
CADET FORCE ORDERS

VOLUME 9 – Finance and Civic Liaison

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Primary Point of Conduct:
Annual Review Period:

S9 – Civic Liaison
Quarter 4 NLT 22 Dec

THIS DOCUMENT IS UNCONTROLLED IF PRINTED



CHAPTER 1 - Finance

SECTION 1 - General Financial Provisions

Introduction

9.1 Financial assistance to the NZCF is determined by the Government and an upper limit is expressed separately within the Defence Vote. The Defence Act 1990 section 78(1)(a) authorises CDF to grant that financial assistance subject to such terms and conditions as he or she may decide.

9.2 It is recognised by the NZDF that Cadet Units require funds in addition to the finance explained in paragraph 9.4 for the conduct of Recognised Activities. These additional and private funds are explained below.

9.3 The purpose of this chapter is to:

- a. direct the relationship which is to be preserved between:
 - (1) the public funds appropriated by Government to assist the NZCF in the conduct of those Authorised Activities;
 - (2) the NZCF Welfare Fund operated by the COMDT NZCF, and
 - (3) those private funds operated by the USC or National Support Organisations.
- b. explain the manner in which it is expected any private funds associated with their Cadet Unit should be administered by the USC.

New Zealand Defence Force Funding

9.4 The financial management of the annual allocation to the NZCF within the Defence Vote is delegated to the Director General Reserve Forces and Youth Development (DGRFYD). This allocation is:

- a. accounted for in the fashion normally used throughout the NZDF; and
- b. falls into the following two categories :
 - (1) the direct costs incurred during NZCF activities and charged against the NZCF budget; and
 - (2) indirect costs.

9.5 **Direct Costs.** Are those costs clearly attributed to Cadet activities and can be separately identified from the other operating costs of the NZDF, e.g., the payment of members of the NZCF on Authorised Activities, the costs of uniforms and equipment allocated, etc.

9.6 Direct Costs will in normal accounting procedures use a Special Purpose Code (SPC) to assist in expenditure analysis. Each Cadet Unit, HQNZCF, CFTSU, Authorised Activities and, specific Single Service Chief sponsored activities will have

an SPC assigned to it. It is vital for planning that any activities that can have an SPC apportioned do so.

9.7 **Indirect Costs.** Are those costs incurred by the single Services in the provision of support for Authorised Activities from within the day-to-day administration and routine operations of NZDF, which are met from the budget of the Base/Ship/Camp, which is tasked by single Service Headquarters to host the Authorised Activity. A forecast of Authorised Activities, including estimated costs, is to be submitted by HQNZCF to single Service Headquarters for approval and budgeting purposes annually.

9.8 When Indirect Costs are to be assessed the following is an indication of the criteria used:

- a. the annual schedule of authorised NZCF activities including the authorised duration for each activity;
- b. the number of members of the NZCF enrolled and authorised to participate in these Authorised Activities; and
- c. the assessed cost of such support factors not accrued as Direct Costs (e.g., the operating costs of those NZDF vehicles used in support of a Cadet activity).

Budgetary Control

9.9 CDF has given the COMDT NZCF responsibility for the financial management of the funds in DFO 3, Part10, Chap 5, para 10.5.20.

9.10 Budgetary control for the NZCF is delegated to the COMDT NZCF, who is appointed Cost Centre Manager of the NZCF budget. Budgetary control is achieved through control of authorised NZCF activities and control of the Members of the NZDF posted to the NZCF and their activities in support of Cadet Units. Within prescribed limits the criteria for the provision of NZDF support is that once a Cadet Unit or an activity is authorised, reasonable support in terms of Section 78 of the Defence Act 1990, is forthcoming. This is arranged by the COMDT NZCF and the staff and backed up by the appropriate single Service.

9.11 Expenditure is to be recorded against the appropriate Budget. Throughout the NZDF whenever possible, accounts for items or services which are obtained or provided specifically for the NZCF purposes, i.e., Direct Costs, are to be attributed by the providing Service agency to NZDF Output: NZCF. Indirect Costs are to be absorbed by the appropriate cost centre of the Base/Ship/Camp hosting the activity.

9.12 A NZCF Budget is promulgated each year by HQ NZCF usually after consideration of:

- a. the costs of all facets of NZCF activities in the past financial year; and
- b. the estimate of expenditure for the forthcoming financial year.

9.13 HQNZCF is to exercise a watching brief to ensure that Service support within the limits laid down in this chapter does not become the lowest priority by any single Service staff. The designated Service Commands will provide support as if it were a normal activity of that Service.

9.14 The supervision outlined in the paragraph above applies particularly when, from time to time, economic measures need to be adopted by the NZDF, and Cadet activities are likely to suffer disproportionately. Any such economic measures are to apply equally to Authorised Activities and the equivalent Services activities. Accordingly, when necessary, adjustments to the scale, nature, duration or attendance levels for Cadet activities are to be made by the COMDT NZCF in negotiation with the Services. Once adjustments are made the supporting agencies of the Services are to provide full support to the newly agreed levels.

New Zealand Cadet Forces Welfare Fund

9.15 The fund is to be run within the NZDF rules that apply to the non-public funds of the Armed Forces. The COMDT NZCF is authorised to operate one centralised account for cadet welfare purposes.

9.16 The NZCF Welfare Fund receives contributions by way of donations from the RNZRSA and other community based organisations that have an interest in youth development and the community they operate in.

9.17 The fund is designed to offer NZCF training opportunities and scholarships that are not otherwise offered by the NZDF.

9.18 Such donations are in accordance with instructions and directives set by the RNZRSA and the community organisations.

SECTION 2 – Private Funds

Locally Raised Private Funds

9.19 Those sections of the Defence Act which relate to the control of non-public funds of the Armed Forces do not apply to locally raised private funds of Cadet Units. Care is therefore exercised to preserve the relationship between:

- a. the public funds appropriated in the Defence budget for NZCF purposes, i.e., the conduct of the Authorised Activities of the NZCF, as explained above; and
- b. the private funds held by the National Support Organisations and USC for the Recognised Activities explained in CFO Volume 7 Training and Education..

9.20 It is an accepted practice that fund-raising at the Cadet Unit and/or USC level occurs and that in some areas canteens are operated for Cadet Units. These funds are not for the purpose of the NZDF in relation to the conduct of Authorised Activities. Such private funds are the sole responsibility of the USC, which is to make rules for collecting, holding, administering, and accounting.

9.21 Within the operating procedures of Cadet Units, it is recommended to USCs and National Support Organisations that NZCF Officers and Cadets do not hold, administer, or account for private funds or petty cash except for funds to meet day to day expenses.

9.22 In the event of neglect in relation to the above paragraph, the CUCDR is to report the matter in writing to an office holder of the appropriate National Support Organisation without delay.

9.23 It is recognised by the NZDF that any members of the NZCF may take part in any lawful fund-raising activity conducted by the USC and/or National Support Organisation to raise funds for purposes not provided for by the NZDF. Care is to be taken however, to ensure that no impression is given that such members are collecting or raising funds for or on behalf of the NZDF or for official purposes.

9.24 Any private funds raised and administered for or by School Units are to be operated by the school authorities.

9.25 Additionally:

- a. no member of the Armed Forces who is assigned for duties with the Cadet Forces pursuant to Section 78 (1)(e) of the Defence Act 1990 is to collect, hold, administer or account for any private funds which are associated with the NZCF; and
- b. private funds which are associated with Cadet Units are not subject to inspection by NZDF Inspectors, as they are not non-public funds under the Defence Act 1990.

Administration of Private Funds

9.26 The distinction between Public Funds and those funds raised locally in association with a Cadet Unit (private funds) is shown in this chapter. The following guideline points are advised to CUCDR, USC and the recognised National Support Organisations. Refer to section 3 of this chapter for detailed guidelines on the management of locally raised funds.

9.27 The relevant USC must ensure the private funds of the Cadet Unit it sponsors are lawfully and soundly administered. The funds should be:

- a. operated through bank accounts,
- b. operated in such a way that:
 - (1) all expenditure is properly authorised by recorded minutes, and
 - (2) periodic statements of the account are promulgated throughout the USC and the Cadet Units, and
 - (3) reported six monthly to the National Treasurer/Secretary of SCANZ, CCANZ or ATCANZ as appropriate or on such regular basis as determined by SCANZ, CCANZ or ATCANZ

9.28 In order that the distinction between the funds of the USC and/or National Support Organisation and the NZDF is maintained, the CUCDR is also to ensure that:

- a. it is made clear to all concerned that any joining fee or periodic subscription for the Cadet Unit is not levied as a requirement of the NZDF,

- b. the title given to any accounts for private funds operated at the local level is that of the appropriate USC and does not contain the designation of the cadet unit or Corps on its own, and
- c. any petty cash funds held in the Cadet Unit is administered as a subsidiary of the account of the private funds of the USC.

Budgetary Control

9.29 All private funds held in connection with the activities of Cadet Units are to be held by the USC in compliance with Paragraph 9.26 of these Orders.

Audit

9.30 NZDF Auditors and the members of the Armed Forces posted to the NZCF shall, from time to time, be required to ensure that Cadet Units are complying with the NZDF rules and procedures for the issue, holding and administration of NZDF resources.

Financial Management of Unit Funds

9.31 NZCF Officers are not to be members of their Cadet Unit's USC. The CUCDR or his or her appointed Cadet Unit Officer may attend USC meetings in an ex officio capacity.

SECTION 3 - Locally Raised Funds

9.32 Notwithstanding that the funds raised locally are not subject to any input from the NZDF, the level of control, administration, holding and accounting for these funds must be maintained at an acceptable level of accountability. It is important therefore to be clear regarding the status, administration and control of funds generated locally to support a Cadet Unit, and to understand the roles and responsibilities of the USC and CUCDR in relation to these funds.

General

9.33 The financial management system at the local Cadet Unit level should involve the CUCDR and the USC. The input from both must be co-operative to be fully effective.

9.34 The management of locally raised funds falls logically into four main functions:

- a. raising funds;
- b. allocating funds;
- c. spending funds; and
- d. accounting for funds.

Raising Funds

9.35 Cadet Units and their USC have numerous options for raising funds and it is not the purpose of this section to detail these. Local conditions will determine the

most appropriate option. What is feasible in one locality may not be the best option in another locality.

9.36 Funds will primarily be generated in the following areas:

- a. parents/caregiver cadet joining levies/donations;
- b. camp fees;
- c. donations;
- d. grants;
- e. interest received; and
- f. special fund-raising activities.

9.37 Accounting procedures for funds received are detailed at paragraphs 9.50-9.60 of this chapter.

Allocation of Funds

9.38 Three months before the commencement of any training year the CUCDR should prepare and present to the USC an operating and capital expenditure budget covering the Cadet Unit activities for the training year. Samples of the type of forms to be used for the preparation of a budget are available on CadetNet.

9.39 In consultation with the CUCDR the USC will then approve an operating and capital expenditure budget for the training year together with a cash-flow forecast. The proposed budget may require amendment if the forecast total of the Cadet Unit operating costs, capital costs and those costs required by the USC for its own and national body administration exceed the total of funds already held plus an estimate of the amount of additional funding which can be raised during the training year.

Spending Funds

9.40 All spending of locally raised funds relates to Cadet Unit operating costs, Recognised Activities undertaken by the Cadet Unit, and capital expenditure in support of the Cadet Unit. It is critical therefore that the relationship between the CUCDR and USC is firmly in place so that the question of expenditure can be decided along clear policy guidelines.

9.41 Once the USC has approved the budget, the CUCDR should be given the authority to draw funds in accordance with the budget without further approvals being required by the USC.

9.42 Unplanned expenditure or expenditure beyond the approved budget must be approved by the USC prior to commitment.

9.43 The USC may consider authorising the CUCDR to spend up to a specified limit on incidental expenditure for items not included in the budget. The CUCDR is required to account for any expenditure in this category.

9.44 The CUCDR is not to be one of the signatories to the bank account.

9.45 Capital expenditure may involve greater sums of money than general operating expenses but the same principles apply. CUCDRs must provide the following details when applying for appropriations for capital expenditure:

- a. item required;
- b. cost;
- c. date required;
- d. benefit to the Cadet Unit; and
- e. quotations obtained.

9.46 Monthly reports are to be prepared by the USC to compare actual expenditure against budget.

9.47 The CUCDR is accountable to the USC for expenditure incurred from private Cadet Unit funds.

9.48 The USC is to review the budget and cash flow forecast should the Cadet Unit prove unable to remain within its approved budget. If necessary the USC is to apply additional controls to the expenditure of funds, for example insisting that 'all further expenditure to be approved by the USC prior to commitment'.

9.49 The USC is to inform the COMDT NZCF through the National Executive of the National Support Organisation, if the measures in the above paragraph are being considered, prior to such action being taken. Such restrictive measures should be the exception rather than the rule.

Accounting for Funds

9.50 Any organisation obtaining money from the public, however it is raised, is to be able to account for the proper handling and use of those funds.

9.51 While internal control and checks of locally raised funds is limited because of their nature it is nevertheless essential to have basic elements of internal control in place.

9.52 These include:

- a. all cheques to have two signatures;
- b. vouchers and accounts to be held on file in cheque number order for all payments;
- c. all payments, when able, to be supported by an invoice;
- d. receipts issued for all funds received;
- e. receipts to be in a bound, printed form, numbered, and made out in duplicate;
- f. the top copy of receipts to be given to the person providing the funds;

- g. all cash to be banked as soon as possible after receipt (preferably not later than the day following receipt);
- h. totals of receipts to be reconciled to bank deposits; and
- i. regular reconciliation of bank accounts to cheques and deposits.

9.53 Primary accounting records comprising the cheque book, receipt book and bank deposit book must be kept. These should be supported by a Cash Book and bank statements reconciled between each other.

9.54 The payments record (Outwards Cash Book) should contain, as a minimum, the following information:

- a. date paid,
- b. to whom payment was made,
- c. cheque number,
- d. amount of payment, and
- e. purpose of payment.

9.55 The receipts record (Inwards Cash Book) should show, as a minimum, the following information:

- a. date received,
- b. from whom the funds were received,
- c. the amount,
- d. details of the receipt, and
- e. date banked.

9.56 The guidelines in the preceding paragraphs provide sufficient detail for Cadet Units and USC to establish the financial relationship between them to prepare and operate a budget, and to manage and account for the funds raised locally in support of a Cadet Unit.

SECTION 4 - Insurance

Insurance Cover for Cadet Unit Assets used on NZCF Authorised Activities.

9.57 HQNZCF is responsible for the insurance of equipment against damage/loss while in transit or in use during Authorised Activities. As an example, the SCC Sailing Charge Course is an Authorised Activity listed on the ATP and funded and supported by the NZDF, therefore insurance cover is provided.

9.58 This cover does not however extend to Cadet Unit items loaned to Cadets for their use at Authorised or Recognised Activities (i.e., Cadet Unit cookers, tents, packs, sleeping bags etc).

9.59 The insurance provided by the NZDF for this Authorised Activity covers two areas:

- a. public liability; and
- b. damage to, or loss of the assets (i.e., boats and/or the trailers used to transport the boats).

9.60 Public liability insurance encompasses property damage or personal loss suffered by third parties as a result of the actions of the NZCF during an Authorised Activity. An example of this situation would be if a Cadet Unit boat collided with a privately owned yacht causing damage to the yacht. The public liability insurance would respond to address damage to the yacht, which is termed the third party in the incident. Separate insurance responds to pay for any damage to the NZCF boat.

Insurance Responsibilities at Other Times (i.e., Recognised Activities)

9.61 The responsibility is on the Association Branches and USC to obtain insurance for items of value held by the Cadet Unit, excluding weapons, uniforms and stores on loan from the NZDF. This is to protect the Cadet Unit from losses that arise during the activities undertaken at the Cadet Unit or area level that are not listed on the ATP. These activities include regular parades or other Recognised Activities organised by the Cadet Unit where the provision of support rests with the Cadet Unit and/or the USC.

9.62 The CDF will provide public liability insurance to indemnify NZCF Officers and USC members from claims for injury, damage or loss to third parties or their property. This provides protection for the Cadet Unit should an event arise from NZCF activities undertaken in accordance with proper controls which results in a member of the general public suffering damage or loss to their property. The Cadet Unit is responsible for any damage/loss incurred to property held by the Cadet Unit.

9.63 It is vital that all appropriate paperwork for the activity, i.e., NZCF 11 and NZCF 12 RAMS forms, are completed and submitted prior to the event taking place.

9.64 ACs are to notify the COMDT NZCF of any events that may result in a claim on the Public Liability Insurance Policy, within 24 hours of the incident. Full details of the incident are to follow in writing within 48 hours. The COMDT NZCF will then notify the insurer.

Personal Insurance Cover

9.65 The NZDF has insurance cover for all NZDF personnel. The Chief of Defence Force has also agreed to extend death and total permanent disability insurance coverage to NZCF cadet officers while on NZCF duty.

9.66 The following insurance coverage is provided for NZCF cadet officers:

- a. \$100,000 death coverage in cases of death by accident while on NZDF duty; and
- b. Total permanent disability coverage in cases of accident while performing NZCF duties.

9.67 The insurance coverage applies when undertaking Authorised or Recognised activities and when travelling to and from such activities only. Recognised activities include cadet unit parades.

9.68 Acceptance of a claim will be at the sole discretion of the insurer, the NZDF.

9.69 The provision of this insurance coverage for NZCF cadet officers recognises the valuable and important support provided to the NZDF by cadet officers through their contribution to the NZCF and cadet training.

9.70 The minimal cost of the insurance premium is incorporated into the NZCF rates of remuneration.

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