**Sample**

**Financial Policy & Procedure**

Introduction

Having a clear and coherent process for handling money protects the organisation, helps to prevent cases of fraud and means the organisation is transparent. It is important that those involved with the organisation as Trustees/Directors or staff/volunteers who may handle finances for the organisation have read and understood the financial policy and procedures for the organisation.

Not everything in the example policy will be relevant to every organisation. Use this sample policy as a starting point and guide. Depending on the size of your organisation you may not need all the detail listed in this policy, so please adapt/amend as is suitable and relevant to your organisation.

**Example Policy**

1. **Organisational information:**

Our financial year runs from XXX to XXX.

Our Bankers are:

[insert]

Signatories to the account are:

[Insert names – recommend at least 2 unrelated people]

Signatories will only be drawn from senior staff and Trustees, and any new signatory must be approved by XXXXX.

Our Accountants (where relevant) are:

[insert]

[insert information about levels of responsibility e.g. Board of Trustees have overall responsibility, but may have delegated powers/authority to staff members e.g. Chief Exec]

1. **Board of Trustees**

The Board of Trustees/Directors/Management Committee is responsible for:

* Safeguarding the assets of the charity
* The annual plan
* Approval of the budget
* Reserves policy
* Managing conflicts of interest
* Controls on income and expenditure
* Legacies
* Ensuring financial records are kept in accordance with the governing document and relevant legislation (e.g. Charities Acts, Companies Acts etc.).
* Approving Annual Accounts in accordance with the governing document and relevant legislation

1. **Income processing**
   1. ***Cash***

Details of the cash received i.e. what it is for, who it is from, how much, are entered onto the petty cash sheet and a receipt is written out so that a carbon copy stays on the receipt book. The only cash generally received is from [insert].

*[If you receive a lot of cash, you might want to add in: Cash will be counted independently by at least 2 people who will sign to confirm the amount received before being banked.]*

* 1. ***Cheques***

Can be from a number of sources. Payments are matched against the invoice for which the payment has been made; a copy is taken of the cheque and filed with the appropriate paperwork.

Both cash and cheques are banked on a weekly basis or sooner if a considerable amount is received. Any invoices, remittance advices or correspondence relating to the income are stapled together for future reference. Receipts are not sent out unless specifically requested.

* 1. ***BACS***

Notification that a BACS payment is due to be made into our bank account is [*usually by way of a remittance advice. This will usually show a date the payment is due and some form of reference e.g. invoice number / name to identify the income. This is then coded and entered onto the accounting system before being filed away in date order. Occasionally an amount may appear on a bank statement where no remittance advice has been received. If there is no method of tracing this income, the bank will be phoned for more information*.]

[Amend as necessary]

* 1. ***Fundraising / Trading Income*** *[include if relevant]*

Trading income can be generated from a number of sources, including but not limited to:

[insert information]

All trading income is processed according to the procedures for cash, cheque or BACS.

* 1. ***Invoicing* [include if relevant]**

Invoices are raised on the accounting system only upon receipt of:

* A signed contract from a funder
* A detailed written request from relevant members of staff and authorisation level
* [Insert any other ways the organisation may need to raise an invoice]

Invoices are given a unique invoice number that runs in sequence giving instant access to invoices for tracking at a later date.

Standard information required on an invoice remains consistent as follows:

* Company (or Individuals) Contact Name
* Company Name and Address
* Invoice Number
* Invoice Date
* Description of the Services Provided
* Cost of Services Provided
* Period Covered
* Invoice Total
* Payment Required Date (within XX days)
* Details of Payment Options

All invoices and credit notes are printed onto organisational letter headed paper and entered onto the sales ledger as soon as raised and are posted to the nominal account automatically.

When a payment is received against the invoice, the details of the date paid and the payment method – i.e. BACS or the paying in slip number is written on the invoice and a copy of the cheque or remittance is attached to the invoice. These details are then entered onto the organisation’s accounting system [or whatever the organisation uses to monitor finances] and allocated against the invoice. The paperwork is then filed under the ‘Paid’ section of the relevant file.

* 1. ***Chasing Payments / Bad Debt Write offs (include if necessary)***

All payments are subject to a XX day limit. If payments are not received within this time frame, [the organisation] has the option to charge an additional XX% of the outstanding amount. If a customer requests a longer pay period, this will be discussed and agreed by the [insert].

Each month an aged debtors report is taken from the accounting system to ensure all invoices are up to date at all times and prompt payments are being made.

[insert person(s) responsible for chasing invoices]

If payment is still not received XX days over the agreed payment terms, the [insert person responsible] will contact the relevant organisation to give a 7 day notice of the further charge of XX%. At this point, the organisation will be put on the [organisation] ‘blacklist’ to ensure they can’t access any chargeable services, as well as a note made on the customer record on the accounting system. An invoice will then be sent if payment isn’t received in the time frame given

When payment is received, the organisation may be removed from the blacklist if appropriate

If payment is not received, the way forward will be agreed by the [insert] who will then assess the best action to take e.g. bad debt write off or legal action taken

1. **Expenditure**

All those involved with the organisation need to be aware that expenditure is committed when an order is placed on behalf of the organisation, not when payment is requested. Therefore it is essential that all expenditure is made within agreed budgets and delegated authorities.

**4.1 Current authorisations for ordering good or services**

|  |  |
| --- | --- |
| **Staff / Volunteer** | **Authorisation level** |
| e.g. Senior Manager | e.g. Up to £5000 |
| e.g. Junior Manager | e.g. Up to £1000 |
| e.g. Board of Trustees | e.g. Over £5000 |
|  |  |
|  |  |

* 1. **Major Purchases**

For major purchases or situations where it may be necessary to enter into a lease agreement to obtain equipment, e.g. photocopiers, IT and office equipment, the [insert] will determine the suitability based on need, cost and savings made and will submit a recommendation to [e.g. Trustees] for approval, up to a cost of £XXXX For costs over £XXX a recommendation is done in conjunction with a Nominated Trustee and/or through a tender process

* 1. **Other Purchases**

General order of goods e.g. office furniture, stationery and supplies may be made through the [insert]. When a purchase is identified the [insert] must authorise the purchase before the order is placed. The preferred method of payment is to place an order and pay by invoice on receipt of goods. If the supplier requires payment before the goods are supplied, [the XXXX] may make the purchase using the [organisation] Debit / Credit Card, or a member of staff/ volunteer can pay for the goods and claim the cost back using a General Expenses Claim Form, with the receipt attached]. This would then be authorised by the [insert].

**4.4 Payments**

Once the expenditure has been authorised, and an invoice or claim form received, the [insert] will stamp the invoice and send it to the authorised person who ordered the goods/services for signed certification that the details are correct, to provide the correct coding to be used and to confirm that payment can be made. The details will then be entered onto the accounting system and the invoice sent to the [insert] who will authorise payment. A payment will be raised and matched against the expenditure, this will usually occur on a weekly basis by either BACS or cheque.

Payments are then authorised – this is done by two authorised signatories and must be different to the certifier of the invoice.

**4.4.1 BACS:** Where possible, payments are made directly into the supplier’s bank account. This will be done once a week and the payment date will be as near to the payment deadline as possible but within the payment terms. The [insert] or first authorising official is responsible for ensuring accuracy and completeness prior to transmission. Two authorised signatories will then authorise the payment after checking that all details are correct. A printout of the successful payment will then be filed on the appropriate file.

**4.4.2 Cheques:** The following controls should always be followed:

* Ensure the chequebook is kept in a locked cabinet
* Ensure that cheques are signed in accordance with the levels of authorisation detailed above
* Ensure all cheques are signed by two signatories, ensuring separation of duties where at all possible
* Ensure that there are a number of signatories on the mandate to cover for leave
* The signatories are responsible for examining the cheque for accuracy and completeness
* Signatories must never sign blank cheques
* Signatories must never sign cheques payable to themselves

The number of the cheque which relates to the expenditure is written on the invoice, together with the date of the cheque.

**4.4.3 Debit / Credit Card:**

* No one apart from the authorised card holder can use the card for any reason.
* XXX will have XX debit / credit cards. *[insert who held by]*
* The debit/credit card should only be used for online purchases where the supplier does not provide an invoicing system and they are the best value for money.
* Any online store used to purchase items must have secure payment options
* [The debit card should never be used to access ‘Cash Back’ when purchasing items where this facility is available e.g. in a shop] if relevant
* The card has a daily limit of £XXX cash withdrawal and a £XXX maximum where there are multiple card holders
* The card cannot be used to set up regular payments without reporting it to the [insert].
* Card holders are not authorised to use the card overseas unless approval has been provided by the [insert].
* Cardholders must
  + Read all terms and conditions information sent to them and adhere to these
  + Memorise PIN numbers and destroy access codes and security information
  + Keep secure (or shred) all receipts, letters, bank statements and confidential papers containing personal information
  + Keep items such as cheque books, cards and personal identification (e.g., passport or driving licence) in separate places
  + Sign a document to say they have read the terms and conditions
* Terms and conditions of the Card stand at all times

**4.4.4 Cash withdrawals:** ATM cash withdrawals of £XXX per day can only be authorised and actioned by the [insert].

Receipt of withdrawal must be given to the [insert]

Every transaction will be entered onto the appropriate system

**4.4.5 Direct Debits:** All Direct Debit mandates must be completed by the [insert] and signed by two authorised signatories. Copies will be held on file by the [insert].

**4.4.6 Automatic Payments:** When an automatic payment is set up on the relevant system, it is the responsibility of the [insert] to ensure that payments are made for the agreed period only.

**4.5 Petty Cash**

There is a petty cash tin at [insert venues] which hold a float of £XX. This is to be used only in the case of an emergency or for items that cannot be purchased through normal procedures and which have been authorised by [insert].

The following controls should always be followed:

* [insert] is responsible for petty cash transactions and has access to the cash float and petty cash book
* Ensure the cash tin is kept in a locked cabinet
* Ensure that if income is received, a receipt is completed in the receipt book detailing who the income is from, the date, what it is for and how much it is. Also record the details in the petty cash book and adjust the total column
* When an item is purchased, money is taken out of and a receipt for the goods is placed in the petty cash tin. The petty cash book is also updated with the details of the expenditure. The member of staff who bought the goods must initial the receipt
* Under no circumstances can the petty cash float be used to loan money or to buy personal items

Each month, the [insert] will reconcile the petty cash records with the cash in the tin and ensure that a float of £XX is available. They will sign the petty cash book detailing any issues.

A copy of the petty cash sheets will be taken, receipts will be attached to petty cash folios detailing which building it is, the amount and details of the expenditure. These details will then be input into the accounting system and the information filed in the appropriate files.

Each month, the [insert] will reconcile the petty cash records on the accounting system with the records held.

**4.6 Salary Payments**

All new employees must provide a P45 or P46 and complete the relevant employee forms before they receive any payment.

All employees are paid to ensure that their salary is received in their bank accounts by the morning of the XX of the month, (or the earliest working day if the XX falls at a weekend). This payment covers the whole calendar month.

All contractual payments will be made automatically unless any correspondence is received by the [insert] detailing changes such as changes in hours, salary increase, change in position etc. This will then override previous details and the new monthly gross pay will be calculated accordingly.

All changes to working hours or rates of pay must be authorised by [insert].

**4.7 Self employed**

Any self employed staff will receive remuneration on receipt of an invoice [insert any extra relevant details].

**4.8 Pension Scheme**

[insert details of pension scheme or refer to pension policy]

**4.9 Travel Expenses**

All employees/volunteers required to travel as part of their job/role will be reimbursed for expenditure incurred. For full details see [organisation’s] Mileage Policy. All staff and volunteers must complete the relevant expense forms before they receive any payment

All forms must be authorised by [insert].

Payment of expenses to staff and volunteers will be made by [insert date and how will be paid].

Expenses claimed which are older than [X] months will not be paid.

1. **Bank Account Reconciliations**

Reconciliation between the bank statements and the transactions on the accounting system is carried out [decide frequency] by [insert role]. This involves matching all the entries on the bank statement against the entries on the organisation’s accounting system. Any imbalances will result in a detailed search being done against each entry not matched against the statement. Once found, the error must be corrected before continuing. Once done, the bank accounts can be reconciled.

At the end of each quarter a list of un-reconciled entries will be printed. Any items still un-reconciled after a three-month period will be investigated to see why they did not clear the bank account, for example if a cheque has not been cashed or an entry entered twice in error

1. **Insurance**

Appropriate insurance policies will be maintained to cover (delete as appropriate):

* Employer’s Liability
* Public Liability
* Contents
* Buildings
* Professional Liability
* Trustee Indemnity

**POLICY DATED** : ( *insert date when approved by trustees/board)*

**REVIEW DATE**: *2 years after date of policy*