



Paddington Development Trust

FINANCE MANUAL

Financial Controls & Procedures

Approved by Board: June 26th 2018

Lead Staff Member: Senior Finance Officer

Lead Trustee: Florian Bosch

PADDINGTON DEVELOPMENT TRUST

FINANCIAL CONTROLS & PROCEDURES

GENERAL POLICY

The Board of Trustees is responsible for maintaining proper accounting records and preparing financial statements which give a true and fair view of the state of the company finances to comply with Charities and Companies Act and regulations, and to ensure that the proper financial controls are in place. The Board of Trustees can delegate control to the Treasurer or the Chief Executive, but it cannot delegate ultimate responsibility.

The Chief Executive 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 Chief Financial Officer (CFO) is responsible for performing the tasks, which constitute the finance functions within the organisation and for keeping the Chief Executive and the Board of Trustees informed of the organisation's financial position. It is the responsibility of the Chief Executive 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 Chief Exec.

The Board of Trustees will not consider new policies or developments in the organisation without having a full statement of the cost implications of these changes upon the organisation as a whole.

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

Changes to these procedures can only be made with the approval of the CEO, 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:

PDT must comply with:

- The Charities Act 2011, which replaced most of the Charities Act 2006 and Charities Act 1992.
- The Charities (Protection and Social Investment) Act 2016, which strengthens the powers of the Charity Commission.
- The Trustees Acts 1925, 2000: the most recent Act concerns the powers of trustees regarding investments and delegation.
- Charity Commission regulation: requires compliance (depending on annual income) on the submission of annual returns, reports and accounts
- The Statement of Recommended Practice (SORP) 2015: published by the Charity Commission
- Laws on trading, political activities and fundraising
- Regulation covering people who are disbarred from acting as trustees under the Charities Act 1993 or your Memorandum and Articles.
- The statutory requirement for instituting adequate systems of internal control. This is prescribed in the Companies Act 1985.
- The CEO will review internal reports and will monitor the effectiveness of all internal activity.
- The Treasurer, CFO and CEO will review a draft copy of the annual statutory accounts submitted by the external auditors before submission to the Board of Trustees for final approval.
- The Auditors will be asked to comment on Internal Financial Control Systems.
- The CEO and Board of Trustees will review the Audit Management letter submitted by the external auditors after the annual Statutory Accounts exercise. The Management letter and its response will be submitted to the Board of Trustees for final approval.

FINANCIAL REPORTING

- Financial records will be maintained so that PDT can:
 - a) Meet its legal and other obligations e.g. Charities Acts, Inland Revenue, Companies Act, Common Law
 - b) Enable the Board of Trustees to have control of the organisation's finances
 - c) Enable the organisation to meet contractual obligations and requirements of funders
 - d) Enable PDT to deliver a high quality of service to the community, residents and other service users

- The organisation will keep proper accounting records, including
 - a) Documentation such as invoices issued and received, income received,
 - b) Receipts for goods/services requisitioned.
 - c) Grants payable
 - d) Petty cash
 - e) Expense claims
- The financial year will end on the 31 March.
- Accounts will be drawn up after each financial year; Audit of Financial Statements will be completed within 6 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 Finance Staff will be responsible for maintaining an up to date computerised accounting system

The CFO will be responsible for producing a monthly reconciliation of the bank statement with the general ledger.

The CFO is responsible for producing quarterly Management Accounts including Profit and Loss Account, Budgetary Control Report, Balance Sheet and Narrative Report.

Management Accounts will be presented to and discussed by the Board of Trustees as a matter of course on quarterly basis.

ASSESSING AND MANAGING RISK:

- The CEO 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 schemes, major contracts and new activities shall be reviewed by the Board of Trustees.
- The CEO should highlight the impact of risks in the projected out turns and narrative of quarterly reports. Where necessary, the risk should be drawn to the attention of the Board of Trustees on an urgent basis.

AUDIT:

- The Board of Trustees is responsible for the appointment of auditors. The purpose of the annual audit is to examine the books and records of the organisation to ensure that its interests are protected and that it has sound systems of financial controls and accountability.
- The auditors report to the Board of Trustees on:

- a) The soundness, adequacy and application of internal controls
 - b) The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud and other causes.
 - c) The suitability and reliability of financial information.
- The auditors shall have access to all the organisation's financial and other records.
 - Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash or other property of the organisation or any suspected serious irregularity in the exercise of the organisation's procedures, the CEO must be notified immediately by the Manager in whose section the discovery was made.
 - Where the irregularity involves a manager, the employee making the discovery should report the matter to the CEO. The CEO will then take whatever action he /she considers necessary by way of investigation, including the reporting of the matter to the chair of the Board of Trustees.

The CEO will ensure that a File, called the Internal Control File, is kept by the Administrative worker. In this file, it will be recorded any incidents of the type outlined above and a record of the action taken to resolve them. This book is produced six monthly for inspection by the Board of Trustees.

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 CEO or Line Manager approves the authorisation of payment of an item of expenditure on the payment voucher form.
- No budget-holder should delegate responsibility for their 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 by the budget holder.
- Specific authorisations for payments of grants must satisfy all the relevant conditions for releasing payments (Appendix 1).

Budget holders authorise orders for work, goods and services within the budget line and category delegated to them. Managers authorise payment for work, goods and services within delegated budget on the Payment Voucher Form. Where the Manager or Budget holder is himself a cheque signatory, he/she will not sign for good or services they themselves have ordered/authorised.

AUTHORISATION TO WRITE OFF BAD DEBTS:

- Where there are arrears deemed non-recoverable, having followed the procedures laid down under the Arrears Control Policy, the CEO may recommend to the Board that 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.

The CEO will provide the Board of Trustees with Bad Debts proposal at the end of the financial year.

BANKING:

- The organisation banks with:

Bank of Scotland

The organisation maintains the following bank accounts:

PDT C/A
PROGRAMMES C/A
SPECIAL PROJECTS C/A
COMMUNITY PROJECTS C/A
CHURCH STREET C/A
BBO (Lottery) C/A
Capital (HLF) C/A

All bank accounts are in the name of the organisation.

Business Credit Cards

The organisation maintains the following business cards with a combined monthly limit of £7K

PDT Card
Champions Card
The Stowe Centre Card

- The bank mandate (list of people who can sign cheques on the organisation'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.
- PDT 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 with the General Ledger.
- No signatory signs for 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 title and no account must ever be opened in the name of an individual.
- The CEO 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.
- Investment – The Board of Trustees will always seek to maximise the interest on its deposit of the organisation reserves. Authority to maximise interest on reserves, will be delegated to the CEO. The limit of the Trustees delegated authority is outlined in the standing order, which is reviewed at least annually.

BUDGET SETTING AND BUDGETARY CONTROL:

- The budget setting process operates as follows:

The process starts in January for the following financial year.

The budget is set as far as possible to allow the organisation 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 CEO is required to consult with the Board of Trustees about its objectives for the organisation for the coming year

The budget is drawn up according to the following principles:

- a) Consultation with budget holders on the level of activity in their area of operation the following year.
- b) Consideration of new items, which should be included in the budget in order to achieve the objectives.
- c) Consideration of income levels, including grant income.
- d) The need to achieve the level of surplus indicated by the Board of Trustees
- e) Consideration of the financial environment e.g RPI, bank interest rate etc.

The CEO and CFO are responsible for preparing and presenting a workable budget to the Board of Trustees for approval.

- Once a budget has been set, the CEO is authorised by the Board of Trustees to spend up to the level of that Budget. The CEO will as appropriate delegate responsibility for specific budget headings to individual budget holders.
- If no provision is made in the budget for a new service requiring substantial expenditure, substantial development of any existing service, or increase in establishment, the Board of Trustees must then approve such expenditure.

- Management accounts are produced by the CFO on a quarterly basis. Copies of the Management Accounts are given to the CEO for examination and presentation to the Board of Trustees. The Management accounts provide financial information, which compares actual income and expenditure for the period to budgeted income and expenditure and a forecast for the position at the end of the year. These are accompanied by a written report, which explains significant budget variances.
- No expenditure is incurred by the organisation, which is not included in the budget, unless prior approval is sought from the Board of Trustees. In exceptional circumstances only the Chair & CEO can both be asked to authorise emergency expenditure, which is outside the budget up to a limit of £5,000. Such action must be reported to the next Board of Trustees meeting. Any items over £5,000 must be authorised by the Board.
- Each manager is responsible for controlling spending within the budget line delegated to him/her; each manager will monitor expenditure monthly.

INCOME:

- The organisation receives income either by Bacs or Cheques in following forms:

Grant income
 Donation
 Fees & Contributions
 Investment Income
 Miscellaneous Income

Procedure for Handling Income in the form of Cash/Cheques (see Appendix (v)).

- The CFO/ Finance Personnel will sign for income received in the above form.
- Security: All income will be kept in the safe until it is banked. The organisation will not keep cash of more than £500 on the premises.
- Banking: Income will be banked once a week or more frequently to ensure cash on the premises does not exceed £500.

PAYMENTS:

- The normal method of payment for grants, goods or services is Cheque and/or Bacs (electronic/ Online) payments.
- **No** cheques or electronic payment will be signed without original supporting documentation including verified and authorised invoice/payment request.
- An original invoice will support every payment out of the organisation's bank accounts. The person who signs the cheque/ online payment should ensure that the following is written on the invoice or payment voucher form:

- a) Cheque number / Bacs I.D
 - b) Date payment drawn
 - c) Payment Amount
 - d) Authorising signature
 - e) Signature or initials of the two persons who signed the cheque
- The CFO should ensure that other methods of payment such as BACS, standing orders and direct debits are reviewed, and that the bank is informed should payment amounts and daily limits change.
 - Daily and maximum Limit for single Bacs payment & combined daily limits & authorisation rights for the CEO and CFO are set by the Board of Trustees
 - Current daily limit for single backs payment is £50K & combined daily limits is £100K

The authorised signatory method for cheque payment must be either

- a) any two Board members, or
- b) any one staff member accompanied with a Board member
- c) any two staff members for payment of up to £1000.00

The authorized signatory method for bacs and online payment must be either

- a. The CEO and CFO, or
- b. DCEO accompanied with CEO or CFO
- c. any two staff members not including CEO or CFO for payment of up to £1,000

- The finance section will generally prepare payments once a week on a Monday.
- Blank cheques will **never** be signed.

PETTY CASH:

The organisation maintains an impress petty cash system with a float of £500 per each project/location with combined monthly limit of £2000. When not in use cash will be kept in the safe. The float will not increase without the Director's approval and in any event not above £500 per each project/ location without additional insurance cover.

The CFO is responsible for controlling and maintaining the petty cash system.

Petty cash will only be used for the purchase of small, incidental items.

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

Individuals must get authorisation from their line managers before requesting petty cash.

Petty cash will be reconciled on a monthly basis.

Under no circumstances will cash income be used to top up the Petty Cash float.

EXPENSE CLAIMS:

Claims for travel and other expenses should normally be made on standard Expense Form (Appendix (iii)).

All claims must be supported by receipts

Expenses will be paid monthly

Payments over £100 will be made by cheque or BACS

Expense claims by Board Members will be authorised by the Company Secretary, if necessary in consultation with the Chair.

INSURANCE:

- The CEO shall be responsible for ensuring that the following insurance policies are in place and that adequate property and liability cover is in place for PDT to carry out business with minimal risk.
 - a) Public Liability
 - b) Employers Liability
 - c) Office Insurance (covering all PDT locations)
 - d) Trustees/Directors Indemnity
 - e) Cyber Crime cover (added February18)
- Insurance cover shall 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 CEO for approval.
- A report of the outcome of each tender exercise shall be made to the Board of Trustees.
- The CFO is responsible for making any necessary claims against insurance policies.
- The employee making the discovery of loss of personal or company belonging or fixed asset must notify the loss or theft to the CFO, DCO or the CEO. In the case of any item disappearing from the organisation's office or properties, the police will be notified as appropriately.
- The organisation's property cannot be removed from its premises without the agreement of the CEO.
- Assets owned by the organisation are, as far as possible, marked as organisation property.
- A list of all properties i.e. assets owned by PDT will be maintained and up-dated regularly.

SALARIES AND PENSIONS:

The payroll is processed by CFO internally using a computerised P/R system; salaries are paid monthly on the 15th day for the calendar month in which the payment is made.

It is the responsibility of the CFO to ensure that the payroll record is complete and up-dated with written authorisation or instruction to carry out the following;

- a) Add New employees
 - b) Absence from work
 - c) Changes in remuneration including incremental increases
 - d) Maternity and sickness leaves.
- All employees are entitled to a pension contribution from the organisation of 5% of salary. These contributions are calculated as 5% of the employee's gross pay for the month that the contribution is being made.
 - The Organisation is part of and operates the People's Pension Scheme, and all qualifying employees are automatically enrolled after 3 months service. All other employees are entitled to join providing they satisfy the scheme requirement.

STATUTORY RETURNS:

- Statutory Returns will be made to the Charities Commission, Companies House, HMRC and other statutory bodies.
- The Chairman, Treasurer, Secretary and other authorised officers, will sign the Statutory Returns.
- The Board of Trustees is required to approve the Statutory Accounts prior to submission to the Charities Commission and other statutory bodies.
- Other returns are not required to be approved by Board, unless the recipient organisation requires this.

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

OTHER RULES:

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

Appendix (I)

Programme Guidelines and process for Commissioned Projects

A project commences when:

1. The project is approved by a Partnership Group and / or the Commissioning Authority.
2. Where appropriate the Programme Team will send out a LETTER OF INTENT.
3. This is followed by SCHEDULES asking projects to profile their EXPENDITURE, OUTPUTS AND MILESTONES for the financial year.
4. These profiles are then used to formulate GRANT AGREEMENTS.

Once a GRANT AGREEMENT is in place, the project can start claiming Grant on a Monthly or Quarterly basis.

ALL PROGRAMME EXPENDITURE CLAIMED MUST BE DEFRAIDED. That is all Programme claims must be monies already spent by the project.

MONITORING FORMS AND REQUEST FOR PAYMENTS will be sent out every Quarter (3 months per quarter) and all projects will be required to fill these in to report all activities that have taken place. Incomplete forms will result in delays to payment.

Where applicable, projects will be required to submit an Output Report for all Payment Requests made. Failure to do so will result in delays for payment.

All projects should co-operate with the deadlines of the monitoring Process. If this is not the case it will result in a delay with our claim to the Funding Authorities, thus resulting in delays with payments to projects.

Each year the Programme Team will visit all projects to carry out annual Audits. All projects will be required to have all evidence of Expenditure, Outputs and Milestones available for inspection. Failure to do so will result in delays with payments.

OUTPUT RELATED FUNDING;

A project commences when

1. The project is approved by a Partnership Group and / or the Commissioning Authority.
2. Where appropriate the Programme Team will send out a LETTER OF INTENT.

3. This is followed by SCHEDULES asking projects to profile their EXPENDITURE, OUTPUTS AND MILESTONES for the financial year.
3. These profiles are then used to formulate GRANT AGREEMENTS.
4. Once a GRANT AGREEMENT is in place and in order for the project to start claiming Grant on a Monthly or Quarterly basis:
5. The Project will have to up-date its Output & Monitoring Data on the Programme Database monthly.
6. Projects will have to submit evidence of their outputs to the Programme Team monthly for verification.
7. Based upon the verified and approved outputs for the Project by the Programme Team, Partners will be invited to submit a claim / invoice to PDT.
8. The Programme Team will verify & authorize the invoice for payment and normal payment procedure will apply.

Appendix (i)

Grant Payment Claims

YEAR 2018/19

AUTHORISATION FOR PAYMENT

GOLD: LONDON COUNCILS/WCC

Project Name:

Project Number:

Date:

Invoice/Grant Request Number:

Payment Quarter: 1 2 3 4

Sub Total: £

VAT (if applicable): £

Total Project Claim: £

The Project named above has successfully completed assessment areas listed below and is eligible for payment

Comments:

Appraisal	<input checked="" type="checkbox"/>	
Outputs	<input checked="" type="checkbox"/>	
Milestones	<input checked="" type="checkbox"/>	
Budget Condition	<input checked="" type="checkbox"/>	
Audit Trail	<input checked="" type="checkbox"/>	
Entered on System Database by:		
Checked by:		
Authorised by:	OLA BADIMOSA	
	Neil Johnston, CEO, Paddington Development Trust	

To: Paddington Development Trust
 122 Great Western Studios
 London W2 5EU

From:
 Address:

BBO/SWEET/BSCF RC Programmes		
Request for Programme Grant Payment		
Project Name:		
Project Number:		
Date:		
Grant Request Number:	Y3Q3M09	
Payment Period:	Qtr 1 <input type="checkbox"/> Qtr 2 <input type="checkbox"/> Qtr 3 <input type="checkbox"/> Qtr 4 <input type="checkbox"/>	
Breakdown of Funding Requested		
Total Project Claim:	£	
Bank Details:		
Account Name:		
Name and Address of Bank:		
<i>Sort Code:</i>	<i>Account Number:</i>	
<i>Make cheques payable to:</i>		
How would you like the project to be paid BACS <input type="checkbox"/> CHEQUES <input type="checkbox"/>		
Checklist and Notes		
Checklist		Notes
Project Monitoring Attached	Yes/No	
Output Verification Documents Attached	Yes/No	
Relevant Invoices or Cashflow Charts Attached	Yes/No	
Project Manager's Signature:		
Date:		

Appendix (ii) Payment, Income Vouchers & Petty Cash Vouchers

No:

Date:

Payment Voucher

Payee:

For:

Nominal Code;
Department Name/Number

Amount: £.....

Authorised by:.....

Cheque No:.....

Other (BACS).....

No:

Date:

Income Voucher

Received From:

For:

Nominal Code;

Department Name / Number

Cash: -----

Cheques:-----

Received by:-----

Others:-----

Total

No:

Date:

Petty Cash Voucher

Payee:

For:

Nominal Code;
Department Name/number

Total Paid:-----

Received by:-----

Authorised by:-----