

The Council on Alcohol and Other Drugs (CAOD) Financial Management & Accounting Policy

# Financial Management

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 of the CAOD have the tools and skills to ensure effective financial management takes place. Where trustees 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 effectively managed and accounted for and must not assume the Treasurer and/or Chair will do everything. The following polices, and procedures enable the Trustees to delegate financial management to the Treasurer.

# Definitions:

**Board:** The Board is the Board of Trustees of the CAOD.

**Financial Year:** Daring to Dream’s financial year is 1 April to 31 March

**Treasurer:** The Treasurer is the member of the Board who leads the strategic and operational responsibility for the financial management of the CAOD.

The Chair is the person who has the day-to-day responsibility for the administration of the CAOD’s financial transactions.

**Authorised Person:** Authorised persons are those persons authorised by the Board of Trustees to approve financial instruments (cheques, online payments, invoices, *etc*) on its behalf.

# 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 include the following details:

* The CAOD’ss logo
* A statement that the CAOD is a registered charity, and its charity number
* 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
* The CAOD’s 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 will be despatched within 2 working days of being produced.

## Outstanding invoices:

The Treasurer will review the outstanding invoices every month.

If an invoice has not 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 (*e.g.:* the provision of goods or services, or access to any of the CAOD’s 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 authorised operating officer 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 authorised operating officer will ensure that cheques are properly signed and made payable to the CAOD 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 (i.e.*:* 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 the CAOD’s 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 the CAOD cannot be exceeded, transferred or altered without the authorisation of the Board.

The Chair / operating officer 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 Chair / Operating Officer will ensure that the Board (via the Treasurer, where appropriate) is informed where any breaches of this policy may 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 the CAOD 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 Chair / Authorised Operating Officer 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 then negotiations should be initiated with the relevant parties immediately.

# 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.

Items over £500 in value must be authorised by the Board. 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 initialled 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, initialled 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.

## Purchases - Depreciable Assets:

All depreciable items over £1000 (in aggregate where the purchase is of related items) will be recorded in the accounts as a tangible fixed asset and depreciated over the appropriate period of time as defined in the Annual Report and Statement of Financial Activity.
***Note:*** *this section will not apply to charities which use Receipts & Payments accounting procedures, in which case it should be deleted in its entirety.*

## 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

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, where 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 (*e.g.:* 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 e‑mail where appropriate (*i.e.:* the authorisation does NOT necessarily require the convening of a Board meeting).

# Donated Cash Policy and Procedure:

## Purpose:

To ensure all cash (acquired via donations) is properly handled including storage, payments and record keeping.

To establish accountability for the proper handling of cash.

## Policy:

The CAOD will avoid the maintenance of Petty Cash accounts except where absolutely necessary for practical operational reasons. The only cash it is likely to handle is that given by donors at face to face events. As much as possible online donations will be encouraged.

All cash must be immediately counted (ideally by 2 people) and a voucher recording exact amount signed.

A signed Expenditure Voucher and point-of-sale receipt must support all transactions. All cash will need to be paid into the CAOD’s bank account via an online payment – via a personal bank account?

The Treasurer shall operate random checks on cash donations to ensure that entries are accurate, vouchers and receipts safely 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 the CAOD meets the statutory accounting requirements of the Charities Commission *)*.

To provide accurate and useful data for the Board

## Procedure:

The CAOD’s accounts will be managed electronically using appropriate software approved by The Board and the CAOD’s Auditor/Examiner;

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

The Treasurer, in conjunction with the Chair/ Authorised Operating 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, the CAOD* *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.

This policy was reviewed on