

A N OTHER ORGANISATION

DRAFT FINANCIAL PROTOCOLS

This document is intended as a starting point for discussion when framing the financial protocols of a small voluntary organisation. Wherever specific posts (chair, treasurer, finance director etc) have been suggested these are in bold. It will be for each organisation to decide who will best carry out these functions within their own setting. Where the Trustee Board is referred to this should be adhered to unless the organisation wishes to take a specific decision to delegate such responsibility.

Financial fraud will always be a complex matter and no set of protocols will be enough to protect an organisation completely. Adherence to basic rules of conduct, careful line management of staff, and rigorous recruitment procedures will also help to protect the organisation from fraud.

These financial protocols are intended for the use of small organisations with a turnover of less than £1m. Larger organisations should seek the advice of qualified financial advisers in drawing up such protocols.

FINANCIAL PROTOCOLS

Salary

In no circumstances will advances of salary be made from the bank accounts of the organisation.

Travel season tickets

In no circumstances will loans be made to cover the cost of travel season tickets for anyone connected with the organisation, whether staff, volunteers or trustees.

Petty Cash

1. The maximum limit to the Petty cash imprest shall be £100.
2. Responsibility for the petty cash imprest will be the responsibility of the (**insert role title**). The petty cash imprest will at all times be kept in a locked container which itself shall remain locked in a secure safe or cabinet. The petty cash holder shall retain sole possession of the key to the container.
3. Claims for petty cash will be submitted on a standard form and will be supported by receipts equalling the total of the claim.
4. Petty cash claims may be authorised by any of the following officers of the organisation
 - i. **Chair**
 - ii. **Treasurer**
 - iii.
 - iv.

5. All claims will require the signature of an authorising officer and the signature of the petty cash holder.
6. The petty cash imprest will not be used for the purpose of cashing cheques.
7. Each month, a report will be produced by the petty cash holder detailing the cash balance brought forward, all monies received and expended during the month and the cash balance carried forward. This report should be signed and dated by the petty cash holder and countersigned by one of the authorised officers listed above.
8. At least three times in each financial year, the **Director of Finance/Treasurer** will carry out a spot check to validate the accuracy of the petty cash records and to confirm the cash balance held. On at least one occasion, **another Trustee Board member** will be present and will countersign the spot check.
9. The petty cash holder will report all discrepancies in the petty cash reconciliation to the **(insert role title)**.

Ordering and purchasing

1. All orders and purchases shall be authorised individually by the **Finance Director/Treasurer**. One copy of the authorisation shall be retained by the person placing the order and one by the **Finance Director/Treasurer**.
2. When an order is to be placed that would commit the organisation to a purchase of over £500 but less than £1,000, prices will be checked from at least 3 suppliers before the order is placed. If the order is not placed with the cheapest supplier, approval for this must be obtained in advance in writing from the **Finance Director/Treasurer**.
3. When an order is to be placed that would commit the organisation to a purchase of over £1,000 but less than £5,000, written quotations will be obtained from at least 3 suppliers to ensure the cheapest price. If the order is not placed with the cheapest supplier, approval must be sought in advance from the **Treasurer**.
4. When an order is to be placed that would commit the organisation to a purchase of over £5,000, written quotations will be obtained from at least 3 suppliers and submitted to the **Trustee Board** who will decide on the best value supplier. This decision will be included in the Board minutes.

Suppliers

1. The organisation will keep a list of suppliers with whom it does business. All additions to the list will be subject to scrutiny by the **Trustee Board**. Periodically, and not less than twice a year, the **Finance Director/Treasurer** will examine the list of suppliers and verify the bona fides of a sample of the suppliers included in the list.

Declaration of interests

It shall be incumbent upon all employees of the organisation, all volunteers and all members of the Trustee Board to declare any connection or interest, financial or otherwise, that they may have with any person, company or body engaged in the supply of goods or

services to the organisation. Failure to declare any such interest shall be reported immediately in writing to the **Chair, Treasurer or CEO** and thence reported in writing to the next meeting of the Trustee Board.

Payments

2. All payments will be made by cheque.
3. Each cheque drawn up must be accompanied by paperwork justifying the payment. This may be an invoice, an expenses claim form, or a letter requesting payment. The cheque number will be written on a copy of the relevant paperwork with the date of the cheque and these copies will be filed in cheque number order.
4. Before drawing up a cheque, the following information must be ascertained:
 - a. that the expenditure has been properly authorised and is a proper liability of the organisation
 - b. that the goods have been received, examined and approved as to quantity and quality or goods or services received or work performed satisfactorily
 - c. that the price charged is correct and any discounts receivable have been deducted
 - d. that the invoice is arithmetically correct both in its calculations and total
 - e. that no payments are made on duplicate or copy invoices without the authorisation of the **Finance Director/Treasurer** that amounts have not previously been passed for payment
 - f. that any cheque requiring amendment is clearly initialled by the signatories. Correction fluid shall not be used.
5. Invoices for goods and services supplied to the organisation shall be prepared by the creditor and not by officers of the organisation
6. Within one month of the end of the financial year, the **Finance Director** will draw up and provide to the **CEO/Treasurer** a list of all outstanding expenditure relating to the previous year

Cheques

1. Blank cheques will be kept in a locked safe or cabinet.
2. Cheques will be signed in accordance with the current account bank mandate (see below).

Travel and subsistence

1. All claims for travel and subsistence expenses shall be paid on a reimbursement basis and in respect only of expenses necessarily and exclusively incurred in the course of the official business of the organisation.
2. Claims will be made on official travel claim forms issued by the organisation and will have official receipts for all expenses attached.
3. Claims will be paid according to rates set and approved by the Trustee Board
4. All claims must be authorised by the the following authorising officers:

Insert role titles.....

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5. No authorising officer may authorise their own claim but must get another officer to authorise their claim.

Contracts

1. Except by resolution of the Trustee Board, the organisation will not enter a contract covering a period greater than one year.
2. All contracts entered into by the organisation must be signed by both the **Chair** and the **Treasurer** of the Trustee Board.
3. All contracts which commit the organisation to expenditure during the contract period of over £5,000 must be first approved by the Trustee Board and such approval must be minuted.
4. A record of all stage payments made against contracts will be made by the **Finance Director/CEO** and this record will be presented to the Trustee Board at each of its meetings during the duration of the contract.

Income Collection

1. An invoice will be raised for all income arising from work done or goods supplied or services rendered by the organisation.
2. No officer of the organisation shall give a receipt for money received on behalf of the organisation on any form other than the official receipt form approved by the Trustee Board.
3. All income received in whatever form will be paid directly into the bank account of the organisation. No deduction may be made from such monies.
4. Cheques will not be cashed out of money received by the organisation. Every transfer of cash from one member of staff to another will be evidenced by the signature of both the person receiving the cash and the person handing it over.
5. The organisation will make safe and efficient arrangements for the recording of income received by direct debiting of debtors' accounts.

Budgets

1. Annual estimates of income and expenditure shall be prepared by the **Finance Director/CO and the Treasurer** no later than three months before the end of the financial year. These should show the actual expenditure and income for the previous year, the latest approved estimates for the current year and estimates of expenditure and income for the ensuing year.
2. These estimates will be considered by the Trustee Board who will make any amendments necessary in the light of the strategic plans and direction of the organisation.
3. Once these amendments have been incorporated into the draft budget, this will be approved by the Trustee Board no later than its

last meeting before the end of the financial year. This approval will be minuted.

4. No budget shall be approved which would cause the organisation to become insolvent.
5. At any time during the course of the year, the budget may be revised by the Trustee Board and such revisions must be minuted.

Monitoring

1. The Trustee Board will receive at each meeting a statement of income and expenditure showing the amount of income raised and expenditure incurred under each budget heading during the period under consideration, the amount of income raised and expenditure incurred under each budget heading during the year to date and the variances from budget under each budget heading both for the period under consideration and for the year to date.
2. The statement will also include the amount under each budget heading in the annual budget and a forecast income achievement or expenditure for each budget heading for the whole financial year.
3. This statement will include explanations of all variances greater than 5% of the total budget or greater than £250.

Bank accounts

1. All bank accounts will operate in the name of the organisation. In no circumstances will a bank account be operated in the name of an individual.
2. All cheques up to **(insert amount)** must be signed by two people from the following list:
 - i. **Chair**
 - ii. **Treasurer**
 - iii. **Vice Chair**
 - iv. **Insert role title**
 - v. **Insert role title**
3. All cheques for **(insert amount)** or over must be signed by the **Chair, Treasurer or Vice Chair** and one other person from the above list.
4. The bank account will be reconciled with the cash books at least once each month. The reconciliation will be verified by someone other than the person who conducted it.
5. The organisation's bank account shall at all times be in credit unless properly authorised overdraft arrangements are in place.
6. Arrangements for bank overdrafts may only be made by resolution of the Trustee Board and such arrangements will be reviewed on an annual basis.
7. Bank statements will be provided to the **Finance Director/CEO and to the Treasurer** no less frequently than monthly.

8. Standing order and direct debit mandates will be subject to the same authorising signatory processes as described above for cheques except that the financial limits applying to cheque signatories shall apply to the annual sum of each mandate.

Insurance

1. The organisation will at all times have in operation insurance cover in respect of those risks it is required by statute to insure against. In particular, this will include public liability insurance, contents insurance for all property held by the organisation and employers liability insurance.
2. Insurance policies will be reviewed on an annual basis. Every three years, the organisation will seek competitive quotes for each of the insurance policies it holds bearing in mind value for money, the amount of cover required and any excess in place.

Stocks and stores

1. The organisation will have in place adequate arrangements for the storage and proper custody of all stocks and stores under its control. All stocks and stores should be kept on an inventory basis and subject to an effective system of stock control and stocktaking.
2. All goods received will be subject to checking as to quantity and quality.
3. At least once in each financial year, the **CEO/Treasurer** will conduct a spot check of the stocks and stores.

Inventories

1. An inventory will be maintained of all readily portable items of furniture, fittings, equipment, plant and machinery with a purchase price of more than £50 and an estimated life of more than 12 months.
2. The organisation's property may not be removed from its premises without the authorisation of the **Trustee Board**.
3. Assets owned by the organisation shall, as far as possible, be effectively marked as such.
4. The **CEO and/or Treasurer** will conduct an annual physical check of the assets recorded in the inventory. Any discrepancies coming to light will be reported immediately to the **Trustee Board**.
5. Damaged, obsolete or surplus assets will be disposed of by such means as the **Trustee Board** may decide.