

Financial Procedures Manual

effective from March 2009

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1. Purpose of this document

To define the financial systems used by LDCVS and how they relate to all areas of LDCVS.

Relevant to managers and all staff.

All suggestions for amendments to the DCO (Finance).

Minor amendments/updates to be agreed by Management Team; major amendments by Board of Trustees.

2. Ordering supplies and services

All staff need to be aware that expenditure is committed when an order is placed on behalf of LDCVS, not when the payment is requested. Therefore, it is important that all orders are placed properly, and are within agreed budgets and delegated powers.

Budget holders can place orders for goods or services within their budget areas, subject only to cash-flow restraints. All orders of £100 or more must be authorised by the budget holder, except for specific areas of expenditure where written procedures have been agreed. Under £100 the budget holder may delegate all ordering as appropriate. Budget holders will discuss with the Financial Controller appropriate parameters, plus maximum allowed deviations which will be documented.

Any lease, hire purchase agreement or other contract involving expenditure must be first approved by the CO / DCO who may refer the matter to the Board of Trustees for approval, (for example where the costs associated with

terminating a lease early would not be covered by a projects budget or where the contract is open-ended). Larger contracts should not be entered into without adequate advice from a relevant professional adviser (e.g. accountant, solicitor, surveyor).

Orders of £250 or more must be placed in writing. Orders under £250 but over £50 should be in writing where practicable. Copies should be forwarded to the financial officer. Suppliers must be requested to produce invoices. If payment is needed on or before delivery or no credit is given, a 'pro-forma' should be provided.

While claims for small items of expenditure may be made via petty cash (see section 4), adequate supporting documentation, preferably receipts, must be obtained. Large items requiring cash payment must be checked with Finance before the arrangement is confirmed.

3. Payment authorisation and Purchase Ledger

All invoices must be authorised for payment by the project manager, although the actual checking of details may be delegated. The project manager is responsible for checking invoices for accuracy in terms of figures and conformity with the order placed, ensuring that the services or goods have been received, and following up any problems. Finance must be informed if there are queries delaying authorisation or if payment is to be withheld for any reason.

All incoming invoices are to be passed to Finance section as soon as they arrive. Invoices will be recorded and once authorised as above, suppliers will be paid within the appropriate timescale. This is generally 14 days of invoice date for the sector, 30 days for others, unless there are exceptional cash-flow difficulties or specific supplier arrangements. The latter must be communicated by budget holders to Finance, who will inform them of any difficulties in meeting these.

Refunds of overpayments or cancellations of bookings/orders can be fully delegated to the relevant activity manager or administrator (note that this does not include any 'compensation' or similar payment).

4. Cheque writing and signing

Signatories will only be drawn from Trustees, and any new signatory must be approved by the Trustees before the bank is notified. All cheques require two signatories. Cheque signatories should check that the expenditure has been authorised by the appropriate person before signing the cheque. Salary payments require two authorised signatures. Signatories will not sign cheques which are payable to themselves, or blank cheques. Cheques should be filled in completely (with payee, amount in words and figures, and date) before cheques are signed. The only acceptable exception is that the amount can be

blank as long as the cheque is endorsed 'Not more than £'. Receipts for this type of expenditure must be returned immediately.

The day-to-day limit on encashment of cheques is £200. However, where a larger cash float is required (for a major event for example), this may be approved by the Financial Controller with the Treasurer. When signing cheques to restore the imprest balance (see section 5), receipts accompanied by an add-list must be available for inspection with the cheque request.

5. Handling of cash

The maximum petty cash to be held will be £200 unless a dispensation has been agreed via the CO or DCO (up to £500). It is intended for small items, up to £20. Anything over this should be paid by cheque where possible. The petty cash balance will be reconciled on a monthly basis.

All cash collected from Finance (through the till) will be signed for, and receipts will be issued for all cash returned. Specific extra cash (for floats for events etc.) should be arranged with the DCO (Finance). The person signing for the float is responsible for ensuring cash and receipts are returned as soon as possible after the event etc. No further floats may be issued to that person, or another person in the same department for a similar purpose, unless the previous float has been accounted for. Any cash income will be entered through the till with supporting documentation. Cash will be kept in the locked safe wherever possible. Appropriate arrangements will be made for till security and no more than £50 will be kept in the till.

6. Salaries and payroll

LDCVS is required to operate the PAYE system, and make annual returns to the Inland Revenue. All people working directly for *LDCVS*, whether permanent or temporary, must provide a P45, or sign a P46 or student exemption certificate, or give reasons why they can't. All payments will be made by cheque or direct bank credit.

Freelance contractors will only be taken on when authorised in accordance with section 1 above. With a few exceptions, they will be treated as self-employed, and contracts with such people must clearly indicate this. However, work in other areas of activity must be assumed to be employed by *LDCVS* and so subject to PAYE & NIC. Finance will obtain clarification of any unclear areas as needed.

Payments for additional work over and above standard hours must be approved by the CO or DCO subject to financial constraints. Clear written authorisation must be given in adequate time for Finance to process it for the relevant payroll. These claims are financial records, and should be treated in the same way as any other.

Payment will usually be made via the CAF Bank Quick Pay service, direct to employees' bank account. The salary payment listings will be checked by the

DCO (Finance). Salaries will be paid on the 20th of the month, or nearest working day.

Pay scales and new posts/re-structuring are recommended by the Management Team, subject to financial constraints, and approved by the Board of Trustees, where practicable, by March for implementation in April. The Board of Trustees will set the Chief Officers remuneration. Appointments to existing posts are the responsibility of the Management Team. Staff loans are not issued.

The finance section is responsible for:

- paying each employee in accordance with the approved terms and conditions, and issuing payslips.
- operating the PAYE system, keeping the required records, issuing P45s and P60s, and communicating with the tax office as appropriate.
- making the correct deductions for Income Tax, NI, court orders and any other appropriate deduction authorised by staff; ensuring that deductions are paid to the correct body, and necessary returns made.
- administering the Statutory Sick Pay and Statutory Maternity Pay schemes, alongside any additional related benefits provided by AN ORGANISATION.

7. Income

The majority of income received by LDCVS is from various funding sources, for example Lancaster City Council and Lancashire County Council, copies of any documentation received will be kept in the accounting system. Invoices will be issued for other income as soon as practical. For completeness of customer and sales information, this includes where payment is received with order.

All invoices should be raised on LDCVS letterhead, or in a format agreed with the DCO (Finance), and be drawn up in accordance with LDCVS's standard invoice requirements. LDCVS is not at present registered for VAT however, when registration occurs, VAT invoices need to meet HM Customs and Excise requirements, and must include the VAT registration number, VAT rate and VAT amount. All invoices will be sequentially numbered, with each area of activity having its own prefix reference, agreed with Finance. Any accidental deviations from such sequences must be notified to Finance.

Outstanding invoice payments will be followed up at least monthly by the finance officer.

Information about non-routine and all grant income must be passed to Finance with the cheque or remittance advice. This will be filed by Finance for reference, and used to ensure such income is correctly recorded in the accounts and grant conditions etc. noted. Lack of documentation will lead to such items being 'held on suspense'. It is the responsibility of the person gaining the grant to ensure all grant income is claimed as it becomes due or

available, and that all appropriate staff and the Finance Section are aware of relevant grant conditions and exactly how the grant is to be expended.

Post opening (and control of cheques and cash in) will be subject to random management checks. The process is written down, so that there is a clear standard for those who regularly do the work, and others covering or checking.

8. Bank accounts

LDCVS bankers are:

- CAF Bank (Current/Cheque account)
- CAF Bank (Gold High Interest Account)
- Abbey National (Petty Cash Account).

A manual sweep arrangement between current and reserve accounts is operated. These arrangements are subject to review, in the light of what is most advantageous in terms of cost and service. All income will be paid into the current accounts as soon as possible, not less than once a week. The make up of each banking transaction will be clearly recorded, for later computer entry.

9. Books of account and records

Proper accounting records will be kept. The accounts systems is based around computer facilities, using Moneysoft and Excel, but manual/paper records will also be used if appropriate.

At a minimum, the following records will be kept:

- appropriate control accounts (i.e. bank control, petty cash control).
- salary control account.
- monthly trial balances.

Petty cash and bank accounts will be reconciled at least monthly.

All entries into the computer system will be made by the DCO, Finance officer or a person working under their direct supervision along with accounts reference. All income/expenditure information will be entered within five working days. All corrections and adjustments will be clearly noted in the notes section of the accounts programme giving reasons for them, with supporting documentation where available.

Purchase Ledger, other cheque payments and banking sheets will be filed in the appropriate reference order, with any supporting documentation. All petty cash vouchers, cheque stubs etc. will be retained for audit and for statutory purposes thereafter.

All fixed assets costing more than £250 (or such other level as may from time to time be agreed by the trustees) will be capitalised in the accounts and recorded in a fixed assets register. This register will record details of date of purchase, supplier, cost, serial no. where applicable, description and in due course details of disposal.

10. Budget setting

12 monthly income and expenditure budgets will be prepared in time for discussion by the management team in January and final approval by the Board of Trustees in February, before the start of the financial year under consideration.

Project budgets are prepared by the DCO (Finance), working with the project manager. Core management budgets are prepared by the DCO (Finance) consultation with the Chief Officer. The Management Team will ensure that budgets are set fairly, efficiently and in time. Approval of the budgets is by recommendation of the Management Team to the Board of Trustees.

The approved budget will be used as a base to construct a cash-flow forecast for the year, which will be updated quarterly.

11. Financial monitoring and audit

All budget holders will receive appropriate, regular reports of income and expenditure against budget.

The Management Team will receive:

- weekly updates of financial position from the the DCO (Finance)
- monthly reports of income and expenditure versus budget - within three weeks of month end.

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Detailed monthly payroll reports will be produced. Detailed cash-flow reports will be produced as appropriate.

LDCVS's financial year is from 1st July to 30th June. Annual accounts will be submitted for audit, as required under the Companies Act, charity regulations and grant conditions, prepared per SORP for Charities and any other relevant accounting conventions. The draft accounts should be prepared, approved by the Management team and ready for final signing by the Executive Committee, in late August or early September, with a view to the three week notice period required by the AGM.

12. Role of Treasurer

The Treasurer works in close co-operation with, and provides support and advice to, the Deputy CO (Finance). Specific responsibilities are to:

- Guide and advise the Board in the approval of budgets, accounts and financial statements, within a relevant policy framework.
- Keep the Board informed about its financial duties and responsibilities.
- Advise the Board on the financial implications of LDCVS's strategic plans and key assumptions included in management's operational plan and annual budget.
- Confirm that the financial resources of LDCVS meet present and future needs.

- Understand the accounting procedures and key internal controls, so as to be able to assure the Board of LDCVS's financial integrity.
- Ensure that the accounts are properly audited, that accepted recommendations of the auditors are implemented, and meet the auditor at least once a year.
- Formally present the accounts at the AGM, drawing attention to important points.
- Monitor LDCVS's investment activity and ensure its consistency with policies, aims, objectives and legal responsibilities

13. Role of Management

The Management team consists of Chief Officer, Deputy Chief Officer and the Office Manager. They will receive weekly snapshots and monthly management accounts, keeping adequate records to be in control between monthly reports. The Team will review finances thoroughly at periods not greater than one month.

14. Role of Board of Trustees

The committee is responsible for:

- approving the budget for the year.
- approving signatories to the bank accounts.
- appointments of staff where not delegated to the Management Team.
- receiving reports from the Management Team on areas of concern.
- approving exceptional items of expenditure.
- monitoring the financial position based on quarterly reports, with advice from the Treasurer and/or the Financial Contoller.
- approving the annual accounts, auditors report and appointment.

15. Role of Financial Controller

The Deputy CO (Finance)/ Financial Controller is the lead person for processing all changes and exceptional items, and will assist the Treasurer in any financial matter connected with the organisation.

The Financial Controller will ensure that adequate security precautions are taken to safeguard financial and other assets.