

## FINANCIAL PROCEDURES

1. **Introduction:** This document sets out the procedures and processes that should be followed to ensure the proper control of finance. While the Treasurer has been assigned specific responsibilities by the Board, all Charity Trustees and Members of Committees and Working Groups are responsible for ensuring that finances are properly controlled and administered.
2. **Walk-Through:** The following section describes the overall financial process, from project inception to satisfactory completion. Some steps may be omitted, in particular circumstances.
  - 2.1. **Project Inception:** A project can originate from the Board or from a proposal made to the Board by a committee. In all cases the project requires approval from the Board before it can proceed. Such projects are referred to as Approved Projects. Each Approved Project shall normally be in the hands of named individuals under the administration of a Committee or a Working Group. A separate document lists current Approved Projects.
  - 2.2. **Estimates of Income and Expenditure:** For each Approved Project, a budget requires to be drawn up and approved by the Board. The budget should include a reasonable estimate of the likely costs that will be incurred and any income that is likely to be raised. Estimating costs may require quotations to be obtained. Income can include grants, donations, sales revenue etc. When the budget has been approved by the Board, it is referred to as the Agreed Budget.
  - 2.3. **Cost Estimates and Quotations:** Sometimes there is only one obvious supplier and the cost is fixed, but often there is a choice. Where there is a choice, the relative merits of several potential suppliers: cost, quality, delivery performance etc. should be considered before an order is placed.

**Approved Suppliers:** An Approved Supplier is one whom the Board or its committees are familiar with, who in the past has given good service in respect of quality of goods, delivery and who's prices are comparable with the competition. From time to time the Board and its committees are required to undertake a review of the current market and make changes to its Approved Suppliers if they consider it beneficial to do so. The Secretary shall maintain a list of current Approved Suppliers and all changes to this list require to be approved by the Board before any orders are placed with them.

In the case of recurring budgeted expenditure, like the annual supply of plants, an Approved Supplier may be used without additional Board approval, subject to continuing satisfactory performance and a quotation being received which is considered reasonable compared to the budget and previous costs for similar items.

For non-recurring items, if the expenditure is over £1,000, and there is a choice of supplier, then several suppliers - typically three (3) - should be asked to quote. All quotes received should be evaluated but the order should not necessarily go to the cheapest, as other issues, like supplier reputation, quality and delivery are also important.

- 2.4. **Purchase Orders:** Apart from "off the shelf" items, it shall usually be necessary for LBT to place a purchase order. This is an important step as it commits LBT to the purchase. Only those who have been authorised to place purchase orders may do so.
- 2.5. **Receipt of Goods and Services:** It can be extremely difficult to get a refund a long time after goods have been accepted or services delivered. It is therefore important to assess the goods or services at the time of delivery and to confirm that everything is satisfactory.
- 2.6. **Payment:** Goods or services that have been satisfactorily received should be paid for within the supplier's terms. There are several possible payment methods:
  - 2.6.1. **Expenses:** Small value "off the shelf" purchases can be paid for by the person making the purchase and reclaimed later as expenses. This payment method is limited to total

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purchases valued at under £20 for items that have not been approved in advance or to a maximum of £200 for the purchase of approved items within the Agreed Budget. In all cases a completed Expenses Claim Form, signed and dated by the claimant and approved by a Trustee, should be submitted to the Treasurer with vouchers (till receipt, invoice etc.) showing the cost of the items purchased. When satisfied, the Treasurer shall settle expenses by cheque or in cash.

- 2.6.2. **Private Car Use:** People often use their private cars for LBT business without making any claim for the expense incurred. If a person decides to claim expenses for private car use on approved LBT business then the claim shall be limited to £0.50 per mile. The rate per mile shall be reviewed annually by the Board.
- 2.6.3. **Cash:** The Treasurer may provide a cash advance. In these circumstances the purchase voucher must be returned to the Treasurer, along with any change.
- 2.6.4. **Invoice:** The person who placed the order should also receive the invoice and should sign it to verify that goods or services have been received satisfactorily and that it can be settled. The Treasurer shall then pay the supplier by cheque or by BACS.
- 2.6.5. **Credit Account:** LBT may agree to credit terms with some suppliers. In these circumstances the cost shall be added to LBT's account, which can be settled periodically by the Treasurer either by cheque or by BACS. It is important that vouchers for anything purchased on account should be signed, to confirm that the goods or services were received satisfactorily, and passed to the Treasurer.
- 2.6.6. **On-Line Payment:** The Treasurer may make arrangements for on-line purchases to be paid for using an LBT credit or debit card, PayPal, BACS or other means of payment that has been agreed by the Board.
- 2.7. **Deviations from Budget:** As the project proceeds, actual costs and income become fixed or more clear and significant variances from the Agreed Budget may become apparent. In these cases, a revised budget should be submitted to the Board for approval. If the revised budget is approved, it becomes the Agreed Budget. The treasurer shall retain a record of the previous budget values.
- 2.8. **Project Conclusion:** At the end of the project it is a good idea to issue a final report, including a comparison of the actual costs against the original budget and to make assessments of how well the project was implemented. Lessons can be learned for improving future projects. Suppliers can be re-assessed for value, quality and reliability.

### 3. Treasurer's Duties

- 3.1. **Approval and Payment:** Before making payment, the Treasurer shall make sure that all expenditure has been properly vouched and approved. Cheques require to be signed by two designated signatories. BACS or other electronic payments can be made by the Treasurer subject to on-line approval from another designated signatory. The Treasurer may issue a cheque book to an authorised signatory and may delegate payment to them, subject to approval by two designated signatories. They shall make sure that all expenditure has been properly vouched and approved, notify the Treasurer, without delay, of all cheques issued and pass approved vouchers to the Treasurer for retention.
- 3.2. **Coding and Book-keeping:** The Treasurer may require relevant account codes to be assigned at the time of approval. The Treasurer shall enter all expenditure and income receipts, with relevant account codes, into the Cash Book that forms the basis of the accounting system.
- 3.3. **Banking:** Income received shall be banked without undue delay. The Treasurer may bank income or it may be banked by the recipient, who shall notify the Treasurer and pass the bank receipt to the Treasurer for retention.

- 3.4. **Financial Records:** The Treasurer shall maintain a complete record of all bank statements, expense claims, invoices, receipts, other vouchers, cheque stubs, pay in receipts and other financial documents.
  - 3.5. **Reconciliation:** The Treasurer shall reconcile the monthly bank statements with the Cash Book and shall investigate and resolve any discrepancies.
  - 3.6. **Management Accounts:** The Treasurer shall issue periodic accounts to the Board, showing spend to date against the Agreed Budget.
  - 3.7. **Project and Committee Accounts:** As approved by the Board, the Treasurer may issue periodic accounts relating to specific projects or relating to a particular committee.
  - 3.8. **Annual Accounts:** The Treasurer shall compile Financial Statements, to 31 August each year, in the format required by OSCR, and shall arrange for them to be examined by an Independent Examiner. Along with the Annual Report and the Independent Examiner's Report, the Financial Statements shall be submitted to OSCR, with as part of the Annual Return. The Annual Report, Financial Statements and Independent Examiner's Report shall be circulated to the Members of LBT before the AGM. A copy of the Annual Report, Financial Statements and Independent Examiner's Report shall be made available to anyone who requests them.
- 4. Alterations**
- 4.1. This document may only be altered by the Board.