

Financial Management Procedure – Policy Template

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If you have any further questions after you have read these documents, please contact GAVS on 020 8309 8231 or Email info@gavs.biz

The text below may form the basis of a Financial Management Procedures Policy for your organisation. Please work through each area considering the questions below and amend it accordingly:

- Is this appropriate for the size of our organisation?
- Does this reflect our practice and the way we do things?
- Do we need more stringent controls than are set out in this template?
- Do we need additional policies to set out specific control issues in more detail:

Your management committee should sign and date the policy and set a date for review – usually annually.

POLICY STATEMENT

It is the policy of **[insert name of organisation]** to be financially responsible and accountable. Being financially responsible means that **[insert name of organisation]** will not take on any responsibilities that it does not have the resources to meet. It means that the organisation will endeavour to pay its bills on time and keep accurate records of all monies that come into and go out of the organisation. Financial responsibility also means that the organisation will endeavour to collect all monies owed to it as promptly as possible. Accountability means that **[insert name of organisation]** will endeavour to provide accurate and up to date financial report to its stakeholders. The Management Committee has a duty of responsibility to ensure that the organisation's finances are managed to the maximum advantage in the interest of the organisation.

POLICY PURPOSE

The purpose of this policy is to set out how the finances of **[insert name of organisation]** are managed. Following this policy will help to ensure that **[insert name of organisation]** is financially responsible, accountable and prudent.

SCOPE

This policy covers all financial transactions carried out by, for and on behalf of **[insert name of organisation]** by all/any authorised persons.

RESPONSIBILITIES

Management Committee:

The Management Committee has ultimate responsibility for ensuring the effective implementation of this policy. The Treasurer has direct ultimate responsibility for ensuring the effective implementation of this policy and the effectiveness of **[insert name of organisation]**'s financial management system.

The Management Committee is responsible for approving all financial transactions except where authority has been granted to the Chief Executive or Project Manager in accordance with the Expenditure Authorisation Policy **[or insert name of appropriate control document]**. The Treasurer has direct responsibility for overseeing all financial transactions, including where authority has been granted to the Chief Executive/Project Manager by the Management Committee.

The Management Committee is responsible for approving the annual budget and all variations to the budget before presentation to Trustees for approval. The Treasurer has direct responsibility for ensuring that proper budgets are prepared and any variations to an approved budget are properly evidenced before presentation to the Management Committee and subsequently the Trustees.

The Management Committee is responsible for approving all expenditures including expenditures over which the Chief Executive or Project Manager has been granted authority. The Chief Executive or Project Manager must present information on these expenditures to the Management Committee on a regular basis (quarterly) for approval. The Treasurer has direct responsibility for ensuring that the Management committee properly approves all expenditures including where authority has been granted to the Chief Executive or Project Manager.

The Management Committee is responsible for appointing the external auditor or independent examiner as appropriate.

The Management Committee has ultimate responsibility for reviewing this policy and is directly responsible for agreeing any amendments to the policy. The Treasurer has direct ultimate responsibility for ensuring that this policy is reviewed and any amendments are properly implemented.

The Chief Executive:

The Chief Executive has responsibility for ensuring the effective implementation of this policy and the effectiveness of the financial management system for **[insert name of organisation]**. Where the Chief Executive has delegated responsibility to a Project Manager, the same responsibilities then lie with the Project Manager.

The Chief Executive or delegated Project Manager is responsible for ensuring that all transactions are properly documented including where, the Management Committee has given him/her authority.

The Chief Executive or delegated Project Manager is responsible for ensuring that a proper budget is prepared annually for approval by the Management Committee. He/she is responsible for ensuring that any variations necessary to an approved

budget are properly evidenced before being submitted to the Management Committee for re-approval.

The Chief Executive is responsible for overseeing the effective day-to-day management of the finances of **[insert name of organisation]**.

The Chief Executive/Project Manager is responsible for arranging the annual audit or examination of the accounts and financial management system of **[insert name of organisation]** with the external auditor or independent examiner appointed by the Management Committee.

The Chief Executive is responsible for ensuring that this policy is reviewed on regular basis to continue to meet the needs of **[insert name of organisation]**. He/she is responsible for supervising the review of this policy and presenting it to the Management Committee for consideration and approval.

The Finance Officer:

The Finance Officer is responsible for the effective day-to-day implementation of this policy. He/she is responsible for developing and implementing an effective financial management system for **[insert name of organisation]** according to this policy.

The Finance Officer is responsible, in conjunction with the Chief Executive, for preparing an appropriate budget for submission to the Management Committee for consideration and approval.

The Finance Officer is responsible for devising and maintaining all relevant financial records for the effective management of the finances of the Organisation.

The Finance Officer is responsible, in conjunction with the Chief Executive for ensuring that all bills and any other monies owed by the Organisation are paid on time without incurring any surcharges, fines or penalties.

The Finance Officer is responsible for preparing all instruments necessary for the payment of bills and other monies owed by the organisation including wages/salaries and expenses. He/she is responsible for submitting such instruments to the appropriate persons for certification.

The Finance Officer is responsible, in conjunction with the Chief Executive for ensuring that all monies owed to **[insert name of organisation]**, including grant funding are collected promptly. He/she is responsible for recording and banking all monies collected except cash receipts.

The Finance Officer is responsible, in conjunction with the Chief Executive for producing and presenting regular financial management reports to the Management Committee.

The Finance Officer is responsible, in conjunction with the Chief Executive for preparing the annual accounts of the Organisation. He/she is responsible for submitting the accounts to the external auditor or independent examiner.

The Administrative Officer:

The Administrative Officer may be responsible for collecting and receipting all cash coming into the Organisation under the supervision of the Finance Officer.

He/she may be responsible for administering the petty cash account under the supervision of the Finance Officer.

PROCEDURE

A. ACCOUNTING:

1. A regular (quarterly) financial management report detailing the financial status of [the Organisation] must be prepared and presented to the Management Committee.
2. The annual accounts must be prepared in accordance with all legal requirements
3. The draft accounts must be prepared not more than three months from the end of the financial year of the Organisation. The review by management, Trustees and external examiner must be completed in a timely fashion so as to ensure that the accounts and returns are submitted to the Charity Commission and Companies House ahead of any filing deadlines;
4. **[insert name of organisation]** must retain all accounting records for as long as is required by relevant legislation
5. No financial record (e.g. payment vouchers or related documents) must be destroyed before the statutory period has expired

B. AUDIT / INDEPENDENT EXAMINATION AND SYSTEM REVIEW:

1. An annual external audit or examination by an appropriate professional chosen by the Management Committee must be arranged for the purpose of carrying out an examination of the financial and related systems of **[insert name of organisation]** to ensure transparency, accountability and prudence.
2. The Auditors / Independent Examiners will review, appraise and report on the annual accounts of the Organisation, the effectiveness and adequacy of the internal control mechanisms and the suitability and reliability of financial and other management data.

C. AUTHORISATION AND CERTIFICATION:

1. The Chief Executive has delegated authority to certify, in consultation with the Treasurer, the following expenditures on behalf of the Management Committee and in accordance with the Expenditure Authorisations limits set for **[name of charity]**:
 - orders for work, goods and services for staff and volunteers;
 - payment of expenses from petty cash; and
 - preparation of salary and wages documents.

2. All other expenditures including the payment of salaries/wages and expenses not payable from Petty Cash (e.g. payment of sessional workers) must be signed by any two (2) of XXX (X) signatories from the **[insert job title of signatories and insert name of organisation]**

D. BANKING ARRANGEMENTS:

1. All funds must be held in a bank account in the name of **[insert name of organisation]** at a bank/building society decided upon by the Management Committee.
2. The organisation shall operate a current account for the purpose of receiving income and paying of bills. Any monies/funds not immediately in use must be deposited in a **HIGH INTEREST YIELDING ACCOUNT** in the same name.
3. The Management Committee must decide upon the interest yielding account for maximum benefit to the Organisation after seeking professional advice.
4. All bank accounts must be reconciled with cashbooks at least once in each month.
5. All cheque books must be under the control of the Chief Executive or any other officer to whom he/she may delegate the responsibility (e.g. the Finance Officer).

E. BUDGET:

1. The annual budget projections must show the actual income and expenditure for the previous financial year, the original approved and revised estimates of income and expenditures for this financial year and the estimated income and expenditure for the coming financial year.
2. Sufficient supporting information must be provided by the Chief Executive in conjunction with the Finance Officer in order for variations between budget headings to be analysed. The detailed format of the annual budget must be decided by the Chief Executive in consultation with the Treasurer in line with the general directions of the Management Committee.
3. Monitoring actual income/expenditure – reviews of the Organisation's budget must be carried out by the Treasurer in conjunction with the Chief Executive and the Finance Officer. This must compare the actual income and expenditure to for the current year's budget. This review must form the basis of the quarterly report to be considered by the Management Committee. The Management Committee must decide upon any corrective action that is needed where significant differences occur between the two.
4. Financial resources must be used only for the approved budget purposes.

5. Designated or restricted funds must be recorded in the accounts as having been received for the purpose for which they were given, and must only be utilised for that purpose.

F. CLAIMS FOR EXPENSES AND ALLOWANCES:

1. All claims and expenses from staff must be submitted through line managers to the Finance Office who must prepare the relevant documents for the payment of such expense claims and authorised by the Chief Executive before payment is made.
2. Claims must only be allowed for expenses incurred for work done wholly and exclusively on behalf of **[insert name of organisation]**.
3. Certification by or on behalf of the Chief Executive must be taken to mean that such expenses were necessary and the claims have been authorised as satisfactory, and that the expenses were properly incurred and payable by **[insert name of organisation]**

G. PETTY CASH ACCOUNT:

1. The Chief Executive has delegated authority to sign a cheque (with one other named signatory) for an amount not exceeding £250.00 for the purpose of operating a Petty Cash account. The amount in the petty cash account is to be decided by the Chief Executive and approved by the Management Committee.
2. All payments must be adequately evidenced, correctly calculated and properly supported by a third party receipt.
3. Claims for petty cash must be submitted within xx months (x months) of the expense being incurred.
4. No income other than the original cash advance and reimbursement to the cash float must be treated as creditable to the petty cash account.

H. INCOME:

1. All income received by **[insert name of the Organisation]** must be banked as soon as practically possible. All cash receipts must be banked within one business day of receipt.
2. Under no circumstance must monies belonging to **[insert name of organisation]** be taken out of the offices except in the process of taking it to the bank.
3. With the approval of the Management Committee, the Treasurer may authorise the write-off of any monies owing to **[insert name of organisation]** that in all probability are irrecoverable.

I. INSURANCE:

The Chief Executive Officer has the delegated authority to affect all insurance cover and negotiate claims on behalf of **[insert name of organisation]**.

J. INVENTORIES:

1. An inventory of all **[insert name of organisation]**'s fixed assets must be maintained as a Fixed Asset Register. Recording an adequate description of the asset including date of purchase, supplier, purchase price and term of depreciation, the Register will include all readily portable items of furniture, fittings equipment and machinery of an estimated life of more than twelve months
2. The Finance Officer in consultation with the Chief Executive must determine the form of the inventory.
3. The Finance Officer has the delegated authority for maintaining an annual physical check of items on the inventories certified by the Chief Executive.

K. INVESTMENTS:

The Chief Executive has delegated authority, after consultation with the Management Committee and on the advice of a professional independent financial adviser, to arrange for the independent management of any/all investments of **[insert name of organisation]**. All such investments must be held in the name of the organisation.

L. ORDERS FOR WORK, GOODS AND SERVICES:

1. Official orders for work, goods and services must be in a form approved by the Management Committee and must be signed by the Chief Executive and countersigned by the Treasurer.
2. The Finance Officer must retain a copy of the order.
3. As no official order need be written out for public utility services (water, electricity, gas telephone etc.), a record must be maintained to avoid duplicate payments and to monitor significant trends in consumption.
4. Before a bill is paid the requisition must be endorsed and dated by any two of the three authorised signatories in to avoid duplicate payment and for the purposes of monitoring. The cheque payment number or online payment unique code must always be quoted on the vouchers.
5. Three written estimates must be obtained when ordering goods or services over xx hundred pounds (£x00.00) to ensure value for money.
6. Payments for goods and services must always be made against an appropriate invoice or similar document.

M. SALARIES/WAGES AND PENSIONS:

1. The payments of all salaries, wages, pensions, compensations and other earning to all staff and volunteers or former employees must be made according the Staff/Volunteer Policy approved by the Management Committee.
2. The Treasurer must be informed of all matters affecting the payment of such earnings as;
 - absences from duty for sickness or other reasons apart from approved leave; and
 - information necessary to maintain records of service for pensions, income tax and National Insurance.
3. All time records, where kept or other pay documents must be in the form approved by the Management Committee.

N. SECURITY:

1. The Chief Executive has delegated authority for introducing and maintaining any security measures to ensure the safety and security of all of the organisation's personnel, assets and property.
2. No cash (except for petty cash) must be held at the Organisation's offices.

Name Position: Chairperson

Signature Date

Name Position: Treasurer

Signature Date

March 2014