



## **FINANCIAL REGULATIONS**

**APPROVED BY THE BOARD OF TRUSTEES ON**

**May 2017**

Chair of Trustee's Signature	
Print Name	
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0.2	21/12/15	<ul style="list-style-type: none"> <li>• Amends as per Hardev Mudhar and Emily Mudhar-Fung</li> <li>• Section 13 updated as per Charity Commission newsletter Dec 15.</li> </ul>
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# Authorisation and Monetary Limits

These limits are taken from the financial regulations that were approved by the Trustees on 12<sup>th</sup> May 2017 :

## Authorisation Limits

### **Expenditure Limits**

Director/Director of Operations	Up to £5,000
Director & Director of Operations	From £5,001 to £15,000
Trustees	Over £15,000

### **Cheque & BACS Authorisation Signatories**

Two signatories	All cheques
Trustee plus one other	Over £10,000

### **Writing off bad debts**

Director of Operations	Up to £25
Director of Operations & Chair of Trustees	From £26 to £5,000
Trustees	Over £5,000

### **Disposal of Surplus Stock, Stores & Assets (estimated value)**

Director of Operations	Up to £250
Director of Operations & Chair of Trustees	From £251 to £5,000
Trustees	Over £5,000

## Other Monetary Limits

<b>Mileage Allowance</b>	HM Revenue & Customs approved rate
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### **Ordering Procedures**

3 Competitive quotations (written evidence required)	£5,000 - £50,000
Tendering procedure	Over £50,000
Tendering procedure + OJEU	€207,000+ (Euros) for supplies and services
Tendering procedure + OJEU	€5,186,000+ (Euros) for works

### **Asset Register**

Capitalisation limit	Over £1,000
Attractive portable items	Over £250

## **1. GENERAL**

1.1 In accordance with the Charities Commission requirements and updates, the Trustees of the Institute for Research in Schools hereby recognise the need to lay down formally a policy for the overall management of the Charity's budget and the day-to-day management of the Charity's financial affairs.

1.2 The purpose of this manual is to ensure that the charity maintains and develops systems of financial control which conform to the requirements both of regularity, propriety, and value for money.

1.3 This manual expands on that and provides detailed information on the charity's accounting procedures and systems. This manual should be read by all staff and trustees involved with financial procedures and it should be readily available.

1.4 The general conditions that follow are subject to annual review and consideration by the Trustees, whom must formally minute both the review and any subsequent amendments and approval each year

1.5 The Trustees confirm that failure to observe these conditions is considered a serious matter and might involve disciplinary procedures being taken against the individual concerned.

1.5 The Trustees confirm that day-to-day financial management of the charity is delegated to the Director of Operations as the "Accounting Officer", subject to exceptions contained in these regulations.

1.6 Whilst the main financial responsibilities are listed for the Trustees and Finance & Audit Committee, their terms of reference are not included in this document. Similarly, all the financial duties of charity staff are not listed but may be found in their job descriptions.

## **2. DAY-TO-DAY DELEGATION OF AUTHORITY**

### **2.1 Expenditure Limits**

A sequence of orders all within the below limits to cover a larger order or orders is not permitted. Authorisations up to £5,000 are to be referred to the Director of Operations, including utility charges and annual contracts where the appropriate cost has clearly been documented and approved in the annual budget. Between £5,001 and £15,000 expenditure must be approved by both the Director and Director of Operations prior to any commitment to purchase.

### **2.2 Staff Appointments**

2.2.1 The Trustees will approve a personnel establishment for the charity. Changes can only be made to this establishment with the express approval in the first instance of the Chair of Trustees who must ensure that adequate budgetary provision exists for any establishment changes.

2.2.2 The Director and Director of Operations have authority to appoint staff within the authorised establishment. The Director of Operations maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the Bursar.

2.2.3 All relevant forms and paperwork with regard to the appointment of, or amendment to contracts, of staff should be sourced from the charity's Human Resources (HR) service provider.

2.2.4 All personnel pre-employment checks should be completed and relevant clearances obtained for all staff before they start their employment and renewed as per the charity's personnel policies.

2.2.5 The Trustees have authority to approve individual special staff severance payments and compensation payments, providing any non-statutory/non-contractual element is under £50,000.

### **2.3 Write offs and liabilities**

The Director of Operations can authorise minor write offs up to a value of £25. The Chair of Trustees and Director of Operations may authorise writing off bad debts up to a value of £5,000. Requests for write offs above this amount are to be referred to the Trustees. However, all bad debts written off by the Chair or Director of Operations will be reported to the Trustees at the next meeting. Write offs exceeding £5,000 will require full Trustee approval.

2.3.1 The charity should always pursue recovery of overpayments within practical and legal limitations. The charity should only consider writing off losses if no feasible alternative.

2.3.2 A sequence of smaller write offs within the above limits to cover a larger write off, is not permitted.

### **2.4 Disposal of Surplus Stocks, Stores and Assets**

2.4.1 The Director of Operations can dispose of surplus stocks, stores and assets to the value of £250 without prior authorisation from the Trustees. All disposals to this value must be reported to the Trustees at the next possible meeting. Authority for disposals above this amount can only be given in accordance with the specified limits.



2.4.2 All disposals must be formally recorded in the minutes and in addition, where the amount exceeds £5,000 a separate report will be issued to the Trustees for their approval.

## 2.5 Receiving of Goods/Acknowledgment of Service

Receiving of goods and signing of delivery notes will not in normal circumstances be undertaken by the person authorising payment. For day to day operations therefore, receiving and signing for goods and services etc. will be by the Admin staff who are not involved in the authorisation process.

## 2.6 Mileage Allowances and Subsistence Claims

2.6.1 The Charity will reimburse mileage expenses to individuals for business journeys at a rate in accordance with the limitations set out by HM Revenue & Customs.

2.6.2 The claimant is entitled to be notified of this rate in advance of commencing their journey. The claimant must have suitable insurance in place to cover both the vehicle and passengers and that indemnifies the Charity against any claim.

2.6.3 A VAT registered fuel receipt must accompany every mileage claim, indicating that duty has been paid on sufficient fuel for the distance covered (approximately 27% of the mileage claimed) in order for the Charity to be able to reclaim VAT.

2.6.4 All expense claims are to be authorised by the Director of Operations.

2.6.5 A Trustee must sign any claims relating to the Director of Operations.

2.6.6 Receipts or other appropriate evidence of expenditure must be attached to the claim in respect of all purchases, i.e. rail/bus fares, subsistence, telephone calls, postage and any other purchases that may be approved.

2.6.7 Rates of subsistence will be paid up to the rates below, will not include claims for alcohol and must be supported by receipts whatever the expenditure:

Breakfast	£5
Lunch	£7.50
Evening Meal	£15

2.6.8 The Charity may not reclaim VAT without a proper VAT receipt.

2.6.9 The Charity must seek dispensation from the HMRC in order that expenses and benefits in kind are paid without deduction of tax and National Insurance. A dispensation is a notice from HM Revenue & Customs (HMRC) that removes the requirement to report certain expenses and benefits at the end of the tax year on forms P11D or P9D. There is also no need to pay any tax or National Insurance contributions on items covered by a dispensation. Once granted, dispensations last indefinitely. However, HMRC reviews them regularly (usually at intervals of five years or less) to make sure that the conditions under which they were issued still apply. Further guidance and the dispensation form are obtainable from the HMRC:

<http://www.hmrc.gov.uk/payee/exb/schemes/dispensation.htm#4> (information)

<http://www.hmrc.gov.uk/forms/p11dx.pdf> (form)

## 2.7 VAT Returns

2.7.1 It is the responsibility of Bursar to ensure that the charity's VAT is correctly accounted for in accordance with HMRC requirements and promptly claimed on a monthly basis.

2.7.2 Specific advice on VAT matters should be sought from the HMRC, and from the charity's external auditors.

## **2.8 Financial Notice to Improve**

2.8.1 Aforementioned delegated authorities will be waived if the charity is subject to a Financial Notice to Improve.

2.8.2 Terms of the Financial Notice to Improve will be adhered to.

### **3. ORGANISATION**

The charity has defined the responsibilities of each person involved in the administration of charity finances to avoid the duplication or omission of functions and to provide a framework of accountability for governors and staff. The financial reporting structure is illustrated below:

#### **3.1 The Trustees**

The Trustees have overall responsibility for the administration of the charity's.

The main responsibilities include:

- ensuring that funds are used only in accordance with the law, the board's powers under the Charities' Commission registration.
- ensuring proper stewardship of the funds and for ensuring economy, efficiency and effectiveness in their use ensuring the proper governance and conduct of the trust under the terms of the Charity Commissions guidance: guidance on their regulation as charities, and guidance notes: CC3: The Essential Trustee and CC8 – Internal Controls for Charities
- approval of the annual budget
- appointment of the Director of Operations & Director.
- ensuring an adequate process exists for independent checking of financial controls, systems, transactions and risks.
- ensuring the maintenance and regular review of a register of the risks arising from the operation of the charity including the likelihood and materiality of each risk and how they are being managed or mitigated
- approval of the charity's Financial Regulations and Scheme of Delegation
- approval of the annual financial statements and the accounting policies used to prepare the financial statements
- approval of the Trustees' Annual Report and Governance Statement
- approval of the Terms of Reference of the Finance & Audit Committee

#### **3.2 The Finance & Audit Committee**

The Finance & Audit Committee is a committee of the charity comprising of the Director of Operations, and representatives from the appointed accountants which may only conduct business when quorate. The Finance & Audit Committee meets monthly, more frequent meetings can be arranged if necessary. The main responsibilities of the Finance & Audit Committee are detailed in written terms of reference which have been authorised by the Trustees. The responsibilities include:

- Initial review and authorisation of the annual budget (final approval must be by the Trustees).
- Receiving monthly management reports, to facilitate the monitoring of the charity's actual financial performance compared with budgeted priorities and cash flow, and to take remedial action as necessary. Such action will be reported to the Trustees; in all cases liaison must be maintained with other appropriate committees.
- Reviewing and monitoring of budget projections / medium term financial plans to ensure the charity's budget is realistic and any financial decisions are sustainable.
- Ensuring the annual accounts returns are produced in accordance with the requirements of the Charities' Act;
- Authorising the award of contracts and leases over £10,000 over the contract / lease lifetime
- Apart from the annual budget which must be approved by the Trustees, approval of cash flow forecasts and any other reporting requirements for the forthcoming financial year.

- Making decisions on requests from other committees that will have an impact on the charity's financial position.
- Making decisions on expenditure within the Committee's delegated powers.
- Reviewing annually the charity's Financial Regulations and Scheme of Delegation.
- Reviewing annually the Terms of Reference of the Finance & Audit Committee.
- Ensuring the Register of Business Interests is kept up to date.
- Annually reviewing all on going contracts.
- Reviewing the various leasing agreement schemes and options available to the charity.
- Awarding of contracts by tender up to a specified limit.
- Monitoring all spending and income received in the charity including Trading Accounts
- Ensuring that funding from all sources is used only in accordance with any conditions attached.
- Receiving and commenting on the content of any audit report. These reports must also be reported to the Trustees.
- Annually reviewing and recommending appointing the independent external auditor to the charity.

### **3.3 The Director of Operations**

Within the framework of the development plan as approved by the Trustees the Director of Operations has overall executive responsibility for the charity's activities including financial activities and has responsibility for:

- assuring the trustees that there is compliance with the Handbook, Funding Agreements and all relevant aspects of company and charitable law
- the propriety and regularity of the public finances for which they are answerable
- keeping proper accounts
- prudent and economical administration
- avoidance of waste and extravagance
- economic, efficient and effective use of all the resources in their charge (value for money)
- the management of opportunities and risks
- Much of the financial responsibility has been delegated to the Director of Operations who is responsible for :
- ensuring that bank accounts, financial systems and financial records are operated by more than one person
- safeguarding the trust's property to prevent losses and misuse including maintenance of adequate fixed asset registers
- keeping full and accurate accounting records
- preparing accruals accounts in accordance with existing accounting standards
- approving new staff appointments within the authorised establishment, except for any senior staff posts which the Trustees have agreed should be approved by them;
- authorising contracts up to £5,000
- signing cheques/authorising BACS payments in conjunction with the appointed accountants or other authorised signatory.
- attending meetings of the Finance & Audit Committee

### **3.5 The Accountants**

The Accountants works in close collaboration with the Director of Operations through whom they are responsible to the trustees. The Accountants also have direct access to the trustees via the Finance & Audit Committee. The main responsibilities of the accountants are:

- the day to day management of financial issues including the establishment and operation of a suitable accounting system
- the management of the charity financial position at a strategic and operational level within the framework for financial control determined by the Trustees;

- the maintenance of effective systems of internal control
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the charity.
- the preparation of monthly management accounts
- VAT returns
- signing cheques/authorising BACS payments in conjunction with the Director of Operations or other authorised signatory

### **3.6 Other Staff**

All staff are responsible for the security of charity property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the charity's financial procedures.

### **3.7 Register of Interests, Gifts & Hospitality**

3.7.1 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all trustees and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from whom the charity may purchase goods or services.

3.7.2 The register is reviewed annually and is open to public inspection. It should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the charity. The disclosures should also include business interests of relatives such as a parent or spouse/ cohabitee or business partner where influence could be exerted over a trustee or a member of staff by that person.

3.7.3 In addition to the register of business interests, all trustees and staff must declare interests whenever they are relevant to matters being discussed by the Trustees or a committee at each meeting. Where an interest has been declared, trustees and staff should not attend that part of any committee or other meeting. The opportunity should also be given for trustees and staff to declare previously undeclared interests at every meeting.

3.7.4 The charity should have a policy on the acceptance of gifts, hospitality, awards, prizes or any other benefit which might be seen to compromise their personal judgement or integrity. Where such benefits have been received, they should be recorded in the register detailing, for each occasion, the nature of the benefit and the donor. When giving gifts, the charity must ensure that the decision is fully documented and has regard to the propriety and regularity of the use of public funds.

3.7.5 The charity must ensure that:

- no trustee, employee or related individual or organisation gains from their position by receiving payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the charity;
- there are no payment(s) to any trustee by the charity unless such payment(s) is/are permitted by the Articles and (where applicable) comply with the terms of any relevant agreement entered into. Charities will in particular need to consider these obligations where payments are made to other business entities who employ the trustee, are owned by the trustee, or in which the trustee holds a controlling interest;
- there is probity in the use of public funds.

### **3.8 Related Party Transactions**

3.8.2 Transactions between connected parties as defined above must be supported by a statement of assurance that the charges do not exceed cost and the basis of the open book agreement.

3.8.3 Should any connected parties as defined above be based in or work from the charity premises, an appropriate sum must be charged for use/occupation of the premises.

3.8.4 Additionally, salaries should be appropriate to the individual's skills and experiences and to the salary rates paid in the wider market.

## **4. ACCOUNTING SYSTEM**

4.1 All the financial transactions of the charity must be recorded on the charity's financial accounting system and consists of:

- Nominal Ledger
- Transactions
- Purchases Ledger
- Sales Ledger
- Payroll System
- Automatic update
- Journals
- Manual Update

A proprietary system, QuickBooks, is used for this purpose and is operated on a cloud based scenario with appropriate password access and security protocols.

### **4.2 System Access**

4.2.1 The charity must be registered under the Data Protection Act.

4.2.2 Entry to the system is password restricted.

4.2.3 The Accountants is responsible for allowing access by designated employees to authorised levels only.

### **4.3 System Back-up Procedures**

4.3.1 Backup data is undertaken real time as part of the QuickBooks protocol.

4.3.3 The Director of Operations must prepare a disaster recovery/business continuity plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by governors of the major risks to which the charity is exposed and the systems that have been put in place to mitigate those risks.

### **4.4 Transaction Processing**

4.4.1 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual.

4.4.2 Bank transactions should be input by the Accountants / Management accountant and the input should be checked, and signed to evidence this check, by the Director of Operations.

4.4.3 Detailed information on the operation of the system can be found in the user manuals held online and in the Accountants.

### **4.5 Transaction Reports**

The Accountants will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:

- the weekly audit trail reports;
- Master file amendment reports for the payroll, purchase ledger and sales ledger
- Trial balance

- Management accounts summarising expenditure and income against budget at budget holder level, i.e. cost centre summaries.

The Director of Operations has real time online access to all records.

#### **4.6 Reconciliations**

4.61 The Accountants are responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- sales ledger control account
- purchase ledger control account
- payroll control account
- VAT control account
- all suspense accounts
- bank balance per the nominal ledger to the bank statement

4.62 Any unusual or long outstanding reconciling items older than 6 months must be brought to the attention of the Account Manager . The Director of Operations will review and sign all reconciliations as evidence of the review.



## **5. FINANCIAL PLANNING AND REVIEW**

The charity prepares both medium term (3 years) and short-term financial plans. The medium term financial plan is prepared as part of the development planning process. The development plan indicates how the charity's educational and other objectives are going to be achieved within the expected level of resources over the next three years and provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the charity and the planned use of those resources for the following year. The development planning process and the budgetary process are described in more detail below:

### **5.1 Development Plan**

5.1.1 The development plan is concerned with the future aims and objectives of the charity and how they are to be achieved; that includes matching the charity's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.

#### 5.1.2 Development Planning Cycle

Each year the Director of Operations will propose a planning cycle and timetable to the Trustees which allows for:

- a review of past activities, aims and objectives - "did we get it right?"
- definition or redefinition of aims and objectives - "are the aims still relevant?"
- development of the plan and associated budgets - "how do we go forward?"
- implementation, monitoring and review of the plan - "who needs to do what by when to make the plan work and keep it on course" and feedback into the next planning cycle - "what worked successfully and how can we improve?"

The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Director of Operations.

#### 5.1.3 Development Plan Content

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

#### 5.1.4 Development Plan Monitoring

For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to a member of staff. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior management team on a quarterly basis. The senior management team will report to the Trustees if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

### **5.2 Annual Budget**

5.2.1 The Director of Operations is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Finance & Audit Committee and the Trustees.

5.2.2 The annual budget will reflect the best estimate of the resources available to the charity for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

5.2.3 Detailed records will be kept of all information used in preparing the budget including estimation of staffing requirements and calculations of all costs cross referenced to any assumptions made.

5.2.4 The annual budget will be profiled to facilitate a cash flow estimate for each month.

### **5.3 Budget Planning**

The budgetary planning process will incorporate the following elements:

- review of income sources available to the charity to assess likely level of receipts;
- review of past performance against budgets to promote an understanding of the charity cost base;
- identification of potential efficiency savings
- review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes
- consideration of asset management plans and surveys.
- ensuring that the charity has budgeted business plans in place for all trading activities .The business plan should clearly show the anticipated operating surplus or deficit. If a subsidy is required from the budget to cover a budgeted deficit, then this must be formally approved by the Trustees and recorded in the minutes of the meeting at which it was discussed and agreed. All budgeted business plans should be clearly linked to the Charity Development Plan.

### **5.4 Balancing the Budget**

5.4.1 Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need. It is important that, if the trust has a substantial surplus, they have a clear plan for how it will be used to benefit their pupils.

### **5.5 Finalising the Budget**

5.5.1 Once the different options and scenarios have been considered, a draft budget should be prepared by the Director of Operations for approval by the , the Finance & Audit Committee and the Trustees. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

5.5.2 The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

5.5.3 The budget must be approved by the Trustees. Once approved, the budget should be promptly loaded on the charity's financial accounting system and "fixed" as at the approval date. Any subsequent changes to the budget should be in accordance with Section 2.3

5.5.4 A copy of the signed budget plan should be placed in the Trustees's minute file and a further copy retained by the Director of Operations and the Accountants.

5.5.5 Budget holders will be informed of the budget available to them as soon as the budget is approved. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent.

## **5.6 Budget Monitoring and Review**

5.6.1 Monthly reports will be prepared by the Bursar. The reports will be system generated including actual income and expenditure against budget both for budget holders and at a summary level for the Director of Operations and the Finance & Audit Committee

5.6.2 A narrative report should accompany the system reports, including reasons for significant variances against budget and with a forecast of income and expenditure to the year end.

5.6.3 Any potential overspend against the budget must in the first instance be discussed with the Accountants/Director of Operations..

5.6.4 The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate.

5.6.5 The charity's cash flow or reconciled bank statement/s should be updated and presented to the Finance & Audit Committee quarterly and more often when there are significant overspends.

## **5.7 Financial Returns**

5.7.1 The Accountants will be responsible for ensuring that all financial transactions are recorded on the charity's financial accounting system in accordance with the guidelines issued.

5.7.2 The Accountants will be responsible for ensuring that Value Added Tax (VAT):

- is correctly accounted for on the charity's financial accounting system in accordance with HMRC requirements
- is properly and promptly claimed on a monthly basis and supported by relevant system reports and documentation to facilitate HMRC inspection and external audit.

5.7.3 In order to give a true and fair view the financial statements for the annual accounts must be prepared according to the requirements of the Charities Act 2011 and Regulations made under the Act, and applicable United Kingdom accounting standards. Charity must also prepare their accounts in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (revised) ('the SORP'). They must also be prepared in accordance with the accounting policies agreed by the Charity Trustees. A copy of the SORP together with accompanying information sheets, other Charity Commission guidance and legislation are available to view and download from the Charity Commission website at:

[http://www.charitycommission.gov.uk/Charity\\_requirements\\_guidance/Accounting\\_and\\_reporting/Preparing\\_charity\\_accounts/](http://www.charitycommission.gov.uk/Charity_requirements_guidance/Accounting_and_reporting/Preparing_charity_accounts/)

5.7.4 The Trustees is responsible for approving the charity's annual accounts and annual report and ensuring the annual accounts are audited and submitted to the Charities Commission by the required deadlines. Details of the all financial information required are as set out in the latest Accounts Direction for the year being reported.

5.7.5 The Companies Act 2011 requires the Charity to publish its Annual Accounts and Annual Report. This will be done via the charity's website.

## **6. PAYROLL AND PERSONNEL PROCEDURES**

### **6.1 Staff Appointments**

6.1.1 Staff appointments will be authorised in accordance with Section 2.2

6.1.2 The Accountants & legal representatives to be notified when appointments, terminations and contract amendments take place. The Accountants can then ensure that all correct paperwork is completed and sent to the appropriate departments for processing. After payroll has been processed but before payments are dispatched a file of salary payments by individual and showing the amount payable in total should be obtained from the system. The payments should be checked to ensure that all amendments have been made.

### **6.2 Payroll Administration**

6.2.1 The charity's payroll is administered via Crossleys.

6.2.2 Details of how to update the monthly payroll on the charity's financial accounting system or payroll system or via the payroll provider are contained in the payroll manual/online.

### **6.3 Payroll Process**

6.3.1 All staff are paid monthly via BACS through the IRIS BACSTEL IP Payroll. A master file or personnel data file is created for each employee which records:

- salary;
- bank account details;
- taxation status;
  
- personal details and
- any deductions or allowances payable.

6.3.2 All amendments to pay including overtime, additional hours, contract changes, appointments and terminations must be documented using the required paperwork by the HR and Payroll providers and authorised by the Director of Operations. All changes to the Director of Operations's must be authorised by the Chair of Trustees.

6.3.3 New master files can only be created by the Bursar with the express approval of the Director of Operations. Any master file amendments made by the Bursar must be printed out each month prior to the payroll run and must be authorised by the Director of Operations. Any master file amendments made by the Bursar must be authorised by the Director of Operations.

6.3.4 Any payroll transactions relating to the Director of Operations must be authorised only by the Chair of Trustees or Director.

### **6.4 Payroll Returns**

6.4.1 The Accountants will be informed by the Director of Operations of any sickness/absences which will be processed on a monthly basis.

6.4.2 Each month the Accountants will prepare and distribute a timetable for payroll processing specifying key dates for the month in question.

6.4.3 The charity must ensure that senior officers' payroll arrangements fully meet tax obligations and comply with HM Treasury's guidance regarding employment and contract arrangements of individuals on the avoidance of tax.

## **6.5 Payments and Control Checks**

- 6.5.1 After the payroll has been processed but before payments are dispatched a file of salary payments by individual and showing the amount payable in total should be obtained from the system. The file/print must be reviewed and authorised together with authority to release payment by the Accountants and the Director of Operations and evidenced via signatures on a full printout or via personal electronic authorisation.
- 6.5.2 The Accountants should prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc. This reconciliation should be reviewed and signed by the Director of Operations.
- 6.5.3 Crossley Payroll automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. .
- 6.5.4 The Director of Operations should select one employee at random each month and check the calculation of gross to net pay to ensure that the payroll system is operating correctly.

## **6.6 Retention of Records**

- 6.6.1 Payroll records should be kept for 6 years plus current.
- 6.6.2 Pension records must be retained forever.
- 6.6.3 All other records must be retained in accordance with current Charity Commission/HMRC / Insurance guidelines.

## **7. PURCHASING AND PAYMENT PROCEDURES**

The Charity wants to achieve the best value for money from all our purchases. This means we want to get what we need in the correct quality, quantity and time at the best price possible. A large proportion of our purchases will be paid for with public funds and we need to maintain the integrity of these funds by following the general principles of:

- Probity, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the Charity
- Accountability, the Charity is publicly accountable for its expenditure and the conduct of its affairs
- Fairness, that all those dealt with by the Charity are dealt with on a fair and equitable basis.

### **7.1 Routine Purchasing**

Budget-holders will be responsible for requesting the purchase of items or services from their own budgets. This will be done by the appropriate budget-holder notifying his or her requirements via an Internal Order Form authorised by the Director of Operations.

7.1.2 Orders are to be authorised by the relevant person in accordance with Section 2.13. Paper copies of official orders will be kept in numerical sequence in a file in the Finance Office. Where appropriate, a copy of the official order will be sent to the budget-holder.

7.1.4 All invoices should be sent to the Accountants and will be checked against the original order for accuracy (and delivery notes where appropriate) and entered promptly on the Charity's financial accounting system.

7.1.5 The cheque/BACS signatories are any two from the following:

Director of Operations

Director

Chair of Trustees/Trustees

All cheques having a value of £10,000 and above then one of the signatures must be the Chair of Trustees.

7.1.6 The Accountants have control of the cheques / BACS and must ensure that:

- where continuous cheque stationery is used, the approved format is complied with.
- all cheques are securely stored and properly accounted for.
- cheque / BACS run / remittance reports are kept on file and are signed by at least one cheque signatory to confirm that all cheques have been accounted for.
- all cheques are entered correctly and promptly on the financial accounting system.
- spoiled cheques are marked as cancelled and retained.
- blank cheques are not pre signed.
- minimum remaining cheque levels are established with the bank.

7.1.7 The accountants must ensure that all prime records are retained for six financial years plus the current year and are stored in a secure and logical manner.

7.1.8 If discounts are available for prompt payment, then payments can be made immediately, having taken into account any loss of interest that might arise. If not, cheques / BACS will be issued in accordance with the trading terms of the individual contractor or supplier. Due regard must be taken of the 'Late Payment of Commercial Debts Regulations 2002'.

7.1.9 A copy of the computer-generated remittance advice relating to the cheque will be affixed to the original invoice, both of which will then be filed with the official order. Original invoices must be marked "paid" to ensure duplicate payments are not made, together with details of the cheque number, date sent etc.

7.1.10 Copy invoices are not to be paid unless exhaustive checks have been performed to confirm that payment has not previously been made. References back to the original order are to be made in every case. Once the checks have been made, the invoice should be signed to confirm this and endorsed "copy invoice not previously passed for payment".

7.1.11 Under no circumstances are payments to be made against supplier statements.

7.1.12 For any order or purchase which is estimated to be less than £5,000 in value, for the supply of goods, materials or services, the budget holder must follow the Charity's Best Value policy.

7.1.13 Amounts between £5,000 and £50,000, will be subject to the receipt of at least 3 competitive quotations. Documentary evidence of the various quotations must be obtained and attached to the purchase order and appropriately authorised. Where a quotation other than the lowest is accepted, the reasons (in line with the Charity's best value policy if there is one) for its acceptance must be documented, attached to the purchase order, and reported to the Trustees. All decisions made must be recorded in the minutes of that meeting for future reference.

7.1.14 Approval of contracts over £50,000 will only be made after following the tendering procedure as set out in Section 8.

## **7.2 Internet Purchases**

At all times, the same rigour of internal control must be placed on internet purchases as is normally applied to standard procurement with regard to separation of duties, authorisation controls and independent management checking.

7.2.2 It is the responsibility of the budget holder to ensure the internet is the most appropriate means for procurement. Where possible the official order number should be quoted on the internet order as a cross reference.

7.2.3 The internet order must be raised in the name of the Charity with the Charity's address, not to an individual.

7.2.4 The preferred method of payment for internet purchases will be the request of an invoice from the supplier, which can be paid via the Charity's normal payment route. If the supplier is unable to supply an invoice in advance, the purchaser is authorised to use the Charity's credit card to make payment (the same rules for card authorisation apply.)

7.2.5 Payment by an individual's personal credit card should only be considered when the above options have been exhaustively attempted and failed. The correct authorisation procedure for purchases should still be adhered to and the Charity retains the right to refuse to reimburse the individual if the Charity's procedures are not followed. Reimbursement to individuals should be made in the normal manner upon production of an original invoice/receipt.

7.2.6 Supplier invoices, delivery notes and all relevant documentation should be obtained for all internet purchases and retained within the normal filing system. This is especially important if the Charity is to recover any VAT element.

7.2.7 All purchases should only be made from secure websites, the use of online auction websites should not be used.

#### **7.4 Credit Cards**

7.4.1 Credit cards may be issued by the charity to key staff members to purchase items for the charity instead of using petty cash.

##### 7.4.2

- cards are issued in the charity's name
- cards are approved by the Finance & Audit Committee
- expenditure is approved by the Director of Operations or Chair of Trustees/Finance & Audit Committee
- personal use is not permitted
- retention of receipts, delivery notes and invoices
- the Accountants will reconcile each monthly statement
- any misuse of credit cards by individuals will result in disciplinary procedures



## **8. TENDERING PROCEDURES**

### **8.1 Introduction to Tendering**

8.1.1 Approval of contracts over £50,000 will only be made following the charity's tendering procedure. If the charity undertakes a high-value or EU-Qualifying purchase an Invitation to Tender will need to be issued as part of the process. An Invitation to Tender (ITT) is a pack of documents sent out to potential suppliers inviting them to submit a bid.

8.1.2 For more specialist or complex works and purchases, the charity may choose to appoint a professional third party to carry out the tender process on their behalf (i.e. consultant, architect etc.). If a third party is used, it is expected to apply these regulations with the same rigour and ensure that the principles of the Office of Government Commerce (OGC) Procurement Policy and Standards Framework are adhered to.

8.1.3 Contracts for supplies and services whose values equal or exceed €207,000 Euros and for works whose values equal or exceed €5,186,000 Euros, are subject to further requirements as per the Public Contracts Regulations 2006. Such contracts require advertisement in the Official Journal of the European Union (OJEU). This is the publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation must be published. These thresholds are net of VAT. Further advice may be found on the following website:

[www.ojec.com/Default.aspx](http://www.ojec.com/Default.aspx)

### **8.2 Forms of Tenders**

There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure should be used are described below.

**Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Director of Operations how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.

**Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:

- there is a need to maintain a balance between the contract value and administrative costs,
- a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the charity's requirements,
- the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.

**Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:

- the above methods have resulted in either no or unacceptable tenders,
- only one or very few suppliers are available,
- extreme urgency exists,
- additional deliveries by the existing supplier are justified.

### **8.3 Preparation for Tender**

Full consideration should be given to the objective of project, overall requirements, technical skills required, after sales service requirements and form of contract. It may be useful after all requirements have been

established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

## **8.4 Invitation to Tender**

8.4.1 If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

8.4.2 An invitation to tender should include the following:

- introduction/background to the project;
- scope and objectives of the project;
- technical requirements;
- implementation of the project;
  
- terms and conditions of tender
- form of response.

## **8.5 Aspects to Consider**

### **8.5.1 Financial**

Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision

Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs. Is there scope for negotiation

### **8.5.2 Technical/Suitability**

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards
- Quality control procedures
- Details of previous sales and references from past customers.

### **8.5.3 Other Considerations**

- Pre sales demonstrations
- After sales service, warranties
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

## **8.6 Tender Instructions**

The invitation to tender should state the date and time by which the completed tender document should be received by the charity. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not normally be accepted.

## **8.7 Tender Opening Procedures**

8.7.1 All tenders submitted should be opened at the same time and the tender details recorded. A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by both people present at the tender opening.

8.7.2 Two people should be present for the opening of tenders as follows:

- For contracts up to £50,000 – Director of Operations + 1 trustee
- For contracts over £50,000 – Director of Operations + 1 member of the Finance & Audit Committee.

## **8.8 Tendering Evaluation and Acceptance**

8.8.1 The Trustees has set a minimum requirement of 3 tenders for fair evaluation purposes and in the interest of achieving best value. In any consideration of less than that number being received, the Trustees should consider whether this is sufficient and consider re tendering. Decisions to go ahead should fully document the justification.

8.8.2 The evaluation process should involve at least two people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.

8.8.3 Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.

8.8.4 Full records should be kept of all criteria used for evaluation and for contracts over £50,000 a report should be prepared for the Finance & Audit Committee highlighting the relevant issues and recommending a decision. For contracts under £50,000 the decision and criteria should be reported to the Finance & Audit Committee.

8.8.5 Where required by the conditions attached to a specific grant from the funding body, their approval must be obtained before the acceptance of a tender.

8.8.6 The accepted tender should normally be the one that is economically most advantageous in terms of best value to the charity that meets all the requirements. All parties should then be informed of the decision. Where a tender other than the lowest has been accepted, the reasons for its acceptance must be documented and reported to the Trustees. All decisions made must be justified and recorded as such in the minutes of that meeting for future reference.

8.8.7 A copy of the tender documentation should be held on site for easy reference as required.

8.8.8 Acceptance of any tender will be confirmed to the contractor in writing and no work shall be started until this has been done.

8.8.9 Any contracts awarded will include a paragraph to the effect that any contractor will be prohibited from transferring or assigning, directly or indirectly, any portion of the contract to any other person or contractor, without the written permission of the Trustees.

## **9. INCOME**

### **9.1 General**

9.1.1 The sources of income for the charity are the grants from various bodies. It is the responsibility of the Bursar to ensure that all income due to the charity has been received, banked and that all income due to the charity is collected and reconciled to its financial accounting system.

9.1.2 All income received should be recorded immediately on a Daily Income Collection Record and entered onto the charity's financial accounting system. The collection record should contain the amount received, the name of the person/organisation making the payment, the date the payment is received, and the method, i.e. cash or cheque.

9.1.3 All income received by the charity should be banked at a minimum of weekly and *in full*. The insurance policy cover for cash and cheques held on site must not be exceeded. However, if a high level of income is expected e.g. proceeds from a fete, the insurer must be informed to obtain additional short term cover, and the income must then be banked as soon as is practicable.

9.1.4 Personal cheques should not be cashed.

9.1.5 When income is banked the collection record must be totalled in value in order to provide a clear cross reference to the value entered on the bank paying in slip. The bank paying in slip number should then be entered onto the income collection record to assist in providing a clear and simple audit trail.

9.1.6 When banking money received (either cash or cheques) the bank paying in slips will be completed in full, clearly showing the split between cash and cheques, and each cheque will be listed separately.

9.1.7 Income received by the charity will be acknowledged to the payer by either i) issue of a receipt when the value of the payment exceeds £30 or, ii) by the collector signing an official collection record. No category of income should be excluded from the issue of a receipt e.g. charity meals. Copies of receipts issued should be retained for future reference, e.g. to resolve a dispute over payment.

9.1.8 No debts should be written off without the express approval of the Director of Operations for amounts up to £5,000. The Audit & Finance Committee up to £10,000 or the Trustees over £10,000.

### **9.2 Custody**

9.2.1 Official, pre-numbered charity receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the safe prior to banking.

9.2.2 Monies collected must be banked in their entirety (intact) in the appropriate bank account. The accountants are responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system and related system generated reports. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the accountants.

## 10. CASH MANAGEMENT, BANKING AND INVESTMENTS

10.1 The Accountants are responsible for preparing cash flow forecasts to ensure that the charity has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account or to delay non-essential payments to cover potential cash shortages.

10.2 If significant cash shortfalls have been identified and are unexpected, this should be promptly investigated, ensuring all income due for the period has been received and that expenditure is not irregular. The investigation and its results should be reported to the Finance & Audit Committee. If fraud is suspected, the charity's Whistleblowing policy should be followed,, including notifying the Charities Commission if the fraud is above £5,000.

10.3 The opening of all accounts must be authorised by the Trustees who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds, i.e. Direct Debits and Standing Orders must also be subject to the same level of control.

10.4 The charity's bank and / or building society must be informed that the accounts must never become overdrawn.

10.5 Trustees will wish to maximise income as far as possible and, where appropriate, a high interest or deposit account will be maintained, in addition to the normal current account. Surplus balances will, as far as possible, be transferred to a high interest or deposit account.

10.6 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include the amount of the deposit, split between cash and cheques with cheques listed separately and a reference i.e. receipt number or the name of the debtor.

10.7 Transfers between the charity's bank accounts if more than one bank account, should have a suitable narration to facilitate audit trail, especially where on line banking facilities are used.

10.8 Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure. This provision applies to all accounts operated by or on behalf of the Trustees of the charity.

10.9 All cheques and other instruments authorising withdrawal (including direct debits and standing orders) from charity bank accounts must bear the signatures of two of the following authorised signatories (specify job titles only):

- Director of Operations
- Director
- Chair of Trustees

10.10 For any Direct Debit or Standing Order authorisation over £10,000] one of the signatories must be the Chair of Trustees and this should be included in the charity's bank mandate.

10.11 A current bank mandate for Direct Debits and Standing Orders must be retained on file and the mandated signatories should be consistent with those detailed above.

10.12 Charities may use BACS facilities to replace cheques. The control principles and authorisation remain the same as for cheque payments. Care must be taken regarding the creation and amendment of Supplier's bank details for BACS payments.

10.13 The Accountants must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:

- all bank accounts are reconciled to the charity's accounting system
- reconciliations are prepared by the accountants within one week of receipt;
- reconciliations are subject to an independent monthly review carried out by the Director of Operations .
- adjustments arising are dealt with promptly, i.e. any un-reconciled payments older than six months, and unreconciled receipts older than one month, must be investigated and appropriate action taken and recorded.

10.14 Investments must be made only in accordance with written procedures approved by the Trustees and clearly held in the charity's name. Aspects to consider include:

- objectives
- risk
- type of investment and term
- charity's financial position
- financial limit for type of investment
- spreading investments between providers to ensure savings are covered by the Financial Services Authority
- security of access
- rate of return
- charges
- business interests of Trustees and charity staff
- ethical, social and environmental considerations
- review including review of performance

10.15 All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received and recorded on the financial accounting system.

## 11. FIXED ASSETS

### 11.1 Introduction

Fixed assets include:

- land including freehold
- buildings including freehold
- equipment
- 

Fixed assets are depreciated as per the charity's depreciation policy

### 11.2 Fixed Asset Register

11.2.1 All items purchased with a value over the charity's capitalisation limit of £1,000 must be entered in an asset register. Other attractive items below the limit could be included to assist with insurance claims. The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- help the external auditors to draw conclusions on the annual accounts and the charity's financial system
- support insurance claims in the event of fire, theft, vandalism or other disasters.

11.2.2 The Bursar/Admin Assistant are responsible for maintaining the asset register.

11.2.3 The asset register should include the following information:

- book value of items transferred in
- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding
- expected useful economic life
- depreciation (incl. brought forward and carried forward)
- current book value
- location
- name of member of staff responsible for the asset
- disposals

11.2.4 Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

11.2.5 All the items in the register should be permanently marked as the charity's Property. If the charity chooses to use an invisible form of marking then the item of equipment must carry a visible reference to the fact that the equipment has been security marked. Items not security marked are potentially not covered by insurance.

11.2.6 There should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Trustees. Inventories of charity property should

be kept up to date and reviewed regularly. Where items are used by the charity but do not belong to it this should be noted.

### **11.3 Disposals**

11.3.1 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Director of Operations up to the value of £250, up to the value of £5,000 by the Finance and Audit Committee, over £5,000 by the Full Trustees. Where significant, the items should be sold following competitive tender.

11.3.2 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the charity obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the charity would need to ensure licences for software programmes have been legally transferred to a new owner.

11.3.3 All disposals of a freehold of land and buildings must be agreed in advance with the Secretary of State.

### **11.4 Assets on Loan**

11.4.1 Items of charity property must not be removed from charity premises without the authority of the Director of Operations. A record of the loan must be recorded in a loan book and booked back in charity when it is returned.

11.4.2 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the charity's auditors.



## 12. TRUSTEES' ALLOWANCES

12.1 The policy of the trustees in respect of payment of allowances must be openly available to all. The Trustees must consider the payment of allowances annually, and the outcome must be recorded appropriately in the minutes.

12.2 , "It is good practice to pay such allowances as governors should not be out of pocket for the valuable work they do".

12.3 Legitimate allowances include: travel allowances to Trustees, Committee meetings or training courses, cost of child-care while attending meetings or / training, cost of photocopying / printing papers for Trustees business.

12.4 The Charity will reimburse mileage expenses to Trustees for journeys at a rate in accordance with the limitations set out by HM Revenue & Customs.

12.5 Rates of subsistence will be paid up to the rates below, will not include claims for alcohol and must be supported by receipts. The same conditions apply as set out in section 2.7 covering mileage and subsistence.

Breakfast	£5
Lunch	£7.50
Evening Meal	£15

12.6 Authorisation of Trustee's expenses will be by the Chair of the Trustees. Claims by the Chair of the Trustees will be authorised by both the Vice Chair of the Trustees and the Chair of the Finance & Audit Committee. Where a separate Finance & Audit Committee does not exist the Trustees will appoint a second authorising Trustee.

## 13. TRUSTEES' WHISTLEBLOWING POLICY

Existing good practice within the charity in terms of its systems of internal control, both financial and non-financial and the external regulatory environment in which the charity operates will ensure that cases of malpractice rarely occur. This whistleblowing policy is provided as a reference document to establish a framework within which issues can be raised confidentially internally, and if necessary outside the management structure of the charity. This document is a public commitment by the Trustees that concerns are taken seriously and will be acted upon.

### 13.1 Trustees' Statement

13.1.1 The Trustees of The Institute for Research in Schools are committed to tackling all forms of malpractice, fraud etc. and treat these issues seriously. The Trustees recognise that some concerns may be extremely sensitive and have therefore developed a system which allows for the confidential raising of concerns within the charity environment but also has recourse to an external party outside the management structure of the charity.

13.1.2 The Trustees are committed to creating a climate of trust and openness so that a person who has a genuine concern or suspicion can raise the matter with full confidence that the matter will be appropriately considered and resolved. The provisions of the policy apply to matters of suspected malpractice and fraud and not matters of more general grievance which would be dealt with under the charity's grievance procedures.

### 13.2 Background and Context

This policy on 'whistleblowing' has the following background and context:

(a) Any version of the code adopted by the Trustees will form part of the Conditions of Employment. The code currently states:

"Charity employees are expected to give the highest possible standard of service to the public through the performance of their duties. Employees will be expected through agreed procedures and without fear of recrimination, to bring to the attention of their line manager any deficiency in the provision of service. Employees must report to the appropriate manager any impropriety or breach of procedure."

(b) The legal background relating to "whistleblowing" is covered by the Public Interest Disclosure Act 1998 which affords protection against dismissal penalty where an employee discloses in good faith, with reasonable grounds for belief in the disclosure, certain information relating to the following examples:

Malpractice	Fraud
Failure to comply with legal obligations	Manipulation of accounting records / finances
Child protection issues	Inappropriate use of charity assets / funds
Miscarriages of justice	Decision making for personal gain
Criminal offences	Abuse of position to influence decisions
Danger to Health & Safety	Fraud and deceit
Damage to the environment	
Concealment of evidence relating to the above	

(c) This policy sets out the agreed procedures that should be followed where employees have concerns about what they regard as such impropriety or neglect of duty. Such breaches of acceptable standards may be in relation to ethical or professional standards, as well as the charity's expectations on money, gifts, hospitality,

health and safety and welfare, equal opportunities, relationships and outside interests. The Code of Conduct gives greater details.

(d) This procedure should be used where concern is about the consequences for other employees or the public. If the concern is about the individual being disadvantaged, by the action or failure to take action, then that should be pursued through the Charity's Grievance Procedure.

### **13.3 What Should an Individual Do if "Whistleblowing"?**

13.3.1 Judgement will need to be exercised here if the inaction or lapse of standards seems to be minor, then it may well be sufficient just to bring the matter to the attention of the employee who appears to be at fault.

13.3.2 If the matter is more significant, particularly if it involves breaches of the charity's Code of Conduct or where a previous informal response has been apparently disregarded, then the matter should be raised formally with the line manager and as a matter of urgency if it appears serious. If given verbally, confirmation of the complaint should be made in writing as soon as possible.

13.3.3 Where the complaint concerns the line manager, or having made the report it is believed that appropriate action has not been taken then the complaint should be brought to the attention of a more senior manager.

13.3.4 If it is believed that fraud, theft or other potential gross misconduct is involved; the matter should be raised quickly as mentioned above. It must not be mentioned to the subject of the complaint or other colleagues as this could prejudice subsequent investigation.

13.3.5 The Charity must notify the Charities' Commission of any instances of fraud or theft where the value exceeds £5,000.

13.3.6 Where there are genuine and justified suspicions of wrong doing, even though at the time of "whistleblowing" there is no concrete evidence of serious wrong doing, this should not deter anyone from going ahead and reporting the matter, particularly where it may involve potential risk to vulnerable people.

13.3.7 The Trustees encourages the "whistleblower" to raise the matter internally in the first instance to allow those charity staff and governors in positions of responsibility and authority the opportunity to right the wrong and give an explanation for the behaviour or activity.

The Trustees has designated a number of individuals to specifically deal with whistleblowing and if the "whistleblower" feels that appropriate action has not been undertaken after following the actions in paragraphs (b) and (c) above then the matter should be referred to one of the individuals shown below:

Director of Operations  
Chair of Trustees

13.3.8 The "whistleblower" may prefer to raise the matter in person, by telephone or in written form marked "private and confidential" and addressed to one of the above named individuals. All matters will be treated in strict confidence and anonymity will be respected wherever possible. Alternatively if the "whistleblower" considers the matter too serious or sensitive to raise within the internal environment of the charity, the matter should be directed to the Charities Commission. [whistleblowing@charitycommission.gsi.gov.uk](mailto:whistleblowing@charitycommission.gsi.gov.uk).

13.39 In addition, information and advice can be obtained from the charity – 'Public Concern at Work'. This charity offers free legal advice in certain circumstances about serious malpractice at work. Their literature states that matters are handled in strict confidence and without obligation. Contact details for the charity are as follows:

Public Concern at Work  
3<sup>rd</sup> Floor, Bank Chambers

### 13.4 What Should a Line Manager Do When a Complaint is Received?

13.4.1 It is essential that problems raised are tackled effectively and quickly and with the aim of righting wrongs, this may well be best achieved in many less serious cases by discussion with the “offending” employee and securing a commitment as to future standards and corrective action. In other more serious cases, the matter may well have to be referred to a senior manager. It may be necessary to instigate disciplinary proceedings.

13.4.2 Complaints received from outside of the charity environment must be dealt with by following the procedures as outlined in the charity’s own Code of Conduct/Customer Care Code of Practice. Any written complaint / allegation should be given a written acknowledgement and confirmation that the matter will be looked into. Unless clearly made in a very low key way about minor matters, verbal complaints/allegations should receive a written acknowledgement in the same way.

In the event of the allegation being of a serious nature e.g. relating to a fraud or other gross misconduct offence, there may well be a need to involve other organisations immediately – see paragraph no. 13.45. This should normally be agreed initially by the Chair of Trustees and/or the Director of Operations who, in turn, should keep the Bursar informed.

13.4.3 When any complaint or allegation has been looked into and resolved or dealt with, the person who raised the matter in the first instance should be notified – normally in writing unless common-sense indicates that it can be done more appropriately verbally. How much detail to provide in such cases is a matter of judgement.

### 13.5 Protecting “Whistleblowers” and Complainants

13.5.1 “Whistleblowers” have an expectation that their identity can be kept concealed. In the majority of cases this may be possible, but in more serious cases where disciplinary action may have to be taken against an individual, it may well be judged that they have a right to know the source as well as the nature of such complaints. In any case the Trustees is committed to doing as much as possible to ensure that the wellbeing of the “whistleblower” at work does not suffer as a result of the tensions that may result from the making of or investigation of complaints.

13.5.2 Individuals are encouraged to bring to the attention of their managers any harassment or victimisation they may suffer as a result of whistleblowing. All necessary action will be taken to ensure that such harassment or victimisation is stopped.

13.5.3 It may be that “whistleblowers” will find the process of reporting wrong-doing and making statements etc. stressful, particularly where there may be feelings of divided loyalties. In such cases the opportunity should be given for the “whistleblower” to talk through these anxieties and feelings, either with their manager or possibly, someone from an external counselling service. The Trustees encourages this action.

### 13.6 Individuals Receiving a Complaint About Themselves

13.6.1 If the complaint or allegation is at all significant or made in a formal way, particularly by a member of the public or other external users, then the line manager, or Chair of Trustees in the case of a Director of Operations, should be informed even if it is believed that the complaint is groundless or unjustified.

13.6.2 Where a complaint or “grumble” clearly does not justify the issue being pursued in this way, then a brief file note or diary entry will often be appropriate and in the best interests of the individual.

### **13.7 A Sense of Perspective**

As stated in the Code of Conduct, all staff have an obligation under the code to raise concerns where it is seen that proper standards have clearly been breached or ignored. Nevertheless it is important that where deficiencies in service provision standards are involved rather than in areas of malpractice, staff should satisfy themselves that the failing is serious and that the potential disadvantage to the charity or public is significant. Any unnecessary over-zealous reporting might be inappropriate and counter-productive. However, Trustees re-iterate that individual staff members are encouraged to raise genuine concerns with the knowledge that they will be taken seriously.

### **13.8 Malicious Accusations**

If on investigation, it is considered that an individual has made malicious allegations without any real substance, then these too will be taken seriously and may constitute a disciplinary offence or require some other form of penalty appropriate to the circumstances.

## **14. INTERNAL CONTROLS**

### **14.1 Introduction**

The charity's system of internal financial control is based on a framework of regular management information and administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting and monitoring systems with an annual budget and periodic financial reports which are reviewed and agreed by the Trustees
- regular reviews by the Finance & Audit Committee of reports which indicate financial performance against the forecasts and of major purchase plans, capital works and expenditure programmes
- setting targets to measure financial and other performance
- clearly defined purchasing (asset purchase or capital investment) guidelines
- delegation of authority and segregation of duties
- identification and management of risks

### **14.2 Responsibilities**

14.2.1 The accountants are responsible for carrying out monthly bank statement reconciliations for all bank accounts within one week of receipt. All discrepancies are to be investigated immediately and reported to the Director of Operations and, if appropriate, the bank.

14.2.2 The accountants are responsible for completing the monthly VAT returns in the prescribed format and forwarding them to the HMRC

14.2.3 The Director of Operations is responsible for periodically checking the following (at least once per term, ideally once per month), and signing and dating to confirm that the checks have been made:

- All payments made to suppliers have been correctly authorised
- No payments have been made that could be classed as 'fee payments' to individuals without completing the necessary checks to confirm self-employed status
- Income received by the charity can be traced from source to financial system entry and bank statement
- Bank account reconciliations are being completed each month for all charity bank accounts
- The funding budget entered on the charity's financial accounting system is reconciled promptly to the sources of income,
- VAT returns are being submitted on time
- Direct debit and standing order arrangements are appropriate and have been correctly authorised
- Individual staff salary payments are reconciled to the employee's contract on a regular basis (at least each term)
- All balance sheet accounts i.e. Creditors, Debtors, control accounts are reconciled each month.

### **14.3 Separation of Duties**

It is the responsibility of the Director of Operations to ensure that key financial duties are properly separated between individuals. Functions to be separated between staff will include:

- Execution – the placing of an order and receipt of goods and services, and the charging and receipt of a fee.
- Authorisation – the authorisation of transaction such as a purchase order and the payment.
- Payment – the raising of cheques / BACS and cheque / BACS signatories.
- BACS payments – Creation and amendment of Supplier's bank details must be double checked.

- Custody – the holding of goods and services.
- Recording – the completion of the accounting records
- Post transaction management checking– reviewing previous transactions to identify errors or intentional manipulation
- Income collection process must adhere to the regulations laid out in section 9 of this document, including appropriate separation of duties.

It is accepted that the governors are aware of the need for separation of financial duties, however due to the small size of the charity there are insufficient staff to separately perform these tasks, therefore extra additional checks will be made by the Director of Operations or a nominated member of the Trustees.

## 15. INSURANCE

15.1 The Trustees must ensure the charity has adequate insurance cover to support its activities and to comply with statutory requirements. Unless otherwise agreed with the Charities' Commission, this should include cover as follows:

- buildings and contents of the charity, in accordance with normal commercial practice or under the terms of any leases held by the charity, against damage by subsidence, fire, lightning, explosion, storm, flood, riot, malicious damage, terrorism and similar risks, and theft.
- business interruption, for example to provide alternative temporary accommodation (suggested minimum cover £10m):
- employer's and public liability cover against the governors' responsibility for injury or illness of staff of third parties, or damage to third party property (suggested minimum cover £50m each);
- cover required by statute for vehicles operated by the charity
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15.2 Other insurance cover to be arranged should include:

- libel and slander
- cash in transit
- personal accident
- fidelity guarantee
- off-site activities insurance, covering comprehensive travel risks for official trips and activities taking place off site
- insurance for hirers
- cover for extra costs arising from a major disaster or tragedy over and above normal business interruption provision such as counselling services for pupils
- staff sickness insurance
- engineering inspection contract to cover statutory inspection requirements relevant to lifts, boilers, air receivers and fume cupboards etc.

15.3 It is the responsibility of the Director of Operations to arrange and renew insurance for the charity.