



## Risk Management and Policies

# Financial Procedures

This document forms part of the Fèisean nan Gàidheal policy portfolio

<b>Date Reviewed</b>	08.05.18
<b>Purpose</b>	To define the financial systems used by Fèisean nan Gàidheal and how they relate to all areas of the organisation.
<b>Summary</b>	The policy outlines who has responsibility for various financial transactions and the limit of those transactions, as well as the role of Treasurer and Trustees in the financial management of Fèisean nan Gàidheal.



## **Fèisean nan Gàidheal Financial Procedures**

### **1 Background**

This document defines the financial systems used by Fèisean nan Gàidheal and how they relate to all areas of the organisation including its wholly-owned subsidiary, Blas Festival Ltd.

### **2 Responsibility**

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

### **3 Limits of Authority**

The CEO, Executive Manager and Development Manager are authorised to operate within the following agreed limits:

<b>Type of Expenditure</b>	<b>Responsibility for authorisation</b>	<b>Limit</b>
Grants to Fèisean	CEO and Executive Manager	£20,000 to any one Fèis
Grants to Fèisean	Board approval required	£20,001 or above to any one Fèis
Development Grants	Development Manager	Up to £5,000 to any one Fèis
Development Grants	Board approval required	£5,001 or above to any one Fèis
Management Fees to Fèisean	CEO	Up to £20,000 to any one Fèis
Wages or Contractor Payments	Executive Manager	£5,000 in any one month to any staff member or contractor
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
General Contracts	CEO	Up to £10,000 for any single contract
Service Contracts	Board approval required following competitive tendering	£10,001 or above for any single contract
Blas Delivery Contracts	CEO	Up to £20,000 for any single contract
Extraordinary Expenditure	CEO	Up to £1,000
Extraordinary Expenditure	Board approval needed	Any amount over £1,001

In exceptional circumstances where project budgets are approved which include proposed expenditure on individual contracts for sums in excess of the foregoing limits, the CEO may proceed with any such agreed expenditure without seeking further Board approval.

### **4 Role of Signatories and Trustees**

The CEO and Executive Manager are signatories for all banking transactions and both are authorised to operate the internet banking facility that Fèisean nan Gàidheal has with Clydesdale Bank. Two signatures are required on all cheques.

Trustees would be asked to approve amendments to bank mandates. Most would require changes to be agreed at a meeting of the Board of Trustees 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, approval will be sought from the Board of Trustees.

## **5 Declaration of Interests and Grant Funding to individual Fèisean**

The Board should be responsible for approving grants annually on a collective basis, usually at its 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. Grant funding to Fèisean is based on a formula, apart from Development Grants. A number of trustees represent Fèisean that may be in receipt of grant but are not involved in decisions on the level of grant funding to be offered to individual Fèisean unless that falls outwith the limits in the table above devolved to officers.

## **6 Ordering Supplies and Services**

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

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

## **7 Payment Authorisation and Purchase Ledger**

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 Executive 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 detailed in the table above.

## **8 Cheque Writing, Signing and Internet Payments**

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.

Cheques may be written by the CEO, Executive Manager or Administrator but must be signed by the CEO and Executive Manager.

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

Signatories will not sign cheques 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 £ ....'. 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. Receipts for this type of expenditure must be returned immediately.

## **9 Salaries, Payroll, Freelancers, Contractors and Additional Payments**

Fèisean nan Gàidheal is required to operate the PAYE system and make appropriate returns, and payments, to HMRC. 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 provide one. 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 the limits in 3 above. With a few exceptions, they will be treated as self-employed, and contracts with such people must clearly indicate this.

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 by the 20th of the month.

## **10 Pay Scales, Loans and Advances**

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 except with the express approval of the Board of Trustees. 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.

## **11 Income**

The majority of income received by Fèisean nan Gàidheal is from government grant aid or 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 and recorded in the organisation's accounting system. There are also effective controls in place for cash collection, retention and banking.

Invoices will be issued for every sale as soon as practical or when delivery of a service is completed. For completeness of customer and sales information, this includes where payment is received with an order.

All invoices should be raised on the appropriate official letterhead and be drawn up in accordance with standard invoice requirements including, in the case of Blas Festival Ltd, VAT registration number.

It is the responsibility of the staff member securing any grant to ensure all 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 it is to be expended.

## **12 Bank Accounts**

Fèisean nan Gàidheal's bankers are Clydesdale Bank, Somerled Square, Portree, Isle of Skye, IV51 9EH. The organisation has four accounts: a current account, an interest paying current account, a high-interest account and a trust account. In addition, Fèisean nan Gàidheal's wholly-owned subsidiary company, Blas Festival Ltd, has a current account with Clydesdale Bank and is registered for VAT.

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 are surpluses available, and for as long a term as is possible so as to maximise interest income.

## **13 Charge Cards**

For the convenience of purchasing goods and services the CEO, Executive Manager, Development Manager and Fèisgoil Manager have a charge card, drawn on the organisation's current account. 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 be produced for all expenditure. The Business Officer reconciles charge card statements.

## **14 Accounting Records**

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

The Executive Manager is responsible for the accounting systems in place within Fèisean nan Gàidheal, including any updates to ensure continued compatibility with computer equipment. Reconciliation of bank statements are carried out by either by Executive Manager or Business Officer, depending on which staff member inputs information, in order to ensure appropriate controls and separation of roles. The approved auditor is responsible for the preparation of quarterly management accounts and annual accounts.

## **15 Budget Setting**

Annual 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.

## **16 Financial Monitoring and Audit**

Fèisean nan Gàidheal's financial year runs from 1 April to 31 March.

Financial performance will be monitored quarterly by the Board of Trustees, based on information provided by staff and management accounts scrutinised by our external auditor.

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. A final draft of accounts should be ready for and passed by the Board of Trustees in September each year, with audited accounts signed at the AGM.

## **17 General 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 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.
- 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

## **18 General Role of Management**

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

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

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 required records, issuing P45s and P60s, and communicating with HMRC as appropriate.
- Making the correct deductions for Income Tax, NI, any court orders, student loans and any other deduction authorised by staff; ensuring that deductions are paid to the correct body, and necessary returns made.
- Administering the Statutory Sick Pay, Statutory Paternity Pay and Maternity Pay schemes, alongside any additional related benefits provided by Fèisean nan Gàidheal.

The Executive Manager will ensure that adequate security precautions are taken to safeguard financial and other assets although, ultimately, the CEO will be accountable for any failure in this regard.

## **19 General Role of Board of Trustees**

The Board is responsible for:

- Approving the budget for the year.
- Approving signatories to the bank accounts.
- Receiving reports from the management team on areas of concern.
- Approving exceptional items of expenditure outwith the limits set above.
- Monitoring the financial performance based on quarterly reports, with advice from the CEO, Executive Manager and/or Treasurer as well as external auditors.
- Approving the annual accounts including the report from the auditor.
- Appointment of the auditor.