MARLBOROUGH DAY NURSERY (MDN)

FINANCIAL AND GOVERNANCE POLICIES

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INTRODUCTION

Marlborough Day Nursery (MDN) is committed to ensuring transparency and accountability in all financial processes. Throughout each process, the school will implement internal controls to minimize the opportunity for mismanagement of processes. In general, these controls consist of:

- Segregation of duties
- Controlling access to accounting systems
- Standardized documentation such as invoices, receipts, deposits, expense claims
- Regular trial balances to identify discrepancies
- Periodic reconciliations, such as a monthly reconciliation of bank statements with the school's financial records
- Approval authority requirements such as having a supervisor sign off on orders of classroom supplies over a predetermined value
- Outlining compensation of senior managers in accordance with current regulations
- Placing Fair Market Value restrictions on all related party transactions
- Approval of Investments

DEFINITIONS:

Cardholder: An individual authorized to hold and use a school credit card

Fair Market Value: Fair Market Value (FMV) is the price a product would sell for on the open market assuming both the buyer and seller are reasonably knowledgeable about the asset, are behaving in their own best interests, are free from undue pressure, and are given a reasonable time for completing the transaction.

Independent member: a member of the governing body of a private ECS operator who

(i) is not involved in the day-to-day management, administration or operation of the early childhood services program provided by the private ECS operator, and

(ii) is not a related party of another member

Internal Controls: Internal Controls are policies and procedures put in place to ensure the continued reliability of accounting systems.

Related Party Transaction: A related-party transaction is a deal or arrangement between two parties who are joined by a pre-existing business relationship or a common interest. For example, a school decides to lease property from one of the school's directors. Organizations often seek to secure business arrangements with parties with whom they are familiar or have common interest. While these types of transactions are legal, they could potentially create conflict of interest or lead to situations that are illegal or unethical. Organizations will want to create procedures for approving these transactions to safeguard against potential abuses

Senior Manager- "**Senior management contractor or employee** means an individual engaged or employed for services by the operator of an early childhood services program to plan, direct or control the management, administration and operation, this includes a member of the governing body of the operator of a funded private school who is an employee of the operator.

Roles and Responsibilities of Governing Body and Senior Managers of the Independent ECS

Governing Bodies – The Board accepts responsibility for all aspects of the organization, including overseeing its operations and holding the management accountable for delivering on the mission of the organization. Further, the board recognizes its unwavering obligation to make decisions that are in the organization's best interests.

. These may include, but are not limited to:

- Approving the annual budget for the upcoming school year
- Annually appointing an auditor
- Reviewing, signing and submitting to Alberta Education the audited financial statements and copies of the auditor's recommendations respecting the operator's internal controls and accounting procedures
- Regularly reviewing in-year reports on actual results compared to budget and previous year's results and explaining discrepancies. These reports may include a Statement of Financial Position (Balance Sheet) and a Statement of Operations (Income and Expenditures)
- Considering auditor's recommendations, annually approving the schools updated policies.

Senior Managers – The roles and responsibilities of the senior manager(s) with respect to financial matters, may include, but are not limited to:

- Implementing financial management policies established by the board
- Ensuring that the board has access to all financial documents required for them to carry out their roles and responsibilities

Related Party Agreements - MDN's policies and procedures with respect to transactions involving real or personal property or engaging in services with a related party for the purposes of managing, administering or operating the school align with the Early Childhood Services Regulation. Transactions involving property and the engagement of services will happen at Fair Market Value.

Compensation of Senior Management Employees - The policies for compensation of senior managers align with Section 22 to 32 of the Early Childhood Services Regulation (AR 126/2022). For the 2024 school year and until further change of the regulations, the base salary of a full-time senior management employee will not exceed the maximum base salary applicable to a level 2 board under Schedule 1 to the Superintendent of Schools Regulation (AR 98/2019) and no bonus, allowance or other incentive will be paid in addition to the senior management employee's base salary.

Financial and Governance Policies:

1. **Segregation of Duties:**
The Board is committed to ensuring the proper use of funds by ensuring segregation of duties as required. At a minimum the following areas are to be separated:

1) Expense approval and reimbursement
2) Custody of assets
3) Vendor payment authorization or approvals
4) Payroll/timesheet approval
5) Reconciliation of bank statements/activity

2. **Capital Assets:**

The Board of MDN is committed to confirming that all capital assets are properly accounted for by ensuring that there is:

1) Authorization or approval for expenditure
2) Authorization or approval for disposal

3. **Reimbursement of Expenses**

The Board is committed to confirming that all expense claims and reimbursements are properly accounted for by ensuring that there is:

1) Clearly defined expense reimbursement procedure
2) Original receipts attached to all claims
3) Supervisor review and approval prior to submission for payment

4. **Investments**

The Board is committed to safeguarding all investments by ensuring that there is:

1) All investment decisions are brought before the Board and captured in the meeting minutes of the Board
2) Compliance letter confirmations as applicable for external investment advisors
3) Verification of title to investments purchased
4) Reconciliation of investments to monthly statements

Operational Conduct and Conflict of Interest

Conflict to be Avoided

Unethical, fraudulent and dishonest actions are prohibited. Employees are encouraged to ensure that their actions are not only seen to be ethical but must also appear ethical. Consideration should only be given to whether the action is legal but also if it would be unethical or breach these policies or even appear inappropriate. Employees should avoid situations that would give rise to a conflict of interest or appear to do so. They are therefore expected to:

1. Avoid any such situation.
2. Disclose any potential conflict that may arise in a business transaction with the management or the Board.
3. Refrain from participation in any discussion on a matter that could result in a conflict.

Conflicts are potential conflicts that may arise in situations such as receiving a substantial gift from a supplier or potential supplier, and in a case whereby benefits are received, whether directly or indirectly, in return for the grant of a contract. Suppliers in this sense also include third party subcontracted services, such as speech language pathologists, occupational therapists etc. Additionally, where a member of staff uses the assets of the school for his/her personal gain then this also constitutes conflict and is prohibited. Where breaches occur in relation to non-disclosure of conflict of interest, dishonesty, fraud or misappropriation of the schools' assets these may be dealt with in accordance with the relevant terms of the condition of service.

Private Use of Assets

The private use of the schools' assets is strictly prohibited unless:

1. Authorized by the Executive Director in writing.
2. Of a nature that would not expose the asset to damage, loss or increased operational costs.

Where unauthorized private use is observed, the necessary disciplinary action must be taken.

APPENDIX A – SUMMARY OF CONTROL PROCEDURES

Activity	Approvers	Responsibility
1. Vendor Payment	The Executive Director, Treasurer, Program Manager are the persons entrusted to approve invoices.	MDN Accountant is responsible for vendor maintenance, entering invoice data, compiling eft file for payment, ensuring the accuracy of the invoice and review of all invoices before updating to the General Ledger.
2. Funding Reconciliation	Funding is determined by Alberta Education	MDN Accountant to recalculate approved funding by Alberta Education
3. Annual Cost Sharing Agreement	Board of Directors	Treasurer and MDN Accountant to compile
4. Cash – bank account reconciliation	Board of Directors	MDN Accountant prepares, Treasurer to review
5. Investments	Board of Directors	Treasurer and MDN Accountant presents information for approval
6. Expense Report	Executive Director and Program Manager	Program Manager and MDN Accountant have overall responsibility.
7. Payroll - Time and Attendance	Program Manager	Program Manager to check time sheets for accuracy and reasonableness.
8. Credit Card	Executive Director	The Program Manager must ensure that all purchases are business related and approval granted.
9. Preparation of monthly financial statements	Treasurer and Board of Directors	MDN Accountant to prepare
10. Audit (subject to Board approval)	Board of Directors approve the appointment of Auditors.	MDN Accountant to coordinate
11. Annual Return	Treasurer	MDN Accountant prepares and files

APPENDIX B - SUMMARIZED DELEGATION OF AUTHORITY

Process	MDN Control Description	Number of Approvers	Board	Treasurer or Executive Director	Operations Manager	BPK Accounting MGT.
Material Business Changes						
Material changes	All significant change in operation	Majority	✓			
Purchasing						
Operating expense for sub-contracted services. This applies for any contract or other agreement with a total potential value above the following thresholds.	Acceptance of contract for supply of services within approved Budget	2	>$50k	<$50K	<$10k	
	Acceptance of contract for supply of services not in Budget	2	>$20k	<$20k	<$1k	
Cost Sharing	Change in the price of cost sharing agreement with BPK	Majority	✓	✓		
Travel	Travel must be approved prior to booking	Majority	✓	✓		
Capital Expenditure						
Capex approval	Capital Expenditure within approved Budget	2	>$25K	<$25k		
	Capital Expenditure not in Budget	2	>$5k	<$5k		
Disposal	disposals with NBV greater than the following thresholds		>$5K	<$5K		
Finance & Treasury						
Bank disbursement	Bank disbursements reviewed prior to authorization	1 up to $5K	>$5K	<$5K		
Electronic Payments	Bank payments reviewed prior to authorization	2				✓
Payroll						
Joiners / Movers / Leavers	Management Team, New Hires and package amendments	1			✓	
Annual Pay Increase	Annual salary increases	majority	✓			
Other Adjustments	Salary and benefits	majority	✓			
Temporary Amendments	Temporary salary changes (eg additional responsibility)			✓	✓	
Time and Attendance	Bank payments reviewed prior to authorisation				✓	