



# Financial Management & Accounting

## Financial Management

Financial management is more than just ensuring there is sufficient cash and keeping to budget.

Financial management involves:

- ✓ Setting financial objectives
- ✓ Planning and acquiring funds
- ✓ Ensuring funds are being effectively managed
- ✓ Management and financial accounting
- ✓ Formulating strategy
- ✓ Planning and controlling activities
- ✓ Decision-taking
- ✓ Optimising use of resources
- ✓ Disclosure to other interested parties external to Small Charity Support
- ✓ Disclosure to employees
- ✓ Safeguarding assets.

Clear procedures are needed to ensure that the Trustees and members of the Pathhead and District Community Association SCIO (PDCA) have the tools and skills to ensure effective financial management takes place. Where staff and/or volunteers are involved the individual responsibilities should be clear to avoid confusion, inconsistency & conflicts.

The role of the Treasurer or Chair is often crucial in discussion with key funding bodies, suppliers, commissioners of services, auditors *etc.* However, legally the Trustees are collectively/jointly responsible for ensuring that the charity's resources are properly managed and accounted for and must not assume the Treasurer and/or Chair will do everything. The following policies and procedures enable the Trustees to delegate financial management to the Treasurer.

## Definitions

- **Board:** The Board of Trustees of Pathhead and District Community Association SCIO.
- **Financial Year:** PDCA's financial year is nominally between AGMs.
- **Treasurer:** The Treasurer is the member of the Board who leads the strategic and operational responsibility for the financial management of the Association (PDCA). The Treasurer is also the person who has the day-to-day responsibility for the administration of the PDCA financial transactions.
- **Authorised Person:** Authorised persons are those persons authorised by the PDCA to approve financial instruments (cheques, purchase orders, invoices, *etc*) on its behalf.
- **Budget-holders:** The trustees or committee members or employees authorised by the Trustees to make purchases



## Income Policy & Procedures

### Purpose

To safeguard, monitor and control income including grants, donations & contribution in the form of BACS, cheques & cash.

To outline the structure of authorisation for dealing with income, credit-control and cash management.

### Invoices

Invoices should be issued whenever it is appropriate.

Invoices should include the following details:

- Pathhead and District Community Association SCIO and charity number SC012253
- The name and address of the person or organisation being invoiced;
- The date of the invoice, which must be the date it is posted to the accounts;
- The nature of the services and/or goods being charged for;
- The rate at which services and/or goods are being charged for;
- The purchase order number (where available) and/or any other appropriate identification information provided by the person or organisation being invoiced;
- If the invoice is to a funding body it should state the funding period to which it relates;
- The invoice total;
- Pathhead and District Community Association SCIO payment instruction & terms of payment.

Where acceptable to the person/organisation to which it is addressed, the invoice may be sent electronically in PDF format. Otherwise the invoice shall be printed and sent by post. In either case the invoice must be dispatched within 2 working days of being produced.

### Outstanding invoices:

The Treasurer will review the outstanding invoices every month.

If an invoice hasn't been paid within 28 days of being issued, then a second invoice should be issued. The second invoice should be a copy of the first, but with "REMINDER" added to it.

Any invoice which remains unpaid for more than 56 days must be brought to the attention of the Board to determine what further action should be taken.

Unless there are extenuating circumstances, debtors with invoices more than 56 days overdue will not be allowed any further credit (eg: the provision of goods or services, or access to any of Pathhead and District Community Association SCIO facilities or resources) until the outstanding debt has been repaid in full.

Bad debts will be formally written off annually by the Board as part of the preparation for the audited/examined accounts.



## Recording Payments

**Payment by BACS:** Where payments are made directly into the bank account via the BACS payment system the Treasurer will check for such direct payments each time a bank statement is received, or on-line as circumstances require.

### When payment by cheque or cash is received

When cheques or cash arrive the Treasurer will ensure that cheques are properly signed and made payable to Pathhead and District Community Association SCIO and will record their arrival in the accounts;

Cheques and cash received should be banked the same day where possible but at least once per week. Any cheques or cash not banked immediately must be locked away in the safe overnight or until it is banked. A maximum of £250 cash may be held overnight.

### Cash in Transit

All persons carrying cash to or from the bank are instructed to put their personal safety first in the event of any attempt to steal the money.

In the event of losses of cash in transit, the Treasurer must be informed immediately and take the appropriate action.

The times and days of taking cash for banking should be varied and an innocuous plain bag or briefcase must be used for carrying the money. If the amount of cash (ie: excluding cheques) being banked is greater than £250 then two people should take the cash to the bank.

## Budgeting Policy and Controls

### Purpose

To provide a means of balancing projected expenditure against projected income and ensuring resources are allocated fairly;

To provide a structure for monitoring and controlling expenditure and allow authorised budget-holders the flexibility to manage their respective budgets within the limits laid down by the Board.

To ensure that funds cash flows can be effectively and efficiently managed to ensure that there are always sufficient accessible funds available to meet Pathhead and District Community Association SCIO financial commitments as they arise.

### Policy

The annual budget will provide budget-holders with the authority to spend within the amounts specified under each budget heading.

The amounts budgeted for the income and expenditure, both within budget categories and overall, of Pathhead and District Community Association SCIO cannot be exceeded, transferred or altered without the authorisation of the Board.



The Treasurer will provide budget-holders with regular reports (informal reports will be provided monthly as appropriate, formal reports will be provided quarterly) detailing actual expenditure against budget heading and ensure that budgets are not exceeded.

The Treasurer will ensure that the Chairman is informed where any breaches of this policy occur.

### **Budget-setting Process**

A budget is a plan translated into money for a defined period of time. The time period is usually the financial year. The budget is prepared after Small Charity Support has clarified its aims and objectives and produced a variety of action plans to achieve them. The purposes of a budget are:

- To co-ordinate different activities towards a single plan;
- To set and communicate financial targets;
- To maximise and allocate resources;
- To identify financial problems;
- To establish a system of control by having a plan against which actual results can be compared;
- To compel planning.

As the budget is a vital element of the procedure for negotiating grants and contracts, it is important that a budget is produced in good time .

The Treasurer will produce a draft budget based on previous income & expenditure patterns and the expected actual income & expenditure for the coming financial year. The draft budget and any explanatory notes will be circulated to the Board for comment.

Any necessary revisions will be made and a final draft budget presented to the Board for approval & adoption no later than the last day in the financial year prior to that to which it applies.

### **Monitoring and Revision:**

The Treasurer will monitor income and expenditure and ensure that the Board receives accurate and up to date information regarding any shortfall in projected income or increase in expenditure. Where necessary, the Treasurer will make recommendations on various options for remedial action.

Where such action may affect the level of service or staff then negotiations should be initiated with the relevant parties immediately.

## **Payroll Policy and Procedure:**

### **Purpose**

To ensure staff are paid in accordance with their terms and conditions of employment. Need terms

To ensure salary rates are competitive enough to retain staff.



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To ensure statutory deductions are made and paid to the relevant authority within the time limit.

### Payment of Salaries

All salaries are paid 50% in arrears & 50% in advance by cheque/direct transfer into employee's personal bank accounts or nearest day where this falls on a Saturday, Sunday or Bank Holiday.

Staff must supply the Treasurer with the name of their bank, account number and bank sort code within a week of starting. P45s must be handed in as soon as possible to ensure the correct tax code is applied. Where no P45 is available the member of staff will be required to sign a P46

Where staff requires any other arrangement they must ask for consideration of the matter as soon as possible and the matter will be referred to the Board.

The final salary cheque of a person leaving employment with Pathhead and District Community Association SCIO must be authorised by the Board.

### Deductions

Only statutory deductions will be made without the prior written and signed authorisation from the employee.

### Overtime

Staff will be paid either for a fixed number of hours worked or a completion of an agreed set of activities. They will not in general be paid for overtime unless by prior agreement or in the event of extenuating circumstances at the trustee's discretion. They may be asked to take time off in lieu (TOIL) equivalent to any overtime they were required to work.

### Termination of Employment

Any outstanding debts will be deducted in full from the final net salary payment. Paid annual leave taken before it has accrued will be deducted from the gross and any accrued annual leave added to the gross. The employee should receive their P45 with their final payslip.

### Timetable

In the second week of the month the Treasurer reconciles the previous month's salary payments to the payroll reports.

The Treasurer must be given a written memo relating to any of the following. As much notice as possible should be given.

- New employees;
- Employees leaving;
- Details of sickness or maternity leave;
- Any permanent changes (in hours or pay for example);
- Unpaid leave arrangements;
- Any tax code changes;
- Any overtime or other agreed temporary changes.



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From these the Treasurer will calculate salaries and produce accurate payslips and deduction reports.

The Treasurer will prepare the Inland Revenue return for the previous month and make appropriate arrangements for its payment by the due date.

Whenever possible, payments will be made electronically (either by BACS or by Direct Debit) in accordance with the recommendations of HM Revenue & Customs.

Statutory Year End Annual Returns to the Inland Revenue are made, and any additional payments made, by the due date.

## Purchasing Policy and Procedures

### Purpose

To ensure that all expenditure is properly authorised and provide a standardised procedure for dealing with expenditure items.

### Orders - Goods and Services

The value of an order/purchase to be shown along with delivery charges where appropriate and both inclusive of VAT.

Budget-holders may order items within their own budget and up to £150 in value.

For purchases outside of budget or over £150 and up to £500 value the authorisation of the Treasurer is required.

All Items over £500 in value must be authorised by the Committee. For any purchase over £1000 in value, at least 3 quotes must be obtained in order to ensure a competitive price is paid unless the Board explicitly waives this requirement and records in the minutes of the Board meeting the justification for the waiver.

Delivery notes must be checked and initialed by the budget-holder and be filed in the delivery notes file. Any discrepancy between the order and delivery notes must be notified to the supplier immediately. In the event that a discrepancy is not rectified by the supplier as soon as is reasonably practical the Treasurer must be informed.

Invoices must be checked against the relevant delivery notes, initialed and dated when received by the budget holder and forwarded to the Treasurer for payment.

In the event of any shortfall in delivery or the return of goods for any reason, the relevant credit-note must be received from the supplier before payment is made.

### Payments by Cheque and Other Instruments (eg: On-Line BACS, Direct Debit)

Where appropriate, authorised persons who are not Trustees may be established by resolution of the Board. The resolution must state the reason for the authorisation and the date on which it will expire.

Where a cheque or any other form of payment is being made to an authorised person that person may not be a signatory on the cheque or other instruction for payment;



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The Charity Commission guidelines recommend that all cheques and other instructions to the bank, including instructions made on-line (eg: for BACS payments) be signed by two authorised persons. However, as this is not practical for small payments, the Trustees may decide to allow of amounts of up to £250 to be approved by just one authorised person, provided that that decision, and the justification for it, are clearly recorded in the minutes of the meeting at which the decision was made;

Where a cheque or other instructions to the bank – including instructions made on-line (eg: for BACS payments) – is for an amount exceeding £1000 the payment must be authorised by the Board of Trustees unless the purpose for which the payment is being made has already been approved by the Board. The authorisation of the payment can be made by written resolution, including by email where appropriate (ie: the authorisation does NOT necessarily require the convening of a Board meeting).

### **On-Line Purchases Using Credit/Debit Cards:**

It is recognised that the increasing availability of on-line purchasing means that it is very often possible to secure products at very competitive prices.

Pathhead and District Community Association SCIO bankers do not provide a credit/debit card to allow such purchases to be on-line with direct charging to Pathhead and District Community Association SCIO bank account. This means that Pathhead and District Community Association SCIO can only take advantage of competitive on-line pricing where budget-holders are willing and able to make such purchases using their own personal credit/debit card and reclaim the expenditure from Pathhead and District Community Association SCIO. Pathhead and District Community Association SCIO accepts that, provided that due care is taken to ensure probity, that this is a reasonable and beneficial way of proceeding.

All such on-line purchases must have the prior approval of a Trustee who is not otherwise involved in the purchase, in addition to the budgetary approvals specified earlier.

Where ever possible on-line purchases of items for Pathhead and District Community Association SCIO must NOT include within the same order any item for the personal use of the person placing the order, unless it is clearly marked as such on the invoice and agreed with the treasurer. Similarly the delivery address for such on-line purchases should be the hall rather than the purchaser's billing address (usually their home address). It is recognised that this might not be possible for convenience or to obtain discounts.

The procedures for handling delivery notes, credit notes and invoices for purchases charged to a personal credit/debit account shall be the same as those for purchases made directly by Pathhead and District Community Association SCIO. The reimbursement of individuals for purchases made on behalf of Pathhead and District Community Association SCIO will always be agreed by two Trustees who are not otherwise involved in the purchase (including reimbursement which are within the single-signature limit in Pathhead and District Community Association SCIO bank account mandate).



## Petty Cash Policy and Procedure:

### Purpose

To ensure all cash is properly handled including storage, payments and record keeping.  
To establish accountability for the proper handling of cash.

### Policy

The Pathhead and District Community Association SCIO will avoid the maintenance of Petty Cash accounts except where absolutely necessary for practical operational reasons, e.g. for people paying cash for entry to an event or at a raffle.

All cash must be kept in the Petty Cash boxes provided which should be kept in a secure place.

A signed Expenditure Voucher and point-of-sale receipt must support all transactions.

All petty cash boxes must be reconciled as soon as possible after the event by the petty cash holder, or named responsible person.

Requests for replacement cash must tally with the sum of the vouchers.

The Treasurer shall ensure that entries for Petty Cash are accurate, vouchers and receipts properly stored and that the running balances are correct.

### Administration and Accounting

Payments from Petty Cash are recorded and signed for using Expenditure Vouchers as they are paid out against point-of-sale receipts.

Petty Cash floats operate on the imprest system where the total of the cash and Expenditure Vouchers should always equal the amount of the agreed float. Any discrepancies must be reported to the Treasurer immediately for investigation and action. The amount of float held in a Petty Cash box will be clearly marked on the inside of the box and should be appropriate to the level of transactions passing through the box (subject to a maximum of £100).

At the end of the month the Finance Officer will enter the petty cash expenditure into the main accounts.

## The Accounting and Audit Procedure

### Purpose

To ensure that Pathhead and District Community Association SCIO meets the statutory accounting requirements of the Charities Commission

To provide accurate and useful data for the Board and staff.





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## Procedure

Pathhead and District Community Association accounts will be managed electronically using appropriate software approved by The Board and Small Charity Support's Auditor/Examiner;

The Board of Trustees appoints the Auditor/External Examiner at the AGM, or at other times when circumstances require;

The Treasurer, in conjunction with the Finance Officer where appropriate, will ensure that all financial records, supporting documentation and reconciliations are accurately maintained, up to date and easily retrievable for analysis and examination purposes;

The Treasurer will prepare timely and accurate year-end accounts in the appropriate format with the required supporting working papers and relevant reconciliations.

The Annual General Meeting has agreed that: *“That, for as long as it is entitled to do so under the relevant Companies legislation, Pathhead and District Community Association will exercise its option to exemption from the requirement to obtain an audit of its financial activities”*

The Treasurer will meet with the Auditor/Examiner to ensure that audit/examination queries are resolved and that accounts are completed and signed within six months of the year end.

The Treasurer will ensure that the audited/examined accounts are filed with: the Charity Commission within 10 months of the year-end or in line with any future requirements of the Charity Commission.

## Change Record

Date	Change / Approved by	Comments
16/12/20	NHD	Formatting & Minor clarifications on payment of overtime (it can be paid by agreement) and purchasing of items (personal items to be clearly shown on invoice and delivery to home ok, if both are agreed by Trustees)
10/12/20	Committee	Policy approved by the Trustees
30/11/20	Trustees, BC	Policy approved by the Treasurer and Trustees
27.11.19	MJ sec	Final version
18.11.19	MJ,NHD	Draft written and discussed