

**SDA AUDIT COMMITTEE**  
**General Guidelines to Best Practices for SDA**

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## **1 INTRODUCTION & OBJECTIVES**

### **Introduction**

Internal Audit Committee is created to promote sound management practices both general and financial. IAC is intended to outline good practice and is not intended to cover all aspects of internal controls but to raise awareness of the need for checks and balances.

IAC should also be keenly aware of the need to balance the practicality of such internal controls to avoid over-zealous pursuits. It should avoid unintended insinuation of impropriety when carrying out its function.

### **General Principle**

This General Guideline is established to enhance transparency for the overall benefit of the Association, the Council and the volunteer members. This new committee, the Internal Audit Committee (IAC) will be tasked with this responsibility.

This Committee shall periodically review the procedures and guidelines to ensure their relevance to its changing environment and needs.

The Committee shall document the guidelines and procedures and communicate them to the SDA members.

## **2 COMMITTEE GOVERNANCE**

### **General Principle**

The Internal Audit Committee is governed by volunteer members who are either elected Council Member(s) or appointed by the SDA Council, whom are endorsed at the following AGM. The IAC will comprise of one SDA council member as an *ex officio member*. The IAC should declare any conflicts of interest and comprise of non-bank account signatories.

The IAC has the ultimate responsibility of ensuring that the SDA is governed and managed responsibly and prudently to ensure the effectiveness, credibility and sustainability of the SDA.

### **Structure of Internal Audit Committee**

#### ***Basic (Core Committee members)***

- Dr Ong Eng Yau (Chairperson)
- Dr Tang Panmei (ex officio)
- Dr Asha Karunakaran
- Dr George Soh
- Dr Gerald Lim Kian Chong

### ***Enhanced***

- Financial Audit
- Programmes and Services Audit
- Fund-raising Audit
- Investment Audit
- Human Resource Audit
- Appointment Audit

### **Committee By-laws**

#### ***Basic***

By-Laws: This shall serve as written policies, constitutions or by-laws on the Committee's composition, its election or appointment process, its terms of reference and the tenure of its officers or membership, where applicable.

Committee's Independence: Not more than 25% of the Committee shall be concurrently serving as SDA Council members; or related by blood/marriage, and not more than 40% of the Committee should have corporate relationships with any one private corporation. (Corporate relationships refer to dental-related practices or business)

Frequency of Meetings: The Committee shall meet at least once every 4 months. The constitution or rules shall state the quorum required for a meeting which shall be at least one-third of the Committee or at least two members, whichever is greater.

Distinction of Duties: Committee members shall have clearly defined roles and responsibilities which shall be distinguished from the executive functions of the SDA Council.

#### ***Enhanced***

Separation of Executive Staff and Committee: Paid staff shall not serve as a member of the Committee as it can lead to conflict of interest, and may raise doubts on the independence of its decisions. The President, Vice-President, Honorary General Secretary and Treasurer can attend Committee meetings, ex-officio, to provide information and facilitate necessary discussion but shall not take part in the decision-making.

Remuneration and Benefits: Although this Committee does not expect nor wish to receive any, the Committee shall disclose the remuneration and/or benefits received for their voluntary service. This may include a thank-you dinner or remuneration for expenses incurred.

Term Limits: The Committee shall have term limits for service to allow for periodic rejuvenation and succession. The term limit for IAC members can normally be set, where practicable, at a maximum of 6 consecutive years. Re-election or re-appointment to the Board can be considered after a break of at least one year.

## **Committee Meetings**

### ***Basic***

Committee meetings' proceedings and decisions shall be minuted and circulated to the whole Committee as soon as practicable.

### ***Enhanced***

Committee members shall make every effort to attend all meetings with a minimum attendance rate of not less than 60% during their tenure and shall not absent themselves without good reasons.

## **3 CONFLICT OF INTEREST POLICY**

### ***General Principle***

*The SDA Council, SDA Administrative staff, volunteers serving the SDA, and sponsors shall act in the best interest of the SDA. There shall be no vested or personal interest or interest of third parties. Clear policies and procedures shall be set and measures taken to prevent actual, potential or perceived conflict of interest that could affect the integrity, fairness and accountability of the SDA.*

#### **a. Personnel**

### ***Basic***

- i. The Committee shall establish clear written policies on measures to avoid conflict of interest in areas where such conflict may arise by the Council members, staff, volunteers or major sponsors. The IAC shall examine areas prone to conflict of interest and establish clear policies to avoid such conflicts.

#### **b. Areas of Conflict**

*The following are examples of potential areas of conflict. It is not intended to be exhaustive.*

### ***Basic***

- i. Where Council members, staff, volunteers or major sponsors
  - have personal interest in business transactions or contracts that the SDA may enter into, or
  - have vested interest in other organizations that the SDA have dealings with or considering entering into joint ventures with,

It is a policy requiring a declaration of such interests to the Council as soon as possible and the earliest opportunity. They shall abstain from discussion and decision-making on the matter and shall not vote on such matters. All such discussion and evaluation by the Council or relevant approving authority in arriving at the final decision on the transaction/contract shall be well documented.

- ii. Recruitment of staff with close relationship (i.e. those who are more than acquaintances) with current Council members, staff, volunteers or major sponsors shall go through the established human resource procedures for recruitment. The Council member, staff, volunteer or sponsor shall make a declaration of such relationships and shall refrain from influencing decisions on the recruitment.

### **Internal Control Checklist**

- i. Proper authorization

- There should be a clear organization structure with defined levels of delegated responsibility.
- All transactions should require authorization or approval by an appropriate responsible Council Member. The limits for these authorizations should be specified in a written policy and communicated to all staff and Council.
- Key decisions should be approved by the Council or relevant committee.

- ii. Financial review

- Annual budgets should be reviewed and approved by Council.
- Council should receive periodic financial review and progress reports.

- iii. Supporting documentation

- All transactions should be supported by documentation before approval. Payments must be supported by original invoices.

- iv. Computer security

- Password system should be implemented to ensure only the authorized personnel are allowed to access relevant system.

- v. Detection of irregularities

- Review of expenditures should be done on a monthly basis.
- Investigations should be carried out if there is any significant variance.

- vi. Segregation of duties

- Authorization, execution, custody and recording functions should be done by separate parties.

- vii. Conflict of interest

- Procurement of contracts for goods and services should be conducted on an arm's length basis.
- Staff, Council and volunteers are required to disclose any interests they may have in companies doing business with SDA.

- viii. Proper staff education

- Educate staff on the importance of internal controls to ensure usefulness.
- For example, the IAC needs to be alerted to occasions when a senior member or a Council member may try to bypass or ignore controls or even intimidate staff to do so.

## **4 PROGRAMME MANAGEMENT**

### **General Principles**

*The programmes and activities conducted by the SDA shall be carefully planned, tracked and reviewed to ensure relevancy to the objective and vision of SDA.*

### **Basic**

The Council shall ensure that operations and programmes are directed towards achieving the stated outcomes, mission and vision.

The Council shall ensure that the outcomes of each programme are clearly defined.

The Council shall be regularly updated on the progress of its programmes.

The Council shall develop an evaluation system that measures the effectiveness and efficiency of programmes and that their outcomes in line with its mission and objectives. For instance, develop key performance indices (KPIs).

## **5 HUMAN RESOURCE POLICY AND MANAGEMENT**

### **General Principles**

*Human resource is an important asset of the SDA. The SDA has a pool of paid staff and volunteers to run its operations and programmes, and shall have human resource policies to address these groups of people.*

### **5.1 Staff & Volunteers**

#### **Basic**

1. There shall be clear written human resource policies approved by the Council for staff in accordance with the Employment Act (Cap 91) and applicable laws of Singapore.
2. The Council shall ensure that a volunteer management system is in place or ensure the heads of these committees have such a system in place.
3. Screening: Where necessary, there shall be policies and procedures for the screening and scrutiny of staff and volunteers.

#### **Enhanced**

1. Recruitment: The human resource policies shall aim to attract the right staff and volunteers with the appropriate type and level of qualification and experience.
2. Compensation of expenses: Volunteers may be reimbursed for out-of-pocket expenses directly related to the service provided. The Council shall keep a record of such remuneration volunteers receiving reimbursement, if any.

3. Record & audit of compensation of expenses: The Finance Executive shall maintain a record of all compensation expenses. The IAC shall set the guidelines and procedures for expense claims. The committee shall periodically review this procedure and records.
4. Insurance: There shall be appropriate insurance coverage for staff and, if necessary in their work, for volunteers.
5. Performance Appraisal: The IAC shall ensure a fair and transparent performance review and appraisal system for staff and, if appropriate, for volunteers as well. When appropriate, the SDA Council shall use this appraisal to calculate the staff salary and bonus.
6. Feedback Channels: The IAC shall ensure an appropriate and effective channel of communication for staff, volunteers and members for feedback and exchange of information.
7. Exit Policies: The IAC may have the discretion to conduct exit interviews as and when required.

## **6 FINANCIAL MANAGEMENT AND CONTROLS**

### ***General Principles***

*Being an organisation providing services for the good of the public and having members' subscription as well as corporate contribution and other funds as its major source of income for its operations, the SDA shall have sound financial management and compliance with applicable laws to ensure accountable and legitimate use of their resources.*

### **6.1 Budget Planning & Monitoring**

#### ***Basic***

The IAC shall monitor the annual budget appropriate for the programme expenditure to prevent or minimise operating deficits. The IAC shall request for analysis and explanations for major variances, if any, from the SDA Council.

### **6.2 Operational Controls**

#### ***Basic***

1. The IAC shall have full authority to examine all accounting and financial statements kept by the association. Every committee is required to keep proper and clear accounting records of its activities. The financial statements are to be prepared in accordance with the Financial Reporting Standards (FRS) as well as the additional accounting requirements in the Recommended Accounting Practices for Charities (RAP6) developed by the Institute of Certified Public Accountants of Singapore (ICPAS). The financial statements are to be audited by an external auditor annually.

2. There shall be a policy to seek the IAC's approval for any loans and investments made by the SDA or donations to external parties.
3. The IAC shall ensure that periodical internal audit on controls, processes, key programmes and events (e.g. fund-raising) is conducted.
4. The IAC shall ensure internal control systems are in place with documented procedures, approved by the Council, for financial matters, such as
  - Procurement procedures and controls.
  - Competitive quotation or tender procedures and controls for purchases above certain amount.
  - Receipting and payment procedures and controls, e.g. signatories.
  - Original invoices (and not photocopies) are attached to and supporting each voucher before payment.
  - Payments are to be made by cheques or Interbank GIRO and additional control is to be provided by having counter signatures.

#### **Guideline for Calling for Quotations**

1. For costs less than or equal \$2000, the Administrative Staff (AS) is authorized to make decision in consultation with the relevant Council Member (CM), who is one of the bank signatories of SDA. The SDA Council should be notified of this decision subsequently.
2. For costs more than \$2000, quotations or tenders have to be called for.

*For such quotation or tender exercise, the CM responsible will invite quotation, evaluate and make a recommendation to the Council for final approval.*

#### **Bank accounts**

1. Opening and closing of bank accounts have to be authorized by Council.
2. Records of bank accounts have to be secured properly
3. Cheque signatories and authority limits are to be approved by Council.
4. Bank reconciliation has to be carried out regularly.
5. Ensure no dormant bank accounts are kept in the book of accounts.

#### **6.3 Asset Management**

Fixed assets (like SDA property) and investments (including unit trusts, fixed deposits, term deposits etc) are held to generate income for the Association. To protect its capital, it is therefore vital to ensure assets and investments are safeguarded.

#### **Basic**

1. While SDA should maintain some level of operating reserves to ensure long-term financial sustainability, the IAC shall ensure that this is not built up to excessive amounts. The IAC shall disclose the ratio of its operating

- reserves to its annual expenditure as an indication of the number of years the IAC can continue operations without income.
2. The IAC shall ensure that capital funds are set up, e.g. building funds, for clear and justifiable needs. For existing capital funds, SDA Council shall disclose the purpose and size of each fund as well as the planned timing of the capital development.
  3. The IAC shall ensure that the capital of all endowment funds are not utilised or transferred to other funds unless explicit permission is given by the donor of the endowment fund. The IAC shall ensure, within reason, that the endowment funds are utilised for the purposes stipulated by the donor. For existing endowment funds, the IAC shall ensure SDA Council disclose the purpose and size of each fund.
  4. There shall be a fixed assets register to account for all the fixed assets of the IAC. The IAC shall safeguard the value of their assets, e.g. arranging for adequate insurance coverage for fixed assets.

#### ***Enhanced***

5. All investments shall be in accordance with an investment policy approved by the Council.
6. Investments shall be low risk and guided by competent professional advice. The Trustees Act may serve as a guideline for the IAC.
7. There shall be a policy to ensure that the facilities and assets of the IAC are efficiently utilised for maximum value to the Association.
8. All purchases and sales of investments must be properly authorized and accounted for. All records must be securely kept.
9. Performance of each investment has to be reviewed regularly and inspected by Council. These must be reported in the annual report of the Association.

#### **6.4 Loans**

- The Council's approval must be sought and documented for:
  - Any loans to external parties.
  - Any loans to employees.
  - Any loans (or seed money) to committees.
- Loans to SDA members including Council members should be prohibited.

## **7 FUND-RAISING PRACTICES**

### ***General Principles***

*If there is a fund-raising exercise, the IAC shall ensure the activities are honest, ethical and uphold the public's confidence in the cause of the SDA.*

*Refer to the Appendix on “Good Fund-raising Practices” for specific guidelines on fund-raising.*

## **8 DISCLOSURE AND TRANSPARENCY**

### ***General Principles***

*As SDA operates with members’ support through both subscriptions and the use of volunteers, it shall be transparent in its operations to maintain trust and confidence. As such, the Council shall demonstrate its openness to the public by providing the public with information about its mission, structure, programmes, activities, performance and finances.*

### ***Basic***

1. The IAC shall ensure compliance with the disclosure requirements in Financial Reporting Standards (FRS) and the Recommended Accounting Practices for Charities (RAP6) developed by the Institute of Certified Public Accountants of Singapore (ICPAS).
2. The IAC shall disclose its compliance with relevant guidelines from this Guide of Best Practices annually, as well as their reasons for areas of non-compliance.
3. IACs shall make the following information available and easily accessible to members by posting them online or forwarding hardcopies upon request at cost:
  - a. The latest annual report and audited financial statements (which include up-to-date information on programmes, services, performance, and financials)
  - b. The list of Council members and management, as well as the organisation’s contact information.

## **9 PUBLIC RELATIONS AND CORPORATE COMMUNICATIONS**

### ***General Principles***

*The IAC provides important services to its members and the community at large. It therefore needs to communicate matters relating to its mission, programmes or activities to the public and stakeholders, and respond readily to requests for such information.*

### **9.1 Public Image**

### ***Basic***

1. While the SDA should build up a positive image and represent the interest

of its members, the IAC shall ensure that the Council does not engage in any form of party politics or misrepresent itself to the public.

***Enhanced***

2. The IAC shall ensure proper procedures and practices are followed on releasing information about the SDA and its activities to the media, its stakeholders and the public.
3. The IAC shall ensure proper procedures are followed and complied with the Constitution when designating an appropriate spokesperson(s) for the SDA.

**Additional guidelines**

**8 CO-VENTURES<sup>1</sup>**

***General Principle***

*SDA shall be prudent in entering into co-ventures.*

***Basic***

8.1 SDA shall exercise due care in entering into co-ventures. It shall take into account how the specific co-venture partners would be perceived by the members and public as well as the implication of such co-ventures on the SDA's image and reputation.

8.2 Co-ventures shall be approved by the SDA Council.

8.3 An agreement which sets out the details of the arrangement shall be worked out in writing with the co-venture partner. The following items shall be included in such an arrangement:

- a. Roles and responsibilities of the SDA and the co-venture partners;
- b. Co-venture concept and methodology;
- c. Period, venue and other details of the event(s);
- d. Intellectual property right for publicity materials;
- e. Specifics of any items to be paid or potentially paid for by SDA;
- f. Specifics of the sharing arrangement for revenue from the co-venture partner;
- g. Procedures for settling disputes;
- h. Clauses for termination of the contract;
- i. Indemnity clauses;
- j. Proper accounting procedures for monies received and expended;

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<sup>1</sup> A co-venture is an arrangement with a commercial organisation where the SDA receives some financial benefits in the sale of products and/or services by the commercial organisation.

- k. Proper and fair representation of the SDA in all publicity materials;
- l. Limitations on use and communication of the SDA's name, logo and assets by the co-venture partner.

8.4 The SDA shall monitor the progress of the co-venture to ensure that it is functioning as intended and properly.