore of filling in cheques, chasing signatures and then posting them. Finally I think approvers are better placed to consider what they are “signing” from a computer. We’d suggest approvers be sent scanned images of the invoices they are being asked to approve, something that’s really easy to do with the cloud receipt storage tools mentioned below.

To really benefit, it’s important that transactions are loaded to the bank using batch payment files produced by the accounting software (called ABA files). These save a lot of time when setting up payments and doing the bookkeeping, and they reduce errors. If you or your bookkeeper are not sure about this, find someone who can explain it and help you set it up.

If it’s all you achieve this year it’ll be worth it because going electronic might be harder than you think. If you require two signatories, you’ll need to use a bank that allows dual electronic approvals. The major banks do, but it will be a pain if you need to switch banks. Regardless, persist! Then you’ll probably need your signatories to go to the branch (with their 100 points of ID) and get set up for internet banking, and then get registered as approvers on your accounts. In my experience this might take months. Regardless, persist! Once set up it gets easier as you’ll likely be able to nominate someone as the internet banking administrator who can do most of the set-up for you. You may need to use security “dongles”, possibly just for approving above a daily limit. I’d recommend getting them, they can usually be assigned to the new approvers at the end of each year.

As a side note, your rules or constitution may require “cheques” to be signed by two signatories. If so, you should have your committee consider, and if ok, minute its decision that electronic banking approval is considered equivalent to signing cheques, and therefore within the rules. I am confident there is no governance risk with this approach, but if an opportunity comes up to change your rules or constitution, try to get words in there that allow for electronic approval as it will remove doubt in future.

Getting an AUSkey

This allows you to login to the ATO’s business portal, and use a number of other government services online. From the ATO Business portal you can lodge BAS and IAS returns electronically, see any outstanding lodgements, view your account balance, and importantly view all past lodgings, which make checking and reconciling at the end of the year much easier. Being able to see all this information directly at the ATO is really convenient, and also gives you peace of mind that you’re on top of your compliance obligations.

AUSkeys are issued to people, but are associated with an ABN. The first person to register for an AUSkey for your kindergarten will need to be registered as an associate of the entity on the Australian Business Register. That can be done at www.abr.gov.au. Once that’s done, that person can get an administrator AUSkey which will make adding other people easier. Be careful though – keep a register of people with AUSkeys and make sure there is a process to ensure exiting office bearers cancel theirs.

Adopting cloud receipt processing and storage

New services make it possible to send in receipts and have them scanned, the key data extracted (vendor, date, invoice number, amount, GST) and then listed online for later viewing, searching, downloading or import into your accounting software.

Principally because treasurers and bookkeepers often don't work at the kindergarten, we think these services can make a big improvement to the accounts payable processes of your kindergarten. It also saves storage space and effort, and makes it easy to find receipts in future, online, from anywhere.

The ideal process could work like this: whoever receives the mail is tasked with identifying invoices and sending them to the service. They can be posted, or scanned and uploaded or emailed. Any invoices that arrive by email can just be forwarded to a specific address.

A day or two later when the receipts are processed, your accounts person could then import those invoices into your cloud accounting package. In the case of Xero and Saasu, the import could bring a copy of the scanned image with it. Once inside the accounting system there are various options for someone to review and approve them, then prepare a bank payment (electronic) and request authorisation from approvers. Because they've been scanned, it should be easy to email copies of invoices to approvers so they can see what's being paid for.

Pricing for cloud receipt processing and storage start from \$20 - \$30 / month for 75 invoices, enough for most kindergartens. If you ever abandon the service, you can stop paying. Keeping old receipts there forever is free, it's the scanning and processing of new ones that you need to keep paying for. The ATO accepts electronic record keeping so you won't need to keep paper copies of the originals for audit or ATO purposes. Two great businesses offering the service include Shoeboxed and Receipt Bank.

The few industry quirks

In this section we run through some industry specific things that treasurers are likely to come across. It's hoped this short introduction gives you a basic understanding of the issues, what to ask about and where to go for help.

Early Learning Association of Australia

The Early Learning Association of Australia (ELLA) is a fantastic resource for kindergarten committees and staff, funded by the DEECD to provide kindergartens with help on governance and management. It publishes policy and management manuals, various fact sheets and guidance notes, provides training and a phone and email advisory service. If your kindergarten is committee-run it will almost certainly be a member and entitled to its advice and services. I'd expect the kindergarten staff to be using the service regularly, in particular for assistance with meeting the requirements of the National Quality Framework. Treasurers might be most interested to review its template fee and finance policies (if yours might be lacking) and advice on budgeting and accounting for leave provisions (discussed further below).

ADP Payroll

It's a condition of DEECD funding that kindergartens use a payroll service, and there is a good chance yours uses ADP because it's paid for by the DEECD (for many kindergartens⁷).

⁷ Community-based, not-for-profit incorporated associations, co-operatives operating through a committee of management and kinder cluster managers that are not local government..

Community-based, not-for-profit kindergartens that do not use the free ADP service must certify that they use an equivalent service. It's a pretty good deal for kindergartens and most using it are happy, despite being trickier for bookkeepers and not really saving the accounts function any real time. Someone at the kindergarten still needs to enter details of any new staff, terminate those who leave, enter timesheets, run each payroll and make any changes to staff rates and classifications. ADP will calculate pay and entitlements, pay wages, superannuation and PAYG if your bank can support it direct debiting. It also issues payslips and summaries.

Payroll gets manually recorded in the accounting software by entering the total transaction values (typically wages, PAYG and superannuation) based on payroll reports from ADP. There won't be any details inside the accounting software for anyone to check or reconcile against, but treasurers can get ADP logins and should occasionally check that the accounts match its reports. ADP reports are tough to understand so you'd likely need to be shown how to interpret them. In any case, it will almost certainly be something the auditor would verify at year end.

Portable, long service and sick leave

One of the more complex areas of kindergarten accounting is valuing employees' entitlement to long service and sick leave. Luckily, it's a well known trouble spot so the auditors or bookkeepers will usually have a calculation process in place to ensure enough is provisioned. It's actually a DEECD requirement that a separate provisions bank account be maintained for leave entitlements and that kindergartens budget to deposit any increase in entitlements on an annual basis. ELLA recommends that 2% and 6% of gross wages be provisioned for long service leave and sick leave respectively. Treasurers should check their balance sheet provisions and ask to see the calculations supporting them, and also understand the process for re-calculating the provision each month or at least at year end.

The unusual concept of *portable leave* makes it all the more complicated. In certain circumstances, a kindergarten may be obliged to pay a teacher or assistant long service or sick leave accrued while working for a *previous* kindergarten employer. Convention seems to have it that the previous employer is required to pay the entitlement to the current employer at the time the employee takes the leave. This seems to be a throwback to before funding changes in 1994 when the former DEECD (the Department of Human Services) paid kindergarten teacher and assistant salaries centrally and could more easily manage and pay out entitlements as staff moved between employers. The act that governs portable leave, the Preschool Teachers and Assistants (Portability of Long Service Leave Act) 1984 (Vic) (the Act), only applies to "relevant kindergartens and play centres", and oddly there have been none properly gazetted as such. Despite that, because the DEECD honours portable leave for the period prior to 1994 and it's commonly recognised in the industry, it's likely an enforceable obligation. The ELLA recommends, and many auditors require, that kindergartens provision for it.

In practice then, the calculation that a kindergarten maintains for long service and sick leave should include the amounts owed to any ex-employees who have been working continuously in relevant kindergartens or play centres. The rules in the Act for continuity of service are complicated, but generally mean taking breaks of no more than three months, parental leave excepted. So ideally kindergartens need to stay in contact with ex-staff so they can know if service is broken. Where

contact can't be made, ELLA recommends that kindergartens provision leave for all ex-staff unless there is good evidence that the person no longer works in kindergartens.

The ELLA is your best source for advice to get clear on all this. Its fact sheet "Long Service Leave and Personal Sick Leave" succinctly and clearly explains the law and provides simple guidelines on how to provision correctly. Check to see whether ex-staff are included in your kindergarten's leave entitlement calculations and ask staff what the agreed position is. If things still seem unclear, speak with the kindergarten's auditor who should advise you on their expectations for recognising and valuing the liability.

Child Care Management System Software

If your service receives federal government funding it must use software registered with the Child Care Management System⁸, a national online computer system. Services receive federal government funding if they offer child care or extended hours kinder services and so are entitled to the Child Care Benefit (CCB) administered by the federal Department of Education and Training. There are lots of CCMS software makers, Qikkids is by far the biggest with 50% market share. Hubworks and Kidsoft are other big ones with about 9% and 6% market share respectively⁹.

Regardless of the brand, CCMS software is used to record attendance and then report that data (with the parents' and child's CRNs) to the Department of Education which uses it to calculate and pay the appropriate CCB amounts. From an accounts administration perspective, because it has attendance data and knows what CCB each family is entitled to, the CCMS software will likely be used as the main invoicing and accounts receivable system. Payments received will be marked off in the CCMS software so it has an accurate record of invoices outstanding, and can be used to send statements and follow up payment reminders as needed. If your service is running CCMS software, you are likely to find there are no details of families and actual invoices sent inside your accounting software. Instead, the accounts need to be manually updated so they reflect the income and outstanding fees in the CCMS. Income and accounts receivable balances will be entered at the end of each month based on reports from the CCMS software. Because CCB entitlements of each family can change throughout the year, the actual split of CCB to family paid income may change and an end of year adjustment journal will likely be required to tie it into the CCMS software reports before the audit.

Apart from CCB reporting, modern CCMS software does some nifty stuff that you may want to consider for your kindergarten. Qikkids for example offers "QK Enrol" which is an online plugin for your kindergarten's website allowing parents to enrol and staff to manage the waitlist and enrolment process. Qikkids also offers an add-on that allows children to be signed in and out of the centre electronically (using say a tablet at the entrance), saving hours of time entering attendance data into the CCMS.

⁸ For information on the CCMS see: <https://education.gov.au/child-care-management-system>

⁹ According to Qikkids.

Conclusion

Even though the role of treasurer is mostly about checking and overseeing, there is still a lot to know and cover. Kindergartens are critical social resources so it's terrific when a treasurer can provide management and the committee with financial peace of mind so they can focus on more important things. From our experience if you follow these steps you'll get the treasury into great shape. If in the process you're able to make some improvements to how things work, you'll have made a lasting contribution to future committees, parents and kids.

We hope you find these guidelines useful and welcome suggestions and contact from anyone seeking more information.

Contact Us

To contact the author to make suggestions, or for further advice on anything in these guidelines, please contact **Michael Kent** at **Slate Accounts** on:

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Additional copies of this paper are available at the Slate Account's website:

<http://slateaccounts.com.au/kindergarten-treasury-guidelines/>