



**Fèisean nan Gàidheal
Risk Management and Policies**

Date: 15 June 2010.

Policy: Financial Procedures and Cash Handling Policy

This document forms part of the Fèisean nan Gàidheal policy portfolio

Related Policies: Staff Handbook, Risk Management Policy, Business Recovery and Continuity Plan

Purpose of Policy: This paper seeks to define the financial systems used by Fèisean nan Gàidheal and how they related to all areas of the organisation.

Summary: Procedures for dealing with financial matters including responsibility, proposed limits of authority, signatories, ordering, payment, salaries, etc. Roles and responsibilities of Treasurer, Management, Board of Trustees and Executive Manager.

Policy drafted by: Anne Willoughby, Executive Manager

Submitted to Executive Group (date): 01 February 2010.

Approved by Board (date): 18 February 2010.

Last Reviewed (date): February 2013.

This policy should be reviewed by (date): February 2014.

Catriona MacIntyre – 18 February 2010.

Fèisean nan Gàidheal
Financial Procedures for Fèisean nan Gàidheal
Approved Executive Meeting – 06/05/09

Background

This paper seeks to define the financial systems used by Fèisean nan Gàidheal and how they relate to all areas of the organisation. Board members are invited to consider the proposals and agree them, with any amendments incorporated.

Responsibility

The ultimate responsibility, and accountability, for any and all expenditure incurred by Fèisean nan Gàidheal must lie with the Chief Executive (CEO) at staff level, and with the Treasurer at Board level.

Proposed Limits of Authority

Because of the geographical spread of potential signatories, and the problems this can cause, and also taking into account the exemplary record of staff in managing the financial affairs of the organisation, it is proposed that the signatories be the CEO, Executive Manager and Development Manager and that the following limits be agreed:

Type of Expenditure	Responsibility for authorisation	Limit
Grants to Fèisean	CEO and Executive Manager	£20,000 to any one Fèis
Grants to Fèisean	Board approval needed	£20,001 or above to any one Fèis
Development Grants	Development Manager	Up to £5,000 to any one Fèis
Development Grants	Board approval needed	£5,001 or above to any one Fèis
Management Fees to Fèisean	CEO	Up to £20,000 to any one Fèis
Wages	Executive Manager	£5,000 in any one month to any staff member
Staff Expenses	Executive Manager	£1,000 in any one month to any staff member
Payment to Tutors	Executive Manager	£1,500 in any one payment to an individual tutor
Payment to Tutors	CEO	£1,501 - £5,000 in any one payment to an individual tutor
Capital Expenses	CEO	Up to £5,000 in any one transaction but only if already budgeted for
General Expenses	Executive Manager	Up to £1,000 in any one transaction
General Expenses	CEO	£1,001 - £5,000 in any one transaction
Contracts	CEO	Up to £5,000 for any single contract
Contracts	Board approval needed following competitive tendering	£5,001 or over for any single contract
Extraordinary Expenditure	CEO	Up to £1,000
Extraordinary Expenditure	Board approval needed	Any amount over £1,001

At present, the CEO and Executive Manager are signatories for all banking transactions and they are both authorised to operate the internet banking facility that Fèisean nan Gàidheal has with the Clydesdale Bank Plc. Two signatures are required on all cheques. The Development Manager should be agreed as signatory, so that cheques may be signed by any two of the three signatories to cover periods of absence. Board members would be asked to formally approve amendments to bank mandates. Most would require the fact that changes were agreed at a meeting to be recorded in any case. Where standing orders and direct debits are required to be set up, these will be set up by officers within the spending limits devolved to officers detailed in the table above. If spend is outwith those limits, Board approval will be sought.

The Board should be responsible for approving grants annually on a collective basis, probably at the February Board meeting. Any real or potential conflicts of interest must be identified and managed. All relevant financial relationships with commercial interests that directly impact and/or might conflict with Fèisean nan Gàidheal activities must be disclosed, or disclosure that you have no relevant financial relationships must be documented. Other relationships that could cause private interests to conflict with professional interests must also be disclosed. Because the grant funding to Fèisean is formulaic, apart from the Development Grants, and because a number of Board members

represent Fèisean that may be in receipt of grant, it is best if Board members are not involved in decisions on the level of grant funding unless that falls outwith the limits in the table above devolved to officers.

Ordering supplies and services

All staff need to be aware that expenditure is committed when an order is placed, not when the cheque is requested. Therefore, it is important that all orders are placed properly, and are within agreed budgets, delegated powers and limits to authority outlined above.

An order authorisation form is available for use by other staff to record the approval of the relevant senior staff member.

Payment authorisation and Purchase Ledger

In practice within Fèisean nan Gàidheal only the CEO and Executive Manager can authorise payments, except in the case of Development Grants which are dealt with by the Development Manager up to a limit of £5k per Fèis. The Development Manager is also the designated deputy for the CEO and in his absence, should be able to authorise payments up to the same limits as the CEO in the table above.

Cheque writing and signing

Cheque may be written by the CEO, Executive Manager or Administrator but must be signed by the CEO and Executive Manager, or in the CEO's absence, the Development Manager.

Signatories will only be drawn from senior staff and Trustees, and any new signatory must be approved by the Trustees before the bank is notified.

Salary payments are made by internet banking by the Executive Manager, but will be approved monthly by the CEO.

Signatories will not sign cheques which are payable to themselves unless the expenditure has been approved prior to signing, nor will they sign blank cheques. Cheques should be filled in completely (with payee, amount in words and figures, and date) before cheques are signed. The only acceptable exception is that the amount can be blank as long as the cheque is endorsed 'Not more than £'. Receipts for this type of expenditure must be returned immediately. This last procedure will only be adopted with the approval and prior knowledge of the CEO or Executive Manager and is limited to situations where no other alternative is available.

Salaries, payroll and freelancers

Fèisean nan Gàidheal is required to operate the PAYE system, and make annual returns to the Inland Revenue. All people working directly for Fèisean nan Gàidheal, whether permanent or temporary, must provide a P45, or sign a P46 or student exemption certificate, or give reasons why they cannot. All payments will be made by cheque or direct bank credit.

It is the nature of Fèisean nan Gàidheal's activities that a number of freelance contractors will be used. Freelance contractors will only be taken on when authorised in accordance with section 1 above. With a few exceptions, they will be treated as self-employed, and contracts with such people must clearly indicate this. YMI tutors have been designated as self-employed by the Inland Revenue. However, work in other areas of activity must be assumed to be employed by Fèisean nan Gàidheal and so subject to PAYE & NIC.

Payments for additional work over and above standard hours must be approved by the CEO.

Payment will usually be made via Clydesdale Bank internet banking, direct to employees' bank account. The salary payment listings may be checked by the CEO. Salaries will be paid on the 20th of the month.

Pay Scales

Pay scales are approved by the CEO, and are revised at the time of appraisal review.

The Board of Trustees will set the CEO's remuneration.

Staff loans are not issued, but advances may be made against salary due, by arrangement with the Executive Manager. Maximum payment will be limited to 50% of one month's salary to be recouped from the following salary payment. Advances will be limited to three per employee, per financial year.

The Executive Manager is responsible for:

- paying each employee in accordance with the approved terms and conditions, and issuing payslips.

- operating the PAYE system, keeping the required records, issuing P45s and P60s, and communicating with the tax office as appropriate.
- making the correct deductions for Income Tax, NI, court orders and any other appropriate deduction authorised by staff; ensuring that deductions are paid to the correct body, and necessary returns made.
- administering the Statutory Sick Pay and Statutory Maternity Pay schemes, alongside any additional related benefits provided by Fèisean nan Gàidheal.

Income

The majority of income received by Fèisean nan Gàidheal is from government grant aid, sales of services and goods produced. All income due to or held by Fèisean nan Gàidheal is identified, collected, receipted and banked properly and promptly. Effective controls over cash collection, retention and banking systems are dealt with in the Cash Handling Policy. (**Appendix 1**)

Invoices will be issued for every sale as soon as practical. For completeness of customer and sales information, this includes where payment is received with order.

All invoices should be raised on Fèisean nan Gàidheal letterhead, and be drawn up in accordance with Fèisean nan Gàidheal's standard invoice requirements.

It is the responsibility of the person gaining the grant to ensure all grant income is claimed as it becomes due or available, and that all appropriate staff and the Executive Manager are aware of relevant grant conditions and exactly how the grant is to be expended.

Bank accounts

Fèisean nan Gàidheal's bankers are The Clydesdale Bank Plc, Somerled Square, Portree, Isle of Skye, IV51 9EH. The organisation has two accounts: a current account (Cashflow Account) and an interest paying current account (Cash Management Account)

It is the responsibility of the CEO and Executive Manager to make best use of the organisation's funds by transferring these to high interest deposit accounts as and when there is surplus available, and for as long a term as is possible so as to maximise interest income.

In addition, Fèisean nan Gàidheal has a wholly-owned subsidiary company, Blas Festival Ltd, which has a current account and is registered for VAT.

Charge Cards

For the convenience of purchasing goods, the CEO and Executive Manager each have a charge card, drawn on the organisation's current account with a spending limit of £10,000 each. These are only used when payment by cheque or internet banking is not appropriate to a transaction, or where a payment has to be made before goods can be sent. They are only used in trading with bona fide companies and organisations and receipts must always be produced for all expenditure. The Business Officer reconciles Charge card bank statements.

Books of account and records

Proper accounting records will be kept. The accounts system is based around computer facilities, using MYOB and Excel, but manual/paper records will also be used if appropriate.

At a minimum, the following records will be kept:

- appropriate control accounts
- salary control account
- quarterly trial balances

The Executive Manager is responsible for the accounting systems in place within Fèisean nan Gàidheal. The Business Officer is responsible for the reconciliation of bank statements. The approved Auditor is responsible for the preparation of quarterly management accounts and annual accounts.

Budget setting

12 monthly income and expenditure budgets will be prepared in time for final approval by the Board of Trustees in February each year, before the start of the financial year under consideration. Cashflow forecasts will be prepared as appropriate.

Financial monitoring and audit

Fèisean nan Gàidheal's financial year is from 1 April to 31 March. Annual accounts will be submitted for audit, as required under the Companies Act, OSCR regulations and grant conditions, prepared per regulations for charities and

any other relevant accounting conventions. Final draft should be ready for and passed by Board of Trustees in September, with audited accounts signed at the September meeting.

Role of Treasurer

The Treasurer should work in close co-operation with, and provide support and advice to, the Executive Manager. Specific responsibilities are to:

- Guide and advise the Board in the approval of budgets, accounts and financial statements, within a relevant policy framework.
- Keep the Board informed about its financial duties and responsibilities.
- Advise the Board on the financial implications of Fèisean nan Gàidheal's strategic plans and key assumptions included in management's operational plan and annual budget.
- Confirm that the financial resources of Fèisean nan Gàidheal meet present and future needs.
- Understand the accounting procedures and key internal controls, so as to be able to assure the Board of Fèisean nan Gàidheal's financial integrity.
- Ensure that the accounts are properly audited, that accepted recommendations of the auditors are implemented, and meet the auditor at least once a year.
- Formally present the accounts at the AGM, drawing attention to important points.
- Monitor Fèisean nan Gàidheal's investment activity and ensure its consistency with policies, aims, objectives and legal responsibilities.

Where the Treasurer has insufficient knowledge or experience to fulfil that role to the extent outlined above, help and support will be provided by the Executive Manager and Fèisean nan Gàidheal's relevant professional advisers

Role of Management

The Management team consists of the CEO, Development Manager and Executive Manager who will review finances thoroughly at regular meetings.

Role of Board of Trustees

The Board is responsible for:

- approving the budget for the year.
- approving signatories to the bank accounts.
- appointments of staff where not delegated to the CEO.
- receiving reports from the Management Team on areas of concern.
- approving exceptional items of expenditure outwith the limits set above.
- monitoring the financial position based on quarterly reports, with advice from the CEO and/or Treasurer.
- approving the annual accounts, auditors report and appointment.

Role of Executive Manager

The Executive Manager is the lead person for processing all changes and exceptional items, and will assist the Treasurer in any financial matter connected with the organisation.

The Executive Manager will ensure that adequate security precautions are taken to safeguard financial and other assets.

Appendix 1

Fèisean nan Gàidheal

Financial Procedures for Fèisean nan Gàidheal

Approved Executive Meeting – 06/05/09

CASH HANDLING PROCEDURES

Effective controls over cash collection, retention and banking systems are necessary to ensure that all income due to or held by Fèisean nan Gàidheal is identified, collected, receipted and banked properly and promptly.

RECEIPT OF INCOME

(a) Issuing manual official receipts

- Official receipts must be issued at the time the income is collected/received if requested. Under **NO** circumstances should receipts be written retrospectively.
- All receipts must be written in ballpoint pen.
- Receipts must be dated; the payer's name recorded and all required information completed. Only then should the receipt be signed by the member of staff collecting the income and issued to the payer.

(b) Receipt of cheques

Where cheques are tendered by individuals at the time of the payment, i.e. not by post, the cheque should be supported by a cheque guarantee card unless otherwise directed by the Executive Manager.

Where a cheque guarantee card is produced the following checks to the card must be applied before the payment is accepted and a receipt issued:

- The card relates to the person tendering the cheque.
- The card is current, i.e. has not expired
- The payment received is not in excess of the card limit. If this is the case then the cheque should not be accepted unless the Executive Manager has given specific authority or designated person.
- The signature on the cheque is the same as that on the card.
- The cheque card number, expiry date and value are written on the back of the cheque.

It should be noted that where a cheque guarantee card is required it is not permitted by law to draw several cheques with individual values not exceeding that of the card to satisfy a payment that exceeds the value of the card.

All cheques should be "crossed a/c payee only" and be payable to Fèisean nan Gàidheal.

(c) Receipt of credit/debit card payments

There is no facility to receive such payments.

CASH CONTROLS and SECURITY

The Executive Manager is responsible for ensuring that all income received is accurately accounted for and banked. It is necessary to establish and operate basic controls over cash, including cheques, and safes as follows:

(a) Control of cash collected

It should be noted that current insured levels are up to £500 in a locked receptacle, e.g. cupboard, drawer or cash box, and up to £1,000 in a safe. Therefore, care should be taken to avoid amounts held at any time being in excess of the above limits.

Where cash and cheques are received the following controls must be applied:

- All cash and cheques must be held securely when on Fèisean nan Gàidheal premises ideally in a safe, or lockable cupboard/drawers or lockable cash boxes where a safe is not provided. Insured limits must be adhered to.
- Any floats must be held in a safe, or lockable cupboard/drawer or cash boxes for smaller amounts when not in immediate use.
- Cash and cheques held overnight before banking must be held in a safe or lockable cupboard/drawer or cash boxes pending the banking.
- Where lockable cash boxes are used these must be held in a lockable cupboard/drawer when not in immediate use.
- Access to safes will be in accordance to the section on security and access to safes.
- Access to lockable cupboards, drawers and cash boxes must be controlled with designated key holders.
- Keys must be held on the person of the authorised key holder at all times and if left unattended must be held in a safe or lockable cupboard/drawer.
- Personal cheques (staff and public) must not be exchanged for cash.

(b) Security of and Access to Safes

Where safes are operated the following procedures must be applied:

- For each safe there must be at least two members of staff with authorised access, e.g. Chief Executive, Executive Manager.
- Whenever access to the safe will be required, a member of staff with authorised access will be on site.
- Safe keys must be left in a lockable drawer if left on the premises overnight.
- Whenever an authorised key holder leaves or changes employment the key has to be handed over to the designated person.