



GAVCA Specimen Policy:

Finance Policy Development (includes Reserves Policy and Financial Standing Orders)

January 2010

Background information to support your policy development

Proper financial procedures are a legal requirement. All governing bodies have a duty to protect their charity's assets. If you are a charity the Charity Commission website records your non payment day by day. Any delays in annual returns can severely affect your chances of fund raising.

Who should adopt the policy for the organisation?

Trustees are responsible for the adoption of this policy. The Trustees can delegate the writing of the policy but the finance officer and Treasurer must ensure that all aspects of finance are covered.

Considerations for your organisation

- Financial risks are identified, managed and reviewed.
- Clear delegation of authorised payments
- Budgets and cash flows prepared and monitored along with a full audit trail.
- Assets including cash and cheques are protected
- Petty cash and bank accounts operated properly
- Salaries, PAYE, NI and pension payments are properly dealt with
- VAT registered (if relevant) and operated
- All tax liabilities are known and dealt with

Changes

None

For more information about Finance

- At GAVCA we have *The Voluntary Sector Legal Handbook 2009* edition for detailed legal checks. There are over 100 pages of information under Finance. You are welcome to drop in to look at this resource. Contact Gloucester 01452 332424 and Cheltenham 01242 227737
- www.charitycommission.gov.uk for all matters financial.
- www.companieshouse.gov.uk if registered as a Company Limited by Guarantee



Gloucestershire Association for Voluntary and Community Action

Reserves Policy

Overview

GAVCA believes that, in order to provide security and stability to the organisation and its staff, sufficient funds need to be held in reserves for unexpected situations or cash flow difficulties.

GAVCA also needs to have enough money to carry out legal obligations in the event of the organisation having to wind up. In particular, the organisation must ensure that it would be able to pay salaries, redundancy costs, and any obligations under any leases of other contacts.

The Executive Committee will review the amount of money in Reserves annually.

Policy

1 Amount of Reserves

1.1 GAVCA aims to be in a position where it has three months' running costs reserves but recognises that it will take time to reach this position.

1.2 It is not appropriate for GAVCA to hold more reserves than it needs, and so GAVCA will not seek further funds if it already has sufficient funds in reserves to cover both the amount needed to keep in reserves and the project costs required at the time.

1.3 Reserves should be unrestricted funds, so that they can be used wherever they are needed.

2 Building up Reserves

2.1 All project budgets, wherever possible, will include an amount for contingencies on an annual basis.

2.2 The amount budgeted for Contingencies will vary depending on the policy and practice of the funder, but could be reasonably expected to be around 5% of the total budget.

2.3 If this contingency money is not spent during the year, it will be transferred into a separate Reserves account.

2.4 Any other restricted surpluses generated during the financial year will be identified and negotiations will be held with the relevant funder as to whether these surpluses can be transferred to Reserves and whether or not they must remain restricted.

2.5 Any surplus unrestricted income will be transferred to Reserves at the end of the financial year.

3 Management of Reserves

3.1 Whilst Reserve levels are very low, Reserve monies will be held in the same bank account as the funds used for the daily running of the organisation. This ensures that GAVCA doesn't run into cash flow problems.

3.2 Once there are sufficient Reserves, the Finance Officer will decide how much to leave in the current account to allow for cash flow difficulties, and any remainder will be held in a separate deposit account with as high interest as is possible.

4 Using Reserves

4.1 Reserves should not be used without the agreement of the Executive Committee.

4.2 Reserves should not be used to fund a project deficit unless there is a strong likelihood of other funding in the near future.

Date reviewed:

Prepared by:

Issue Number: 02



Gloucestershire Association for Voluntary and Community Action

Sample Financial Policy and Procedures

The purpose of this policy and these procedures is to comply with the legal requirements, to ensure that GAVCA's finances are utilised to their maximum potential and that the possibility for fraud or mis-use of the organisation's funds is minimized.

1. Responsibilities of Trustee Board and Staff

1.1 The Memorandum and Articles of Association of GAVCA impose on the Board certain duties regarding accounts, audit and financial control.

1.2 The Board is ultimately responsible for the financial control of the organisation and for financial reporting to its members and others. These standing orders set out the terms under which it delegates to its employees certain functions for which it is responsible.

1.3 All Staff and Trustees are required to declare interests which might influence their judgement or which could be perceived to do so. Staff and trustees are required to abide by the Code of Practice on preventing conflicts of interest.

1.4 All Staff and Trustees have a responsibility to safeguard the resources of GAVCA and to use them in an economical and effective way in furthering the work of GAVCA.

2. Maintenance of Records and Financial Control

2.1 The Chief Executive will be responsible for maintaining proper accounting records for GAVCA. These must be adequate for GAVCA to fulfil its statutory responsibilities to meet the requirements of the Memorandum and Articles of the Association and to enable its annual accounts to show a true and fair view of the state of the organisation's affairs.

2.2 The Chief Executive will ensure that there are internal controls appropriate to the size and nature of business of GAVCA. These will include segregation of duties wherever possible.

2.3 The Chief Executive will ensure that where donors have placed restrictions on the use of any funds, that appropriate records are kept to comply with these restrictions.

3. Security of Financial Information

3.1 Keys to the Cash Boxes and Cheque Books will be held only by the Chief Executive and the member of staff undertaking Petty Cash duties.

3.2 The Chief Executive will be responsible for ensuring that all financial information is kept at an appropriate level of security.

3.3 Records held on paper must be appropriately filed. Reasonable care must be taken both in and out of the office to ensure that all records are retained undamaged for the statutory time periods.

3.4 Regular back ups of records held on computer will be taken and kept out of the office.

4. Annual Accounts

4.1 The Chief Executive will be responsible for arranging for the preparation of the annual accounts. The annual accounts will comply with all relevant legislation and follow best practice.

4.2 Draft accounts will be submitted to the Board for approval at a meeting prior to the Annual General Meeting and no more than four months after the year end.

4.3 The Company Secretary is responsible for ensuring that annual returns are submitted to Companies House and to the Charity Commission.

5. Audit

5.1 The appointment of auditors will be reviewed annually by the Chief Executive and the Treasurer. If the performance and fees of the auditors are considered to be satisfactory, the Board will be invited to recommend their reappointment to the Annual General Meeting.

5.2 The Chief Executive will agree a timetable for the year end audit with the external auditors and will ensure that all information required by the auditors is available at the start of the audit.

5.3 The auditors will be requested to produce a Management Letter following completion of the audit. This will highlight any areas of weakness in financial control and accounting

systems. The letter will be submitted to the Board who will recommend how the areas of weakness are to be dealt with.

6. Budgetary Control

6.1 The Chief Executive, in consultation with the Treasurer, will prepare an annual budget of income and of capital and revenue expenditure. This budget will be for the organisation as a whole and also for specific projects within the organisation.

6.2 The annual budget will be submitted to the Board for approval on or before 31 March each year.

6.3 The Chief Executive, in consultation with the Treasurer, may submit to the Board recommendations for changing the budget during the year.

6.4 Approval by the Board of the budget gives the Chief Executive authority to incur any expenditure contained within it, subject to any prior approvals that may be agreed from time to time.

6.5 Some members of staff will be appointed as Budget Holders for parts of the budget.

6.6 Budget Holders will be responsible for monitoring spending against their budgets using information supplied to them. Budget Holders' powers to authorise expenditure within their budgets will be agreed with the Chief Executive.

6.7 The Chief Executive is responsible for monitoring actual income and expenditure in comparison with the budget and for ensuring that appropriate action is taken where actual performance is not as forecast.

7 Day to Day Financial Procedures

7.1 All incoming post, including invoices and cheques, is logged by the administrator, before being passed on the Finance Officer to deal with.

7.2 All expenditure must be authorised by the Chief Executive or Chair with a signature on a purchase order.

7.3 All cheques must be signed by two people, only one of whom must be a member of staff. The Chief Executive, Chair and up to three other Trustees will be signatories, but not the Treasurer or Finance Officer.

7.4 The GAVCA Credit card may be used for on-line purchases, including IT equipment, stationery and train tickets, where this is the most convenient way to pay. There is a credit limit of £2,000 on the card, which includes purchases made by both the Chief Executive and the Finance Officer.

7.5 The monthly credit card statement must be checked by the Treasurer and approved by the Executive Committee.

Date agreed by Executive Committee

Date revised :

Prepared by:

Issue Number: 04



Gloucestershire Association for Voluntary and Community Action

Financial Standing Orders

1. Responsibilities of Trustee Board and Staff

1.1 The Memorandum and Articles of Association of GAVCA impose on the Board certain duties regarding accounts, audit and financial control.

1.2 The Board is ultimately responsible for the financial control of the organisation and for financial reporting to its members and others. These standing orders set out the terms under which it delegates to its employees certain functions for which it is responsible.

1.3 All Staff and Trustees are required to declare interests which might influence their judgement or which could be perceived to do so. Staff and trustees are required to abide by the Code of Practice on preventing conflicts of interest.

1.4 All Staff and Trustees have a responsibility to safeguard the resources of GAVCA and to use them in an economical and effective way in furthering the work of GAVCA.

2. Maintenance of Records and Financial Control

2.1 The Chief Executive will be responsible for maintaining proper accounting records for GAVCA. These must be adequate for GAVCA to fulfil its statutory responsibilities to meet the requirements of the Memorandum and Articles of the Association and to enable its annual accounts to show a true and fair view of the state of the organisation's affairs.

2.2 The Chief Executive will ensure that there are internal controls appropriate to the size and nature of business of GAVCA. These will include segregation of duties wherever possible.

2.3 The Chief Executive will ensure that where donors have placed restrictions on the use of any funds, that appropriate records are kept to comply with these restrictions.

3. Security of Financial Information

3.1 Keys to the Cash Boxes and Cheque Books will be held only by the Chief Executive and the member of staff undertaking Petty Cash duties.

3.2 The Chief Executive will be responsible for ensuring that all financial information is kept at an appropriate level of security.

3.3 Records held on paper must be appropriately filed. Reasonable care must be taken both in and out of the office to ensure that all records are retained undamaged for the statutory time periods.

3.4 Regular back ups of records held on computer will be taken and kept out of the office.

4. Annual Accounts

4.1 The Chief Executive will be responsible for arranging for the preparation of the annual accounts. The annual accounts will comply with all relevant legislation and follow best practice.

4.2 Draft accounts will be submitted to the Board for approval at a meeting prior to the Annual General Meeting and no more than four months after the year end.

4.3 The Company Secretary is responsible for ensuring that annual returns are submitted to Companies House and to the Charity Commission.

5. Audit

5.1 The appointment of auditors will be reviewed annually by the Chief Executive and the Treasurer. If the performance and fees of the auditors are considered to be satisfactory, the Board will be invited to recommend their reappointment to the Annual General Meeting.

5.2 The Chief Executive will agree a timetable for the year end audit with the external auditors and will ensure that all information required by the auditors is available at the start of the audit.

5.3 The auditors will be requested to produce a Management Letter following completion of the audit. This will highlight any areas of weakness in financial control and accounting systems. The letter will be submitted to the Board who will recommend how the areas of weakness are to be dealt with.

6. Budgetary Control

6.1 The Chief Executive, in consultation with the Treasurer, will prepare an annual budget of income and of capital and revenue expenditure. This budget will be for the organisation as a whole and also for specific projects within the organisation.

6.2 The annual budget will be submitted to the Board for approval on or before 31 March each year.

6.3 The Chief Executive, in consultation with the Treasurer, may submit to the Board recommendations for changing the budget during the year.

6.4 Approval by the Board of the budget gives the Chief Executive authority to incur any expenditure contained within it, subject to any prior approvals that may be agreed from time to time.

6.5 Some members of staff will be appointed as Budget Holders for parts of the budget.

6.6 Budget Holders will be responsible for monitoring spending against their budgets using information supplied to them. Budget Holders powers to authorise expenditure within their budgets will be agreed with the Chief Executive.

6.7 The Chief Executive is responsible for monitoring actual income and expenditure in comparison with the budget and for ensuring that appropriate action is taken where actual performance is not as forecast.

GAVCA/2000