

Optimi

Financial Management and Accounting Policy

Financial Management

Financial management is more than just ensuring there is sufficient cash and keeping to budget. It involves:

- Setting financial objectives
- Planning and acquiring funds
- Ensuring funds are being effectively managed
- Management and financial accounting
- Formulating strategy
- Planning and controlling activities
- Decision-taking
- Optimising use of resources
- Disclosure to other interested parties external to Optimi
- Safeguarding assets

Clear procedures are needed to ensure that the Trustees of Optimi have the tools and skills to ensure effective financial management takes place.

The role of the Treasurer or Chair is often crucial in discussion with key funding bodies, suppliers, commissioners of services, accountants/auditors etc. However, legally the Trustees are collectively/jointly responsible for ensuring that the charity's resources are properly managed and accounted for and must not assume the Treasurer and/or Chair will do everything. The following policies and procedures enable the Trustees to delegate financial management appropriately.

Income Policy and Procedures

Purpose

To safeguard, monitor and control incoming funds including purchases, donations and other contributions.

To outline the structure of authorisation for dealing with income and credit-control.

Invoices

Invoices should be issued whenever it is appropriate.

Invoices should include the following details:

- Optimi's logo
- A statement that Optimi is a registered charity, and its charity number
- The name and address of the person or organisation being invoiced
- The date of the invoice, which must be the date it is posted to the accounts
- The nature of the services and/or goods being charged for
- The rate at which services and/or goods are being charged
- The purchase order number (where available) and/or any other appropriate identification information provided by the person or organisation being invoiced
- If the invoice is to a funding body it should state the funding period to which it relates
- The invoice total
- Optimi's payment instruction and terms of payment

Where acceptable to the person/organisation to which it is addressed, the invoice may be sent electronically in PDF format. Otherwise, the invoice shall be printed and sent by post. In either case the invoice must be despatched within 2 working days of being produced.

Outstanding invoices

The Treasurer will review the outstanding invoices every month.

If an invoice has not been paid within 28 days of being issued, then a second invoice should be issued. The second invoice should be a copy of the first, but with "REMINDER" added to it.

Any invoice which remains unpaid for more than 56 days must be brought to the attention of the Board to determine what further action should be taken.

Unless there are extenuating circumstances, debtors with invoices more than 56 days overdue will not be allowed any further credit (eg: the provision of goods or services, or access to any of Optimi's facilities or resources) until the outstanding debt has been repaid in full.

Bad debts will be formally written off annually by the Board as part of the preparation for the audited/examined accounts.

Recording Payments

Payment by Bank Transfer

Payments are encouraged directly into the bank account via bank transfer: the Treasurer will check for such direct payments each time a bank statement is received, or on-line as circumstances require.

Budgeting Policy and Controls

Purpose

To provide a means of balancing projected expenditure against projected income and ensuring resources are allocated fairly.

To provide a structure for monitoring and controlling expenditure.

To ensure that funds' cash flow can be effectively and efficiently managed to ensure that there are always sufficient accessible funds available to meet Optimi's financial commitments as they arise.

Policy

The annual budget will provide the Trustee Board with the authority to spend within the amounts specified under each budget heading.

The amounts budgeted for the income and expenditure, both within budget categories and overall, of Optimi cannot be exceeded, transferred or altered without the authorisation of the Board.

The Treasurer will provide budget-holders with regular reports detailing actual expenditure against budget heading and ensure that budgets are not exceeded.

The Treasurer will ensure that the Board is informed where any breaches of this policy may occur.

Budget-setting Process

A budget is a plan translated into money for the financial year. The budget is prepared after Optimi has clarified its aims and objectives and produced a variety of action plans to achieve them. The purposes of a budget are:

- To co-ordinate different activities towards a single plan
- To set and communicate financial targets
- To maximise and allocate resources
- To identify financial problems
- To establish a system of control by having a plan against which actual results can be compared
- To compel planning

As the budget is a vital element of the procedure for negotiating funding streams, it is important that a budget is produced in good time.

The Treasurer will produce a draft budget based on previous income and expenditure patterns and the expected actual income and expenditure for the coming financial year. The draft budget and any explanatory notes will be circulated to the Board for comment.

Any necessary revisions will be made and a final draft budget presented to the Board for approval and adoption no later than the last day in the financial year prior to that to which it applies.

Monitoring and Revision

The Treasurer will monitor income and expenditure and ensure that the Board receives accurate and up to date information regarding any shortfall in projected income or increase in expenditure. Where necessary, the Treasurer will make recommendations on various options for remedial action.

Where such action may affect the level of service then negotiations should be initiated with the relevant parties immediately.

Purchasing Policy and Procedures

Purpose

To ensure that all expenditure is properly authorised and provide a standardised procedure for dealing with expenditure items.

Orders - Goods and Services

The value of an order/purchase to be shown along with delivery charges where appropriate and both inclusive of VAT.

Items over £500 in value must be authorised by the Board. For any purchase over £1000 in value, at least 3 quotes must be obtained in order to ensure a competitive price is paid unless the Board explicitly waives this requirement and records in the minutes of the Board meeting the justification for the waiver.

Delivery notes must be checked and initialled by the budget-holder and be filed in the delivery notes file. Any discrepancy between the order and delivery notes must be notified to the supplier immediately. In the event that a discrepancy is not rectified by the supplier as soon as is reasonably practical the Treasurer must be informed.

Invoices must be checked against the relevant delivery notes, initialled and dated when received by the budget holder and forwarded to the Treasurer for payment.

In the event of any shortfall in delivery or the return of goods for any reason, the relevant credit-note must be received from the supplier before payment is made.

Payments (e.g. On-Line BACS, Direct Debit)

Where a payment is being made to an authorised person that person may not be a signatory on the cheque or other instruction for payment.

In line with the Charity Commission guidelines, two authorised persons are required to sign instructions to the bank (i.e. one to create and one to authorise).

Where an instruction to the bank (e.g. for BACS payments) is for an amount exceeding £1000 the payment must be authorised by the Board of Trustees unless the purpose for which the payment is being made has already been approved by the Board. The authorisation of the payment can be made by written resolution, including by e mail where appropriate (i.e. the authorisation does NOT necessarily require the convening of a Board meeting).

Note: Many of Optimi's services, such as the email address, are paid through PayPal. This creates a recognised weakness in the system as only one authorisation is required (or possible) and the recurring expenses are paid automatically from the bank. Expenses paid in this way must be prior agreed by the Board of Trustees.

The Accounting and Audit Procedure

Purpose

To ensure that Optimi meets the statutory accounting requirements of the Charity Commission.

To provide accurate and useful data for the Board and staff.

Procedure

Optimi's accounts will be managed electronically using appropriate software approved by The Board and Optimi's Auditor/Examiner.

The Board of Trustees appoints the Auditor/Examiner at the AGM, or at other times when circumstances require.

The Treasurer will ensure that all financial records, supporting documentation and reconciliations are accurately maintained, up to date and easily retrievable for analysis and examination purposes.

The Treasurer will prepare timely and accurate year-end accounts in the appropriate format with the required supporting working papers and relevant reconciliations.

The Annual General Meeting has agreed: “That, for as long as it is entitled to do so under the relevant Companies legislation, Optimi will exercise its option to exemption from the requirement to obtain an audit of its financial activities”

The Treasurer will meet with the Auditor/Examiner to ensure that audit/examination queries are resolved and that accounts are completed and signed within six months of the year end.

The Treasurer will ensure that the audited/examined accounts are filed with the Charity Commission within 10 months of the year-end.