

Down To Earth (Vic) Co-Operative Society Ltd

Draft Policy

Board of Directors Expenses

1. Purpose

This Board of Directors' Expense Policy addresses spending by directors in the conduct of their director duties. This Policy sets out guidelines aimed to ensure that directors claim for only reasonable and necessary expenses. This Policy is compliant to the rules of Co-operatives under which DTE operates.

These policies and procedures will be monitored, reviewed and amended as needed to ensure that expenditure by directors for DTE is conducted according to appropriate standards of accountability.

2. Scope.

- a) This Policy addresses director expenditure and the determination of whether it be incurred directly in the execution of duties as a director.
- b) This Policy does not deal with expenditure for the procurement of capital assets (significant items estimated to have a useful life of longer than one year).
- c) Expenditure made relating to other work the director may undertake for DTE, ConFest, working bees or other is **not** addressed by this Policy.

3. Definitions

- a) **Board Approval:** Means approval of **four** directors gained **only** after the matter/question has been presented to the full Board via the directors group email and approval of four (other than the director claiming) recorded by email.
- b) **Debit Card:** Method by which DTE funds are provided.
- c) **Capital asset:** Capital assets are significant pieces of property such as buildings, land, plant, machinery, vehicles, containers, investments, computers and even collectibles or art. A capital asset is a type of asset which has a useful expected life longer than a year. For example, if one organisation buys a computer to use in its office, the computer is a capital asset, but if another organisation buys a similar computer to sell, it is considered inventory.
- d) **Tax Invoice:** A **tax invoice** is a type of **invoice/receipt** which contains specific details of purchases made, GST paid, payment method and other information that are required for effective recording and checking.

4. Policy Statement and Implementation

- a) Whenever possible directors should use their directors debit card for all expenses/purchase directly related to their director duties.
- b) Should a cash expenditure be necessary, directors may use their own funds or, only if unavoidable, a cash withdrawal from their directors debit card. Receipted tax invoices for such expenditure (like all spending on DTE's behalf) **must be supplied**, not ATM or EFTPOS receipts.
- d) Tax invoices – after keeping copies – must be supplied. Where tax invoices are not provided then those moneys will be regarded as owed to DTE.
- e) Advance approval is not required for use of budgeted funds, but such use will be subject to Board scrutiny, and the submission of tax invoices.
- c) Director budget allocations to be made in quarterly instalments in advance to each director's debit card.
- f) Additional Budget Allocation.
When a director wishes to exceed their yearly budget allocation, the director shall seek approval from the Board before any expense is incurred. A director's request for additional budget allocation will be determined by the Board, with requesting director not voting.

5. Criteria For Reimbursement/Approval

Only reasonable and necessary expenses actually incurred by directors in the carrying out of their duties *as a director* will be approved. Board members are expected to exercise discretion and good business judgement, be cost conscious and to spend funds judiciously. DTE maintains a strict policy that expenses in any category that could be perceived as lavish or excessive are not acceptable. Capital assets may only be purchased from a capital budget and only after prior approval has been obtained. Capital items may only be purchased from a director's debit card/budget in case of an urgency.

The Board, when considering whether to approve any director's spending, must consider the following factors:-

- a) Purpose of the expense. It be valid and directly related to the service as a director of DTE. It must not include non-director, unrelated business, or personal expenses.
- b) Expenses must be in accordance with this Policy, reasonable and necessary, and conform to any requirements by DTE Rules, the ATO and other regulatory agencies as applicable.
- c) All required documents must be complete and accurate.
- d) A director shall submit tax invoices within 30 days of the expense, final invoice, or completion of travel or project.
- e) All director expenses shall be reviewed for approval by the Finance Committee and any **four** of the directors other than the director making the claim.

f) A claiming director shall identify the following information for each expense:

- i) Date the expense was incurred.
- ii) The location where the expense was incurred and the nature of the expense.
- iii) The purpose for the expense or travel, including the purpose related to service as a director; and the specific reason for any expense to which DTE business purpose does not apply.
- iv) The starting and ending points of travel expense claimed
- v) Any director seeking approval shall obtain and provide an itemised tax receipt for every expense for which a receipt is made available. If a receipt is not issued or is lost, in lieu of the receipt the director shall affirm the expenditure and provide a detailed explanation in writing of the expense.
- vi) Reasonable and necessary expenses meeting the criteria for approval but not otherwise described by this Policy may be approved when documented and explained to the Board.
- vii) Any director may re-request the Board to consider and review any decision regarding approval, but that director cannot vote on the matter.
- viii) In measuring the reasonableness of expenses, the Board may consult the provider of the service or other such services.
- ix) Telephone and data allowance is restricted to \$50 per month. No payment for an NBN provider.

g) Expenses that are Not Approvable

The following expenses are not considered by the Board to be reasonable or necessary. These expenses are not eligible for acceptance unless the Board makes and enters into the minutes an affirmative determination that such an expense is reasonable and necessary, including a description of the circumstances and justification for that determination:

- i) Alcohol
- ii) Food whilst travelling
- iii) Cigarettes, tobacco, drugs, confectionary
- iv) Private expenses of any kind
- v) Loss/theft of cash, personal funds or property
- vi) Lost baggage or excess baggage charge for personal items
- vii) "No-show" charges or penalties for flights, hotel and car service if incurred due to non-business related changes in schedules
- viii) Parking or traffic fines
- ix) Personal automobile repairs or service
- x) Charges for personal post box, telephone calls/data in excess of \$50 per month
- xi) Personal travel portion of a business trip
- xii) Expenses of any person other than the director.
- xiii) Expenses which can be claimed by a volunteer as a tax deduction
- xiv) Expenses normally recoverable from a third party
- xv) Claims for purchases that are required to be made under a DTE purchase order
- xvi) Expenses not incurred for DTE business purposes

The above list is not exhaustive and merely gives examples of expenses that will not be reimbursed or accepted.

I) Specific Guidance for Travel

Travel expenses, like all expenses claimed, must be for attending to duties as a director only. Travel for other activities must have prior approval of the Board.

i) Air Travel

Directors shall purchase reasonably priced tickets available using a commercial economy class airfare and shall make timely reservations to secure advance purchase pricing. Other expenses such as upgrades, priority boarding, preferred seating, or excess baggage are the personal responsibility of the director and are not eligible for reimbursement or acceptance as a DTE expense.

ii) Private Motor Vehicles

DTE shall reimburse directors one half of the standard kilometre allowance defined by the ATO for use of a private motor vehicle, based on the actual driving distance by the **most direct route**. Such reimbursement is made in lieu of any payment of actual car expenses. From 1 July 2015, the ATO has changed this to one rate for all vehicles: 0.66 cents per kilometre. Hence 0.33 cents per kilometre may be claimed. Such reimbursements will apply strictly to travel for Board duties only. No fuel reimbursements will apply nor will any repairs or maintenance to directors use of a private motor vehicle. A director can use this method to claim up to a maximum of 4,000 DTE kilometres per year. Even if she/he has travelled more than 4,000 business kilometres. For example, if she/he travelled 4,085 director kilometres, she/he can only claim the cost of travelling 4,000 kilometres. She/he cannot claim for the extra 85 kilometres in that year. DTE and the director must track how many kilometres have been travelled and paid. Both the director and DTE need to be able to show how the director kilometres have been calculated.

iii) Rental Cars/Taxis/Uber

Vehicle rental, uber or taxi is authorised when it is more practical or less expensive than the use of other forms of transportation. Vehicle-rental company kilometre charges are acceptable, but directors are not otherwise provided a kilometre allowance for distances driven in a rental car. The cost of fuel for a rental car is acceptable. Directors shall take the insurance coverage offered by the vehicle rental company. The director shall follow the accident notification requirements of the rental company. If an accident or damage occurs, the director shall notify the DTE Secretary as soon as practicable.

iv) Other at Actual Cost

Except for private motor vehicle usage approval for travel shall be at actual cost.

v) Meals

Meals while travelling are at a directors own expense.

vi) Lodging

Single room at economy rates.

6. Procedure Responsibilities

- a) The Board implements this Board of Directors Expenses Policy.
- b) The Board enforces this Policy.
- c) Superseding Effect. This Policy supersedes all previous policies and memoranda concerning the subject matter. Only the Board may authorise exceptions to this policy.

Policy Approved by:

_____ Date _____