

Financial Regulations

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1. Objectives

The objectives of these financial regulations are to enable ELATT to:

- (a) meet its legal and other obligations under, e.g. the Charities Acts, Companies Acts, Inland Revenue, Customs and Excise, common law etc.
- (b) enable the Trustees and the management team to have control over ELATT finances and be well informed as to:
 - **Income:** to be able to prove that ELATT has received all the income to which it is entitled.
 - **Expenditure:** to be able to prove that all expenditure is on the charity business and is properly authorised.

2. General

2.1 The Finance Manager shall be responsible for the proper administration of the organisation's financial affairs as directed by the Board of Trustees and shall have the basic functions, duties and responsibilities listed below, including:

- a) Ensuring that the finance function is executed efficiently in accordance with the general policies of the organisation.
- b) Ensuring that the finance work of the finance section goes ahead according to plan in satisfying the internal control and information needs of the organisation.

2.2 The Board of Trustees shall not approve:-

- a) a new policy; nor
- b) a development or variation of existing policy; nor
- c) a variation in the means or time scale of implementing existing policy which affects or may affect the organisation's finances unless they have before them at the same time a statement of the financial implications of any such variations.

2.3. The Finance Manager shall review any matter which is liable to affect the finances of the organisation materially before any commitment is incurred or before reporting it to the Board of Trustees.

2.4. The Finance Manager shall be responsible for ensuring that these Financial Regulations are observed.

2.5. Failure to observe these Financial Regulations will be reported to the Board of Trustees.

2.6. The Chief Executive will be responsible for the submission of all claims for grants to Government Departments and other outside bodies. All agreements for the receipt of grant by the organisation shall:

2.7.

- a) be obtained in writing and
- b) state the amount and conditions relating to the receipt of grant.

2.7. Changes to these Regulations, procedures, system etc., can only be made with the approval of the Board of Trustees.

2.8. Principles

- 2.8.1. The Finance Committee shall be responsible for deciding the form of the principle accounting records of the organisation.
- 2.8.2. The following principles shall be observed wherever possible:
 - (a) There should be clear separation of duties between the collecting, distributing and checking of money in the organisation.
 - (b) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions, except where specifically agreed by the Board of Trustees.
- 2.8.3. All accounting records shall be retained in a safe custody for a minimum of six years from the date of receipt of last instalments of payment due in case the Inland Revenue need to inspect them or have inquiries. No voucher or other document shall be destroyed before the time period stated by the external auditor.
- 2.8.4. The Finance Manager shall be authorised to issue such instructions as he/she considers necessary for carrying out the day-to-day financial and administration work for the organisation.

3. Accounting

- 3.1. In achieving these objectives, ELATT will keep proper books of account, which will include:
 - (a) a cash book analysing all the transactions in ELATT's bank accounts
 - (b) a petty cash book where cash purchases are made
 - (c) all payroll records including wages deduction sheets and information for the inland revenue
 - (d) cost centre based accounting where necessary
 - (e) a purchase ledger.

The final accounts are produced annually for the period ending 31 August and in accordance with any legal or other requirements (e.g. from a funding body) and at the earliest possible date following completion of the period.

- 3.2. Should the Finance Manager wish to implement write-offs on 30 August, the Finance Manger should email the Chief Executive accordingly.

4. Audit and Systems Review

- 4.1. The appointed external auditors shall carry out an examination of financial and related systems of the organisation to ensure that the interests of the organisation are protected. The auditors are appointed each year at the annual general meeting.
- 4.2. The auditors will review, appraise and report, whenever deemed appropriate, to the Board of Trustees upon:
 - (a) the soundness, adequacy and application of internal controls and
 - (b) the suitability and reliability of financial and other management data.

5. Authorisation and Certification

- 5.1. Authority to commit the organisation to expenditure lies with the Board of Trustees and the Finance Committee and is delegated to the Chief Executive.

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- 5.1.1. The Board of Trustees shall decide the appropriate authorisation limits for each approved certifying officer. The limits in place at the moment are the same as those for cheque signatories/authorisation procedures.
- 5.1.2. Invoices above £5,000 must be approved either by:
 - The Chief Executive and a Manager
 - The Chief Executive only
 - Two Managers
- 5.1.3. If it is not possible to dual authorise online, then the Finance team will add a paper-based second level of authorisation.
- 5.1.4. The Board of Trustees shall authorise members of the Management Team to carry out the following activities on their behalf:
 - (a) Orders for work, goods or services
 - (b) Payments of accounts
 - (c) Salaries and wages documents

6. Banking Arrangements

- 6.1. Setting up and operation of organisation's bank accounts, including cheque signatories, is restricted to named authorised persons.
- 6.2. All borrowing is properly authorised, controlled and recorded. Borrowing levels are related to the organisation's needs. The current overdraft limit is £50,000. However, the Board of Trustees' target is that at all times ELATT holds at least £100,000 in funds in its main bank account to reduce the need for the overdraft.
- 6.3. All arrangement with the Banks concerning the organisation's bank accounts will be made through the Board of Trustees in the name of the organisation. All documents must state the organisation is a charity.
- 6.4. Cheques drawn on the organisation's bank account will require two signatures, except for an amount over £50,000 for which an authorised Board of Trustee member must sign. All BAC payments require two signatures in all cases (see 6.5 below).
- 6.5. BAC payments (fast payment transactions) require dual authorisation. The Finance & Facilities Officer, Finance Manager and Chief Executive all have Full Control of the bank accounts. Any of these employees, but usually the Finance & Facilities Officer, can set up a payment and act as first authorisation. Either of the other two team members will then need to act as second authorisation. In addition:
 - All payments must be authorised prior to the transaction by either the Finance Manager or Chief Executive (in respect to salary or higher value items), or the relevant Delivery Manager subject to the usual Purchase Order procedure.
 - The Finance Manager will check each BAC payment for any irregularity as part of the monthly bank statement reconciliation procedure
- 6.6. In no circumstances shall an account be opened in the name of an individual.
- 6.7. Bank accounts shall be reconciled with cash books at least once in each month.
- 6.8. The Chief Executive/Finance Manager shall arrange such safeguards as necessary and practicable, so that as far as possible:
 - (a) the checking of creditors' accounts,

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- (b) the control of cheque forms,
- (c) the preparation of cheques,
- (d) the signature of cheques,
- (e) the despatch of cheques,
- (f) the preparation and payment of BAC payments (fast payment transactions)
- (g) the entry of the cash accounts, and
- (h) the reconciliation of bank balances

are the responsibility of separate officers.

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7. Budgeting

7.1. Annual Budget

- 7.1.1. Annual estimates of income and expenditure on Revenue Account shall be prepared by the Chief Executive and the Finance Manager in consultation with the Honorary Treasurer and in accordance with a time table specified by the Board of Trustees.

The estimates shall show:

- the actual expenditure and income for the preceding financial year
- the original approved
- the revised estimates for the current year
- the estimated expenditure and income for the ensuing year.

Sufficient supporting information shall be provided by the Finance Manager in order for variations between budget headings to be analysed. The detailed form of the annual Capital and Revenue Budgets shall be decided by the Finance Manager in consultation with the Treasurer in line with the general directions of the Finance Committee.

The budget projections are made June of each year in order to meet the organisation's objectives for the forthcoming year.

7.2. Management Information

- 7.2.1. Budgets are reviewed quarterly by the following and in the following order:

- Chief Executive with the Finance Manager
- Finance Committee
- Board of Trustees

Financial resources are only used for approved budget purposes.

- 7.2.2 The Chief Executive and the Finance Manager shall make the necessary arrangements to conform with the requirements of Section 37 of the Local Government Act. This requires an organisation to make a statement about how any grant money from a local authority is used if it amounts to more than £2000 in one year. This will usually be shown in the annual accounts, depending upon the conditions imposed by the grant-making body.



7.3. **Monitoring actual income/expenditure**

7.3.1. The Chief Executive/Finance Manager shall prepare a report at the end of each quarter of the financial year setting out actual income and expenditure compared to that budgeted for. A cash flow forecast will also be prepared for the Finance Committee on a quarterly basis. This report will be considered at the next meeting of the Board of Trustees. They will decide upon any corrective action needed where substantial differences have occurred.

7.3.2. Designated or earmarked funds:

- The accounts record that these funds have been received for a particular purpose.
- The expenditure is monitored in order to ensure that these funds are utilised only for the purpose for which they were given.
- Designated funds have their own cost centres.

8. **Claims for Expenses and Allowances**

8.1. Expenses and allowances claimed must be properly incurred and authorised. They should be claimed within six (6) months of being incurred. The Chief Executive's expenses must be authorised by a member of the Board of Trustees or Finance Manager where applicable, with staff expenses authorised by the line manager or other relevant personnel.

8.2. The Treasurer shall be responsible for making arrangements for the administration and regulation of claims for expenses and allowances to the Board of Trustees and employees of the organisation and other approved bodies.

8.3.1 The certification by or on behalf of the departmental manager (typically signing off of a receipt) shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the organisation.

8.3.2 The Chief Executive will send an expenses report to the Treasurer every twelve months, with invoices signed by the Finance Manager

9. **Petty Cash**

9.1. Payments are made only for goods and services received. Maximum amount payable from petty cash at all times is £50. Exceptions may be granted by the Finance Manager on a case by case basis.

9.2. All payments are adequately evidenced, correctly calculated and properly authorised by the responsible Finance Officer.

9.3. The Finance Officer shall provide such petty cash accounts as considered appropriate to be operated by such officers of the organisation as required for the purposes of defraying petty cash and other expenses.

9.4. Each petty cash shall be of such amount as the Finance Manager deems necessary and conditions may be laid down in connection with petty cash disbursements.

9.5. Petty cash holders shall be responsible for the control and operation of the petty cash account in accordance with instructions issued by the Finance Manager.

9.6. No income other than the original cash advance and reimbursement to the cash float shall be treated as creditable to petty cash account.

10. **Income**

10.1. Cash income and all direct bank credits are promptly banked and accounted for according to the procedures laid down and instituted by the management.

10.2. Debtors' accounts are promptly raised in respect of all miscellaneous and service charges due to the organisation by the Finance Manager. There should be proper follow up procedures and the use of aged analysis of debtors.

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- 10.3. Prompt and effective recovery action is taken in respect of all overdue or unpaid debtors' accounts. Systems to be adopted for monitoring will be the same as those adopted in respect of debtors.
- 10.4. The collection of all money due to the organisation shall be under the supervision of the Finance Manager. The records kept by each section with regard to items of income shall be in such forms as may be agreed from time to time by the Finance Manager in conjunction with the Auditor. A cost centre system is in place. All new types of income due are to be notified to the Finance Manager.
- 10.5. The Finance Manager shall decide the accounting arrangements necessary to ensure that all monies due are received and banked promptly.
- 10.6. After the Finance Manager has consulted with the Treasurer and the Auditor, then they can write off money owing to the organisation which is probably irrecoverable.

11. Insurance

- 11.1. The Finance Manager shall effect all insurance cover and negotiate all claims.
- 11.2. All risks affecting the organisation and its operations are identified and adequate insurance cover provided to protect against associated loss.

12. Inventories

- 12.1. All items of value (e.g. furniture, computer hardware and software) are under adequate physical and ownership controls. This is achieved by keeping an up to date asset register maintained by the IT Services Co-ordinator and the Finance Manager; assets are marked and coded. Regular physical checks are conducted by the technical staff.
- 12.2. An inventory shall be maintained of all the organisations fixed assets, recording an adequate description of them, including all such readily portable items of furniture, fittings, equipment, plant and machinery with purchase price of more than £500 and an estimated life of more than twelve months. The inventory shall be in a form determined by the Finance Manager.
- 12.3. The IT Services Co-ordinator shall be responsible for maintaining an annual physical check of items on the inventories.
- 12.4. Assets owned by the organisation shall, as far as possible, be effectively marked as organisation property.

13. Investments

- 13.1.
 - (a) Investments are properly authorised by ELATT Trustees.
 - (b) Disposals of investments are properly authorised by ELATT Trustees, and the Finance Subcommittee.
- 13.2. The management of all investments shall be made by the Finance Sub-committee in the name of the organisation. However, the selling or buying of stocks must be approved by ELATT Trustees.

14. Orders for works, goods and services

- 14.1. Orders are raised by the Finance Manager or other cost centre managers, or any other person delegated by the Chief Executive in accordance with agreed procedures on acceptance of estimates and/or tenders.
- 14.2. Official orders shall be in a form approved by the Chief Executive/Finance Manager and are to be signed only by officers authorised by the Chief Executive.
- 14.3. A copy of each order shall be retained.
- 14.4. As no official order need be written out for public utility services, i.e. gas, water, etc., a record shall be maintained to avoid duplicate payments and to monitor significant trends in consumption.
- 14.5. Copy orders shall be marked off against the invoices, prior to payment, showing details of the payment made in respect of each order.
- 14.6. The cheapest price should be obtained on all occasions by seeking a number of estimates (at least 3 wherever possible). Where an item exceeds £5,000 this should be by written estimates.
- 14.7. Where the Charity enters into an order or contractual agreement of £50,000, the Chief Executive shall first seek the approval of the Treasurer. Please note this is determined by the total payment

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commitment not the value of each cash payment (for payment levels see 6: Banking Arrangements).

15. Payments of accounts

- 15.1. (a) Goods and services are properly authorised by departmental managers.
- 15.1. (b) Payments only made for goods and services received after checking invoices against the originating purchase or order forms.
- 15.2. Apart from petty cash and other payments from petty cash accounts (Financial Regulation 9), the normal method of payment of money due from the organisation shall be BAC payments (fast payment transactions) drawn on the organisation's banking account.
- 15.3. The Chief Executive has authority to certify payment of all amounts to which the organisation is legally committed.
- 15.4. The Chief Executive shall arrange wherever possible a suitable division of staff duties so that the officer who certified the invoice as correct shall not, unless the circumstances are exceptional, be the person who either placed the order, or has certified the receipt of goods or completion of the work concerned. In effect, this means that certification should be obtained by the immediate line manager or the employee who placed the order.

16. Salaries, wages and pensions

- 16.1. Salaries/wages/pensions are calculated correctly in accordance with relevant legislation arrangements and properly authorised by ELATT's management and trustees. This function is delegated to the Finance Manager who is accountable to the Chief Executive and the Board of Trustees.
- 16.2. The payment of all salaries, wages, pensions, compensation and other earnings to all employees, former employees or sessional staff of the organisation shall be made under arrangements approved and controlled by the Finance Manager with the authorisation and oversight of the Chief Executive and Treasurer.
- 16.3. The Chief Executive, Finance Manager and the Finance Officer shall be informed of all matters affecting the payment of such earnings, including:
 - a) absences from duty for sickness or other reason, apart from approved leave
 - b) information necessary to maintain records of service for Superannuating, Income Tax, National Insurance.
 - c) Please note that departmental managers shall email finance@elatt.org.uk and the Chief Executive with any changes of salary or new hires each month. The Finance Team will not process a change to salary without the Chief Executive's prior authorization following request by the departmental manager.
 - d) In the event where there is a change to the Chief Executive's salary, the Finance Team will only process this change with the written approval of the Chair, Deputy-Chair or Treasurer.

17. Security

- 17.1. The Finance Manager is responsible for ensuring adequate security exists to protect the assets of the organisation and physical loss of stock is prevented as far as possible, as described in the Inventories procedures above.
- 17.2. The Finance Manager shall be responsible for introducing and maintaining adequate arrangements for all aspects of security throughout the organisation including all buildings, staff, stock, stores, furniture, equipment, cash, records and confidential information. Advice from the company's insurers will be acted on.
- 17.3. Maximum limits of cash to be held in the petty cash box at any one time should be £500.
- 17.4. Keys to safes and similar receptacles used for the safekeeping of cash must be kept by the responsible officer/s at all times. The loss of any such keys must be immediately reported to the Finance Manager.

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17.5. The Finance Manager shall be responsible for ensuring that secure arrangements are made for online banking, the preparation and holding of pre-printed and pre-signed cheque stock certificates, bounds and other financial documents.

18. Stocks and stores

18.1. The Student Support Co-ordinator and IT Services Co-ordinator shall be responsible for the proper custody of stocks and stores held by the organisation and shall see that all stocks and shares are subject to an effective system of stock recording and control and stocktaking. They shall ensure that stores, stocktaking is carried out at regular intervals by an officer not responsible for stores.

18.2. All practical steps must be taken to ensure that a delivery note submitted by the supplier or by the person delivering is obtained in respect of every delivery of goods at the time of delivery and handed over to the Finance Officer.

18.3. All goods must be checked as regards quantity at the time of delivery and inspected as regards quality and against the specification for the goods ordered as soon as practicable after delivery.

19. Changes in payment details of employees and suppliers

19.1 One of the most common forms of modern fraud is where fraudsters hack into work email accounts, or supplier email accounts, and email the Finance team instructing them to update the employee's/supplier's bank details prior to the next payment.

19.2 ELATT must take all practical steps to minimise this risk. This means at a minimum:

- If we receive an email from a supplier requesting change of bank details, we will phone that supplier to receive confirmation of the change prior to processing it.
- If we receive an email from an employee requesting change of bank details, we will seek a face to face meeting with the employee to confirm the new details. If this is not possible, we will call the employee to seek confirmation.
- We will not process any change of bank details without first taking these steps as outlined above.