



**Argyll and Bute Third Sector Interface
Sample Financial Procedures Manual**

FINANCIAL PROCEDURES MANUAL

Applicable to staff and volunteers

Approved by Executive Committee: **DAY MONTH YEAR**

Reviewed: **DAY MONTH YEAR**

Review Date: **MONTH YEAR**

Argyll and Bute Third Sector Interface | 01369 700100 | support@argylltsi.org.uk

Argyll and Bute Third Sector Interface is a Company Limited by Guarantee in Scotland No. SC277345
Scottish Charity No. SC029947

Registered office: c/o Edward Street Community Centre, Edward Street, Dunoon PA23 7PJ



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1. INTRODUCTION

- 1.1. **NAME OF ORGANISATION** is the brand name of the **[insert]**, a company limited by guarantee, company number **[insert]**
- 1.2. **NAME OF ORGANISATION** is responsible for **[insert]**
- 1.3. **NAME OF ORGANISATION** financial year is from **[insert]**
- 1.4. This document is designed to provide guidance in the standard financial procedures performed by **NAME OF ORGANISATION**
- 1.5. The financial procedures manual is to be updated whenever a change has occurred. This manual is to be reviewed annually, and adjusted where necessary.



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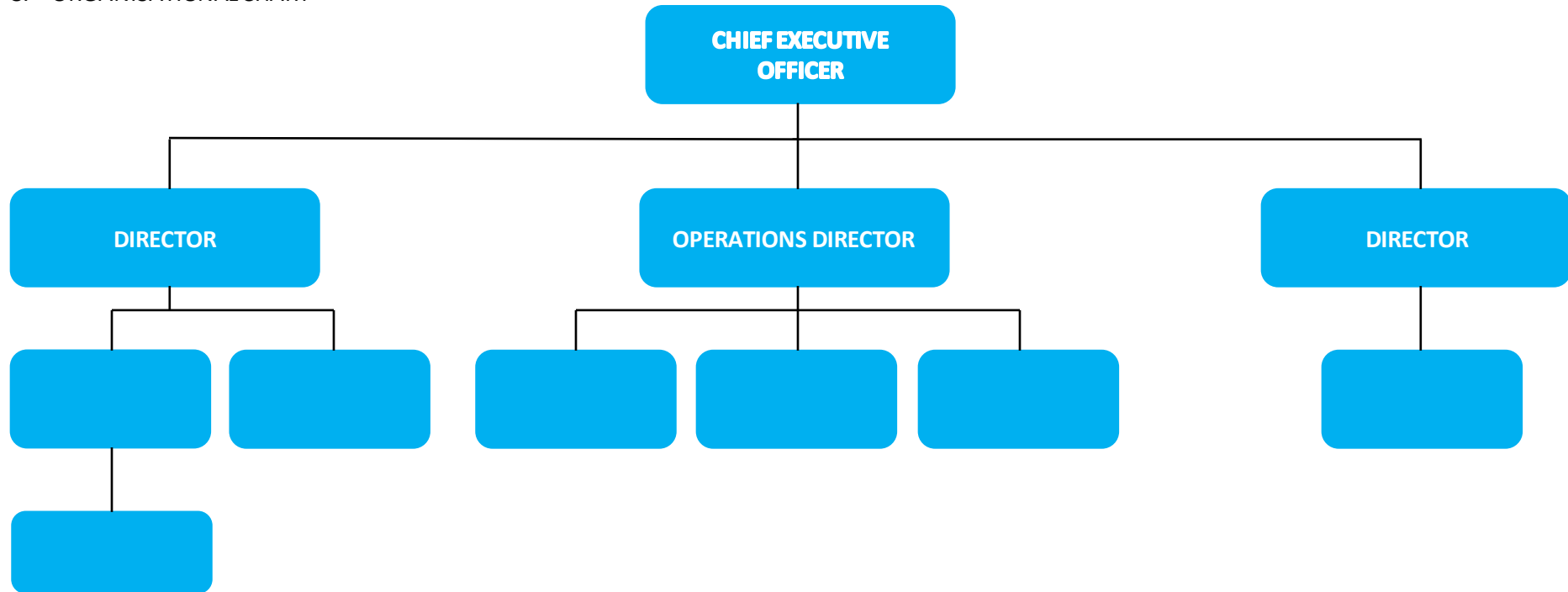
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3. ORGANISATIONAL CHART



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4. ACCOUNTING SOFTWARE

- 4.1. The NAME OF ORGANISATION maintains its accounting records using [insert] accounting software, maintained by [insert]. Back-ups are done every day.
- 4.2. The accounting program is password protected, with user access only granted to authorised personnel: [insert]
- 4.3. This system is to be reviewed annually to determine if it meets the needs of NAME OF ORGANISATION accounting requirements.

5. MANAGEMENT ACCOUNTS

- 5.1. NAME OF ORGANISATION uses [insert] to analyse its financial activities.
- 5.2. New accounts and departments should be set up by the Operations Director having satisfied themselves of their necessity.
- 5.3. The basis of the management accounts is to be reviewed on a regular basis to determine if it meets the needs of NAME OF ORGANISATION.

6. RECEIPTS

- 6.1. Upon receipt of funds, a banking deposit slip is created detailing the amount received, and whom the funds were received from.
- 6.2. Ideally receipts should be banked daily, because of the nature and size of NAME OF ORGANISATION activities banking daily may not be realistic.
- 6.3. All amounts received should be banked intact. Payment of expenses should not be made from funds received.
- 6.4. When banking is not performed daily, any cheques and cash on hand should be stored the safe.
- 6.5. Any remittance advices or other documents accompanying the receipt should be retained and filed in the sales invoice file.
- 6.6. Amounts received should be posted into the accounting software weekly.
- 6.7. When amounts are received for the payment of invoices, the office copy of the invoice should be annotated to indicate that it has been paid.

7. BANK RECONCILIATION

- 7.1. A bank reconciliation must be prepared for each bank account at the end of each month.
- 7.2. After review, the Operations Director should sign the reconciliation and return it to the Finance Officer for filing.
- 7.3. Any cheques, which remain outstanding for a period greater than 6 months should be reviewed and written back where necessary.
- 7.4. Any differences between the nominal ledger and the bank balance are not to be written off, without careful investigation and explanation of the difference to the Operations Director.

8. PURCHASE ORDERS

- 8.1. A purchase order must be completed for the supply of goods with a value of greater than [insert] but less than [insert]. For items [insert] or over, section 9 "Tendering Procedures" should be referred to. It should be noted that the limit above which tendering takes place should take into account the total amount to be spent. E.g. a consultant on a number of projects worth over [insert] in total.
- 8.2. The purchase order must contain details of the quote that has been received and the price quoted.

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- 8.3. All purchase orders must be authorised by the Operations Director before the order is placed. Where the amount on the order is more than [insert] the Chief Executive Officer will need to countersign the order.
- 8.4. Purchases that are repeated on a regular basis are not required to have individual purchase orders created each time a purchase is made.
- 8.5. All purchase orders are to be retained by the Finance Officer.
- 8.6. Once the invoice has been received for the supply of the goods, the purchase order must be matched with the invoice, and any differences investigated.
- 8.7. The purchase order should be attached to the invoice.

9. TENDERING PROCEDURES

- 9.1. Any purchases of [insert] or more (in total) with a single supplier must be submitted to tender.
- 9.2. Specifications for the purchase are to be drawn up by the relevant employee or budget holder.
- 9.3. Where possible a minimum of three written quotes should be obtained.
- 9.4. The Board or the Infrastructure Sub Committee will evaluate the quotes obtained. In the event of an equality of votes the Chair will have the casting vote.
- 9.5. Members with a financial interest in the tendering process will not be involved in the evaluation process.
- 9.6. Each quote will be reviewed and graded on a scale of 1 to 10 on the following criteria:
 - Value for money
 - Quality of goods/service provided
 - Reputation of supplier
 - Delivery or completion date
 - Maintenance, repair or support facilities
- 9.7. The quote with the highest total scores the highest for the above criteria will be accepted as the supplier of the goods or service.
- 9.8. All documentation generated as part of the tender process must be retained.
- 9.9. A one off tendering process can be performed for the provision of a service or supply of goods, which will be ongoing or on an irregular basis. e.g. travel, stationery, etc.

10. AUTHORISING AND REVIEWING EXPENDITURE INVOICES

- 10.1. Upon receipt of invoices, the Finance Officer should review the invoice, match with a purchase order (if available), investigate any discrepancies and check that it is authorised for payment in accordance with the responsibilities outlined in the budget.
- 10.2. Ultimately it is the responsibility of the Operations Director to ensure that invoices are posted to the correct nominal ledger codes.
- 10.3. Detailed invoice and payment processes are contained in Appendix 2.

11. PAYMENTS

- 11.1. See appendix 1 for details of the processes to be followed.

12. CHEQUE SIGNATORIES

- 12.1. All payments made by cheque must be signed and authorised as per the bank mandate.
- 12.2. On no occasion should blank cheques be signed.
- 12.3. The authorised cheque signatories are;
 - CEO

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- Chair
- Operations Director

12.4. The Signing limits on the bank mandate should be reviewed at least annually by the Executive Committee.

13. DIRECT DEBITS AND STANDING ORDERS

- 13.1. **NAME OF ORGANISATION** is permitted to pay recurring invoices and payments by either direct debit or standing orders, where possible.
- 13.2. Invoices paid by direct debit or standing orders should be reviewed and authorised annually by the Operations Director.

14. CREDIT CARDS

14.1. Credit cards are held by the following people and have the following limits ;

Position	Credit Limit (£)
Operations Director	£500.00
Director	£250.00

- 14.2. Credit cards will be used for **NAME OF ORGANISATION** business only. No items personal in nature must be purchased on these credit cards.
- 14.3. Cardholders must obtain an official receipt when purchasing items on the **NAME OF ORGANISATION** credit card.
- 14.4. At the end of each month, cardholders must forward all receipts obtained to the Finance Officer.
- 14.5. The Finance Officer must review the summary schedule accompanying the credit card statements and make the necessary adjustments. Original copies of the receipts must be attached to this schedule.
- 14.6. An analysis spreadsheet must be completed showing for whom the purchase was made and for what purpose. This is to agree to the credit card statement.
- 14.7. A print out of the spreadsheet is to be signed off by the Operations Director in the case of the office credit card.
- 14.8. Payment of credit cards is by direct debit. The Operations Director should ensure that the amount debited is correct.

15. FIXED ASSETS

- 15.1. **NAME OF ORGANISATION** will maintain a fixed asset register.
- 15.2. **NAME OF ORGANISATION** has determined that any asset with a value greater than £500 will be capitalised, any assets less than this value (unless part of a larger project) will be written off in the year of purchase.
- 15.3. The register will maintain an accurate record of the assets owned by **NAME OF ORGANISATION**, a record of the location of the asset, the purchase date, the purchase price and the assets written down value.
- 15.4. **NAME OF ORGANISATION** has adopted the straight line method of depreciation at the following rates:
 - o Computer equipment – 3 years
 - o Fixtures and fittings – 5 years
- 15.5. Copies of invoices for the purchase of assets will be filed in the asset register file.
- 15.6. Additions will be depreciated from the month of their purchase.
- 15.7. Any disposals will be accounted for in the month of disposal.



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- 15.8. At the end of each year the fixed asset register will be reconciled with the Fixed Asset Control Account in the nominal ledger.
- 15.9. An asset register form will be sent to the appropriate members annually. Each member will be required to document any fixed assets, which are under their control.
- 15.10. Once a year the Operations Director should conduct a physical check of fixed assets and agree them to the register. This is to be reviewed and signed off by the CEO.

16. DEBTORS AND INVOICES

- 16.1. **NAME OF ORGANISATION** maintains a Sales Ledger.
- 16.2. Invoices are manually prepared.
- 16.3. A Copy of the invoices is retained in the invoice file. Any documentation supporting the invoice should be retained.
- 16.4. The copy of the invoice is to be marked as paid when payment is received.
- 16.5. Each month the aged debtor listing is to be reviewed and any outstanding invoices chased for payment.
- 16.6. Before debtor invoices are written off, written authorisation should be obtained from the CEO.

17. INVENTORY

- 17.1. **NAME OF ORGANISATION** does not own any items, which could be considered as inventory.

18. ACCRUALS

- 18.1. The organisation has minimal accrued expenditure other than its normal creditors.
- 18.2. Accruals will be calculated as part of the month end process.

19. MANAGEMENT ACCOUNTS

- 19.1. Management accounts and accompanying commentary are to be prepared by the Operations Director the end of the second week of each month and reviewed by the CEO prior to being sent to the Board.
- 19.2. Management accounts are to be presented at all Board meetings.
- 19.3. The management accounts pack will consist of;
 - Profit and Loss
 - Balance Sheet
 - Comparison of Budget vs. Actual
 - Forecast to the end of financial year.
 - Commentary on variances and other assumptions.
 - Debtor and creditor statements
 - Cash flow statement
- 19.4. The CEO and Operations Director are to review the monthly management accounts and where necessary make any necessary suggestions, amendments and decisions.
- 19.5. A Memo will be produced which details any suggestions, discussions, amendments and decisions which arise from the management accounts. This memo will be filed with a copy of the management accounts.
- 19.6. Sample Management accounts are contained in Appendix 4.

20. AUDIT REQUIREMENTS

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- 20.1. **NAME OF ORGANISATION** is required under its constitution to have a yearly audit performed on its financial statements. This should be completed within three months of the end of the financial year.
- 20.2. **NAME OF ORGANISATION** should obtain an annual management letter from its external auditors at the conclusion of their year-end audit.
- 20.3. The Operations Director is responsible for implementing the recommendations and reporting to the Board. This report should be formally recorded in the Board minutes.
- 20.4. Audit and Accounting service should be put out to tender at regular intervals.

21. BUDGETS AND FORECASTS

- 21.1. A detailed budget for each year of operation must be presented to the Board by **[insert]** of the year preceding the budget period. A summary 3-year budget forecast must also be presented.
- 21.2. The Board will consider the budget and agree the budget for the following year.
- 21.3. Once the budget has been agreed by the Board it cannot be changed, except by the Board.
- 21.4. Formal forecasts are carried out quarterly and reviewed by the Board.

22. EMPLOYEE AND VOLUNTEER EXPENSES

- 22.1. Employees and Volunteers are required to complete an expenses claim form for all items in which they require to be reimbursed by the end of the first week of each month.
- 22.2. Expenses are to be authorised as follows:
 - For all employees and Volunteers by their manager (see Organisation Chart)
 - CEO by the Chair.
 - Chairman and Director by the Treasurer
 - Treasurer by the Chairman.
- 22.3. Details of the expenses procedure are contained in appendix 3.

23. SALARIES AND WAGES

- 23.1. The payroll is run by **NAME OF ORGANISATION**.
- 23.2. All staffing matters must be authorised by the CEO, both in relation to the hiring of new staff, changes of terms and conditions and salary amendments.
- 23.3. Salaries and Wages are paid monthly via direct debit by the **[insert]** of each month, or the working day before the **[insert]** if the **[insert]** falls on a weekend.
- 23.4. The Operations Director is responsible for the preparation of all statutory Inland Revenue documents.

24. DOCUMENT RETENTION

- 24.1. All financial documents will be retained for at least 7 years.

25. VALUE ADDED TAX (VAT)

- 25.1. **NAME OF ORGANISATION** is exempt from VAT.
- 25.2. **NAME OF ORGANISATION** should review its VAT situation annually.

26. BANK MANDATES

- 26.1. Bank Mandates should be retained for all bank accounts. The bank mandates should show;
 - Cheque Signatories for each account
 - Financial limits for each cheque signatories

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- Authorised officers for transferring funds between accounts/forms of investments and financial limits.

26.2. Authorisation levels should be reviewed annually.

27. INCOMING POST

- 27.1. All items of post will be date stamped.
- 27.2. All post will be opened by [insert] unless marked private and confidential in the case of CRB checks.
- 27.3. All payees to **NAME OF ORGANISATION** should be requested to make payments by cheque or electronic transfer, not cash.

28. INSURANCE

- 28.1. **NAME OF ORGANISATION** is to have adequate insurance coverage over all of its assets.
- 28.2. **NAME OF ORGANISATION** is to have adequate insurance coverage for public liability.
- 28.3. **NAME OF ORGANISATION** is to have adequate insurance coverage employee, director and volunteer indemnity.
- 28.4. **NAME OF ORGANISATION** is to have adequate insurance coverage for Business interruption.
- 28.5. The insurance period for **NAME OF ORGANISATION** starts on [insert].
- 28.6. Insurance coverage is to be reviewed regularly to ensure that they have adequate coverage and obtaining value for money.



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APPENDIX 1
INVOICE PROCESSING**

1. Invoice matched to purchase order (if raised).
2. Expense codes allocated by Budget Holders.
3. Finance Officer checks authorisation is in order
4. Finance Officer prepares cheque for signing or processes on line payments and inputs invoices into accounting system.
5. Mark invoice with date input into the system.
6. Filed in alphabetical order as follows:
 - a) Third party invoices in invoice folder.
 - b) Personal expenses in expenses folder.
 - c) Credit card in credit card folder.

Payment runs are to be fortnightly.

Purchase Ledger

Normal terms are 30 days from invoice date with the exception of staff expenses and self-employed consultants.

1. Attach invoices / expenses due for payment.
2. Authorised signatory to sign the prepared cheques
3. Print out remittance advices.
4. Check that payments have correctly updated the accounting system
5. File voucher in appropriate file.

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TRAVEL AND SUBSISTENCE

1. Introduction

- 1.1. The principle governing the rules on travel and subsistence is that staff should be reimbursed for necessary extra expenses while on official business. In all cases expenses claimed must be justifiable. Spending is to be modest at all times.
- 1.2. Official travel means travel for the purpose of official business and not travel between home and your place of work.

2. General Principles

- 2.1. Travel and Subsistence should be claimed on a monthly basis using the claim form within 10 days of the end of the month incurred. Claims submitted after this date may not be approved and will result in delays in payment.
- 2.2. If travel is considered essential, meetings should be organised so that wherever possible multiple meetings are arranged for that period. Travel should be planned as early as possible to take advantage of any advance booking discounts wherever possible.
- 2.3. Where it has not been possible or practicable to book travel or accommodation in advance, the receipted cost of the ticket will be reimbursed to the staff member through an expense claim. Expenses must be receipted wherever possible.
- 2.4. It is the employee's responsibility to notify the relevant person of any hotel / travel reservations that need to be changed or cancelled and that they do so in a timely manner. **NAME OF ORGANISATION** may require the employee to reimburse any charges that could have been avoided if the reservation had been cancelled in a more timely manner. **NAME OF ORGANISATION** may recover any excess cancellation costs.
- 2.5. Expenses will normally be reimbursed through the Bill Payment system.

3. Expense Authorisation

- 3.1. All expenses need to be approved and signed by the appropriate budget holder before they can be paid.

All amounts noted below are inclusive of VAT.

4. Travel and subsistence policy

- 4.1. Travel should be by public transport wherever practicable.
- 4.2. Receipts; it is Company policy for the expense claims to be supported by receipts wherever possible. Exceptions being:
 - Claiming lump sum allowances
 - Where receipts cannot be produced e.g. bus and underground fares, on street parking etc., then an explanation of the expenditure is required.
- 4.3. **Taxis and Parking;** as a guide, taxis should only be used where public transport is not operational or where taking public transport would be unduly difficult or unsafe for example where the venue is in a remote location or when there are time constraints between appointments.
- 4.4. Parking will be reimbursed but where possible a receipt is required. Most machines will issue a receipt but be mindful of requesting one at the time of payment usually by pressing a separate button.
- 4.5. **Daily meal allowance;** a daily allowance of up to **[insert]** per day can be claimed for employees and volunteers who are working out of their normal place of work for between **[insert]** hours. This is to cover light refreshments. Where an employee or volunteer has



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worked more than 10 hours an evening meal allowance of up to [insert] can be claimed. Claims will need to be backed by receipts. Amounts greater than these will also need a receipt and will only be authorised in exceptional circumstances.

- 4.6. **Travel by Private Motor Vehicle**; the use of a private motor vehicle must be approved by the authorised signatory if it is deemed that:
- This expenditure would either be less than using public transport or
 - That the use of public transport is impracticable

In cases where employees or volunteers are using their private motor vehicles for official business, the vehicles must be insured for business purposes. When using private vehicles, the claimable amount for mileage travelled is the Inland Revenue approved rate (45p per mile up to 10,000 miles and 25p thereafter as at August 2017). Reimbursements will only be paid if private vehicles are insured correctly. All employees must have fully comprehensive vehicle insurance.

- 4.7. **Rail and Air Travel**; this should be economy class unless cleared in advance by the Treasurer.

4.8. **Overnight Accommodation**

- All Hotel Reservations are on a bed and breakfast basis only.
- As a guide this equates to [insert] a night outside London and [insert] for London. If an employee spends more than the recommended amount without prior agreement from the CEO then the company may only pay up to the recommended amount.
- Where breakfast is not taken at the hotel or the cost is not covered an allowance of [insert] can be claimed, this needs to be supported by a receipt.
- An overnight allowance of up to [insert] towards an evening meal can be claimed, this needs to be supported by a receipt. It should be noted that claims above the allowance will not be authorised.

4.9. **Hospitality**

There may be occasions when senior staff members are required to entertain. The claims for these occasions are to be met through the individual budgets. Prior approval from the Chief Executive Officer must be obtained before any entertainment can be considered. Receipts must be provided in all instances and approval is at the Chief Executive Officer's discretion.

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