

Financial Policy

The Board of Trustees of Thurso Community Development Trust are responsible for maintaining proper accounting records and preparing financial statements which give a true and fair view of the state of the Trust's finances to comply with Charities regulations and law in Scotland, and to ensure that the proper financial controls are in the place. The Board of Trustees can delegate control to the Treasurer or Development Manager of the Trust, but it cannot delegate ultimate responsibility.

The Treasurer of the Trust will be responsible to the Board of Trustees for ensuring that the agreed policies are implemented. The overall responsibility for ensuring proper financial management rests with the Board of Trustees.

The **Development Manager/Treasurer** is responsible for performing the tasks, which constitute the finance functions within the Trust and for keeping the Chairperson and the Board of Trustees informed of the Trust's financial position. It is the responsibility of the **Development Manager/Treasurer** to ensure the monitoring of the finance functions and that the Board of Trustees is informed of financial matters falling outside the delegated authority of the **Development Manager/Treasurer**.

Ultimately, the Board of Trustees is responsible for ensuring that these financial procedures are followed in all aspects of the Trust's work and that the Trust is adequately resourced.

Changes to these procedures can only be made with the approval of the Treasurer, who must report such changes to the Board of Trustees.

All documents relating to finance required for audit will be retained for a minimum of six years. In some circumstances, financial documents will be retained for longer periods upon the request of public funding authorities for specified public funded programmes.

FINANCIAL CONTROLS ARE NECESSARY IN ORDER TO:

1. Ensure that the financial affairs can be controlled.
2. Show that financial resources can be appropriately accounted for
3. Show that neither staff or Board of Trustees are negligent
4. Reduce the risk of fraud
5. Reduce the personal financial risk of the Board of Trustees

INTERNAL FINANCIAL CONTROL

Thurso Community Development Trust must comply with:

- Charities and Trustee Investment (Scotland) Act 2005
- The Charities Accounts (Scotland) Regulations 2006
- Charity SORP 2005 & 2014 (Statement of Recommended Practice)
- The Charities References in Documents (Scotland) Regulations 2007
- The Charities Reorganisation (Scotland) Regulations 2007
- The Charities and Benevolent Fundraising (Scotland) Regulations 2009
- The Scottish Charitable Incorporated Organisations Regulations 2011

- The Scottish Charitable Incorporated Organisations (Removal from Register and Dissolution) Regulations 2001
- The Charities Restricted Funds Reorganisation (Scotland) Regulations 2012
- All legal and regulatory frameworks in relation to Inland Revenue
- Laws on trading, political activities and fundraising

FINANCIAL REPORTING

Financial records will be maintained so that Thurso Community Development Trust can:

1. Meet its legal and other obligations e.g. Charities Acts, Inland Revenue, Scots law
 2. Enable the Board of Trustees to have control of the Trust's finances
 3. Enable the Trust to meet contractual obligations and requirements of funders
 4. Enable Thurso Community Development Trust to deliver a high quality service to the community through our projects
- The Trust will keep proper accounting records, including
 1. Documentation such as invoices issued and received, income received,
 2. Receipts for goods/services requisitioned
 3. Funding claim documentation including remittance advice
 4. Petty cash
 5. Expense claims
 6. Payroll

The financial year will end on 31 March

Accounts will be drawn up after each financial year; Audit of Financial Statements will be completed within six months of the end of the year and presented to the next Annual General Meeting.

Before the start of each financial year, the Board of Trustees will approve a budgeted Income and Expenditure for the following year.

The **Treasurer/Development Manager** will be responsible for maintaining an up to date computerised accounting system

The **Treasurer/Development Manager** will be responsible for producing a monthly reconciliation of the bank statement and updating the income/expenditure balance sheet for Board reporting.

The **Development Manager** is responsible for producing a quarterly Management Account including funding budget control report, balance sheet and narrative report against each Trust project.

ASSESSING AND MANAGING RISK

The **Treasurer/Development Manager** has overall responsibility for monitoring risk and must keep the Board of Trustees informed where there are potential difficulties emerging.

All new major commitments including developing projects, major contracts and new activities shall

INDEPENDENT EXAMINATION AND AUDIT

The Board of Trustees is responsible for the appointment of an independent examiner or auditors dependent on the income level of the Trust. The purpose of the annual independent examination of audit is to examine the books and records of the Trust to ensure that its interests are protected and that it has sound systems of financial controls and accountability.

The Independent Examiner/Auditors report to the Board of Trustees on:

1. The soundness, adequacy and application of internal control
2. The extent to which the Trust's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud and other causes
3. The suitability and reliability of financial information

The Independent Examiner/Auditor shall have access to all of the Trust's financial and other records.

Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash or other property of the Trust or any suspected serious irregularity in the exercise of the Trust's procedures, the Chairperson must be notified immediately by the person making the discovery whether staff, independent examiner, volunteer or Board member.

AUTHORISATION

All revisions to cheque signatories and new bank accounts shall be approved by the Board of Trustees

Electronic banking administrator and electronic signatories (online/BACS) shall be approved by the Board of Trustees

The budget-holder for funded projects is determined to be the Development Manager who reports to the Board of Trustees on the management of these funds

The budget-holder for the general operations and fundraising of the Trust is determined to be the Trust Treasurer who in turn reports to the Board of Trustees

The Development Manager should not delegate responsibility for project budgets to other members of staff

Non budget holders must not incur expenditure without the express authorisation of the particular budget holder.

No staff member can authorise payment to themselves, his or her partners or relatives

No Board member can authorise payment to themselves, his or her partners or relatives

All invoices must be authorised for payment by the appropriate budget holder

No payment shall be made without verified and authorised invoice the the budget holder

AUTHORISATION TO WRITE OFF BAD DEBTS

Where there are arrears deemed as non-recoverable, the Treasurer/Development Manager may recommend to the Board that the debts be written off. Bad debts will be merged together and presented once a year to the Board of Trustees, and twice only in exceptional circumstances.

BANKING

The Trust banks with:

Bank of Scotland

The Trust maintains the following bank accounts:

Thurso Community Development Trust – Treasurers Account

The Bank mandate (list of people who can sign cheques on the Trust's behalf) will always be approved and minuted by the Board of Trustees should changes occur.

All cheques and /or electronic payment require two signatories. It is the responsibility of the signatories to check for arithmetical accuracy and to ensure that the payment is supported by adequate authorisation and documentation.

The Trust will require the bank to provide statements every month.

All communications, especially those which have financial implications, with the bank must be supported by a written record.

Bank accounts are reconciled monthly and entered to the balance sheets/income and expenditure reporting.

No signatory signs for a cheque or electronic payment made out to themselves, to their partner or a relative unless it is a group payment such as monthly salaries.

All bank accounts have an official titles and no account must ever be opening the name of an individual.

The Treasurer/Development Manager is responsible for taking any steps which may be necessary to protect the financial interests of the organisation pending receipt of instructions from the Board of Trustees.

BUDGET SETTING AND BUDGETARY CONTROL:

Currently the work of the Trust is via set funding criteria budgets having been awarded. Budgets are therefore set via current funding awards.

However, as earned income and unreserved funds increases the Board will be required to manage and set annual budgets. The budget is set as far as possible to allow the Trust to carry out the objectives set for the year by the Board of Trustees. Prior to presenting a first draft of the annual budget, the Development Manager is required to consult with the Board of Trustees about the objectives for the Trust for the coming year.

The budget is drawn up according to the following principles:

1. Consultation with budget holders on the level of activity in their area of operation in the following year.
2. Consideration of funding levels within funded projects.
3. Consideration of new items, which should be included in the budget in order to achieve the objectives.
4. Consideration of income levels, including grant income.

5. The need to achieve the level of surplus indicated by the Board of Trustees.

No expenditure is incurred by the Trust, which is not included in the budget unless prior approval is sought from the Board of Trustees. In exceptional circumstances only the Chair and Treasurer can both be asked to authorise emergency expenditure, which is outside the budget up to a limit of £200. Such action must be reported to the next Board of Trustees meeting. Any items over £200 must be authorised by the Board.

Each budget holder is responsible for controlling spending within the budget line delegated to him/her. Each budget holder will monitor expenditure monthly.

INCOME

The organisation received income either by BACS, Cheques or cash in the following forms:

- Grant income
- Donations
- Fees and contributions – e.g. advertising fees
- Miscellaneous Income
- Fundraising events

All remittance advice from Funders must be kept and filed correctly

Cheques should be paid in within 5 working days

A record of income received shall be kept via Bank of Scotland Pay in ledgers

Cash should not be kept on the premises and should be banked at the earliest opportunity.

All exercises in cash counting from events should be carried out by at least two responsible people from the Board of Trustees and staff

All cash pay in's must be signed and recorded for in Pay in ledgers

No deduction of expenses must occur from cash fundraising events. The full amount should be paid into the bank and proper and correct expenses claims carried out for any expenses incurred.

PAYMENTS

The normal method of payment for grants, goods or services and preferred method in every circumstance is BACS (electronic/online) payments. In exceptional circumstances a cheque can be raised to make payment.

No cheques of electronic payment will be signed without original supporting information including verified and authorised invoice/payment request.

An original invoice will support every payment out of the organisations bank accounts.

The authorised signatory method for cheque payment must be either:

1. Any two Board members, or
2. Any one staff member accompanied with a Board Member

PETTY CASH

The Trust maintains a petty cash system with a float of £100.

Petty cash is to remain locked behind two locking systems at all times. The float will not be used without the Development Manager's approval and in any event not above £20 for cash payments which should otherwise be covered by BACS/Cheque payment for greater accountability.

Petty cash will not be issued without the production of an appropriate receipt or requisition form from staff.

Staff must have authorisation from the Development Manager before requesting petty cash.

Petty cash will be reconciled on a monthly basis.

Under no circumstances will petty cash be topped up by cash income.

EXPENSES

Claims for travel and other expenses should be made on the standard Expense Claim Form.

All claims must be supported by receipts.

All expenses must fall into an agreed budget for travel and expenses as considered by funding budgets.

Expenses will be paid monthly.

All expenses claims payments will be made via BACS.

INSURANCE

The Chairperson will be responsible for ensuring that the following insurance policies are in place and that adequate property and liability cover is in place for the Trust to carry out business with minimal risk.

1. Public liability
2. Employers liability
3. Insurance to cover all TCDT locations

Insurance cover will be reviewed regularly with Insurance Brokers and a formal report and recommendations for change to cover (prior to the annual renewal date) must be submitted to the Board of Trustees for approval.

The Chairperson is responsible for making necessary claims against insurance policies.

ASSETS

An asset register must be kept of the Trust's property.

The Development Manager is responsible for ensuring an up to date asset register is in place for all Trust property.

The asset register must be reviewed at six monthly periods to ensure compliant and correct.

SALARIES AND PENSIONS

The payroll is processed by Development Manager/Treasurer using HMRC basic tools and recording payroll data electronically.

Salaries are paid monthly on the last working day of each month.

It is the responsibility of Development Manager/Treasurer to ensure that the payroll record is complete and updated with written authorisation or instruction to carry out the following;

1. Add new employees
2. Absence from work
3. Changes in remuneration including incremental increases
4. Maternity and sickness leaves

All employees are entitled to a pension contribution from the Trust of 3% of salary. These contributions are calculated as 3% of the employee's gross pay for the month that the contribution is being made.

The Trust is part of and operates the NEST Pension Scheme and all qualifying employees are automatically enrolled on commencing employment as per statutory regulations. All other employees are welcome to join the pension scheme providing personal preference.

STATUTORY RETURNS

Statutory returns will be made to the Office of the Scottish Charity Regulator. HMRC and other statutory bodies.

The Chairperson, Treasurer and Secretary and other authorised officers will sign the statutory returns.

The Board of Trustess is required to approve the Statutory Accounts prior to submission to the Office of the Scottish Charity Regulator and other statutory bodies.

Where required, Statutory Returns will be endorsed by the Trust's external auditors.

OTHER RULES:

The Trust will adhere to good practice in relation to its finances at all times and will endeavour to operate legally at all times.

The Trust will conduct its affairs having regard to its accountability to the public arising from its funding.

Generally accepted good practices, wherever not explicitly stated here, will be adopted.

