

RUTLAND FIRST CIC

STANDING FINANCIAL INSTRUCTIONS

1. General

1.1 These Standing Financial Instructions (SFIs) are issued for the regulation of the conduct of Rutland First Community Interest Company and the work of its Board Members, Volunteers and Officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the Standing Orders (SOs) of Rutland First CIC.

1.2 These Standing Financial Instructions detail the financial responsibilities, policies and procedures adopted by Rutland First CIC. They are designed to ensure that financial transactions are carried out in accordance with the law in order to achieve probity, accuracy, economy, efficiency and effectiveness.

1.3 These Standing Financial Instructions identify the financial responsibilities which apply to everyone working within Rutland First in a paid or unpaid capacity.

1.4 Oversight of the proper application of these Standing Financial Instructions is delegated to the Audit and Risk Committee. Its terms of Reference are set out in Annex 3.

1.5 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Board Chair or Chair of the Audit and Risk Committee must be sought before acting. The users of these Standing Financial Instructions should also be familiar with and comply with the provisions of Rutland First Standing Orders.

1.6 Failure to comply with Standing Financial Instructions and Standing Orders can, in certain circumstances, be regarded as a disciplinary matter that could result in dismissal.

1.7 **Overriding Standing Financial Instructions** – If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the noncompliance shall be reported to the next formal meeting of the Audit and Risk Committee for referring action or ratification. All members of the Board and staff have a duty to disclose any non-compliance with these Standing Financial Instructions

1.8 The Board exercises financial supervision and control by:

- formulating the financial strategy
- requiring the submission and approval of budgets within approved allocations/overall income
- defining and approving essential features in respect of important procedures and financial systems

1.9 Under the provisions of the Rutland First Articles of Association, the Board holds the powers for all decision making relating to accounting and financial matters, exercised in formal session. With reference to such matters, where the Board delegates certain defined powers to a member of staff, he/she is accountable to the Board for proper exercise of such powers.

2. Board Members, Employees and Contractors

2.1 All Members of the Board and employees, and volunteers where such matters are within their control, severally and collectively, are responsible for:

- The security of the property of Rutland First
- Avoiding loss
- Exercising economy and efficiency
- Meeting the requirements of Standing Orders and Standing Financial Instructions

2.2 Any contractor or employee of a contractor who is empowered by Rutland First to commit Rutland First to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the individual signing the contract to ensure that such persons are made aware of this.

2.3 For all members of the Board and any employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Board, employees and volunteers (where such matters are within their control) discharge their duties must be to the satisfaction of the Audit and Risk Committee.

3. Audit and Risk

3.1 The Rutland First Board is responsible for ensuring there are adequate arrangements in place to review, evaluate and report on the effectiveness of internal financial control including through effective internal audit functions.

3.2 The Rutland First Chair is responsible for ensuring that an annual internal audit report is prepared for the consideration of the Rutland First Audit and Risk Committee.

3.3 The objective of the audit is to provide assurance to Rutland First Board on the adequacy, application and effectiveness of the organisation's internal controls, systems and processes for the management of risk and demonstrating value for money.

3.4 The designated auditors for the Rutland First internal audit are entitled to receive, without necessarily giving prior notice, access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature; and explanations concerning any other matter under investigation.

4. Fraud and Corruption

4.1 The Rutland First Board has responsibility to ensure there are sound systems of internal control in Rutland First to protect against fraud and losses within the day-to-day business of Rutland First, including data losses. In the event of fraud being detected or suspected, the finder must report it to the Rutland First Chair, or if the Chair might be involved to the Chair of the Audit and Risk Committee.

4.2 In the event of a fraud being detected or suspected, the Rutland First Board must nominate a suitable person to carry out the duties of a fraud investigator.

5. Resource and Cash Limit Control

5.1 Rutland First is required not to exceed its cash limit and the Rutland First Board has responsibility to ensure Rutland First's activities remain within its cash limit.

5.2 The Rutland First Board through effective stewardship will:

- Ensure that no expenditure beyond that approved in the Rutland First budget(s) is incurred.
- Provide finance reports, including those requested by any contract holder
- Ensure expenditure approved against the Cash Limit is actioned only at the time of need; and be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable Rutland First to fulfil its statutory and other contractual responsibilities.

6. Annual Reports and accounts

6.1 The Rutland First Board will produce an Annual Report. The annual financial accounts will be included.

6.2 The company's annual financial accounts and Annual Report will be reviewed by the Rutland First Audit and Risk Committee prior to being submitted to the Annual General Meeting for approval.

7. Bank Accounts

7.1 Rutland First's banking instructions are outlined in Annex 1 of these instructions.

8. Security of Cash

8.1 The Rutland First Chair is responsible for:

- The provision of adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes and the procedures for key holding; and
- Ensuring proper systems and procedures for handling cash and negotiable securities are in place and communicated
- Official money must not under any circumstances be used for encashment of private cheques. All cheques, postal orders, cash, etc. must be banked intact. Disbursements must not be made from cash received
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9. Tendering and Contracting Procedure

9.1 The procedures for making all contracts and undertaking procurement will follow the competitive tendering procedures and financial limits set out by the funding body.

10. Employee Appointments

10.1 The recruitment of individual employees for Rutland First, including the use of agency employees, will be the responsibility of the Board which may be delegated as appropriate to a working group. No permanent/temporary employees are to be appointed to Rutland First without the prior approval of the Rutland First Board.

11. Non-Pay Expenditure

11.1 Delegation of Authority

The Rutland First Board will approve the level of expenditure other than payroll on an annual basis.

11.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services

The choice, requisition, ordering and receipt of goods and services are at the discretion of Rutland First.

12. Capital Investment, Private Financing, Fixed Asset Registers and Security of Assets

Asset registers

12.1 The Rutland First Board has the responsibility to maintain a register of fixed assets relating to Rutland First and take responsibility for the security and custody of these assets, instigating periodic physical checks of assets against the register. Additions to the fixed assets register must be clearly identified and be validated by reference to suppliers' invoices.

12.2 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

12.3 Any suspected or actual instance of theft must also be immediately notified to the Board.

Security of Assets and Fixed Assets

12.4 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Rutland First Board initially. These procedures will make provision for:

- Recording officer responsibility for each asset
- Identification of additions and disposals
- Identification of all repairs and maintenance expenses
- Physical security of assets
- Periodic verification of the existence of, condition of, and title to, assets recorded
- Identification and reporting of all costs associated with the retention of assets
- Reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- Suitable Insurance is to be in place for all Rutland First property and liabilities
- Where practical, assets must be marked as Rutland First property.
- Each Board Member, volunteer and employee has a responsibility for the security of property of Rutland First.

12.5 Any breach of agreed security practices must be reported in accordance with instructions. Any damage to Rutland First premises, equipment or any loss of equipment, stores or supplies must be reported by Board Members, volunteers and employees in accordance with the procedure for reporting losses (see Annex 2 to this document).

13. Storage and Receipt of Goods

13.1 Subject to applicability, stores and receipts of goods must be:

- Kept to a minimum
- Subjected to annual stock take
- Valued at the lower of cost and net realisable value

Annex 1 Banking and Accounting Instructions

These procedures act as a way of ensuring multi-person involvement in Rutland First CIC financial dealings while using HSBC online banking.

1. Procurement Authorisation

Decisions to procure items, services or contracts require the following levels of prior approval:

Less than £100	Single bank signatory
Between £100 and £1,000	Two bank signatories
Between £1,000 and £10,000	Rutland First Board
Over £10,000	Competitive tender, unless authorised otherwise by Board

2. Payment of Invoices

All invoices should be received by the Chair and be checked against the authority for procurement

a. Online payments excluding salaries within daily and individual payment limits

Chair passes copies of invoice to Treasurer

Treasurer records invoice in accounts

Bank signatory (not Chair) sets up and authorises payment online

b. Online payment of salaries/PAYE/Ni/pensions

Chair notifies Treasurer of any overtime worked or additional payments due

Treasurer inputs salary data to the Enrol Payroll System, which generates advice of payments due to employees, HMRC, pension Funds etc

Bank signatory (not Chair) sets up and authorises payment online

c. Payment by cheque of invoices in excess of online daily limits

Chair passes copy of invoice to Treasurer

Treasurer records invoice in accounts

Chair prepares cheque and passes to second signatory

Second signatory signs cheque and sends off

- d. Payment by credit card (held by Chair and Youth Leader) or debit card (held by Chair)

Limits on Expenditure authorised as above for procurement

Payment taken from Rutland First CIC account by monthly direct debit (credit card) or immediately (debit card)

3. Reconciliation and audit

The Treasurer reconciles accounts with bank statement 1 week before each Board Meeting, and notifies the Chair of the Audit and Risk Committee.

The treasurer provides Chair of the Audit and Risk Committee access to periodic (monthly) bank statements for review of high value and/or abnormal transactions.

At the end of the financial Year, the Treasurer:

- a. Reconciles accounts with the bank statement and prepares draft annual accounts
- b. Presents draft annual accounts to Audit and Risk Committee for review and resolves any questions and comments
- c. Passes draft annual accounts to Bulley Davey for agreement and presentation to the Board
- d. Presents annual accounts to Annual General Meeting for approval

4. Online access all HSBC accounts

The Chair acts as Primary User and as such has the ability to change payment limits, users and signatories. These should only be changed with the agreement of the Chair of the Audit and Risk Committee. Although the Chair has the ability to prepare and authorise payments, this should only be done in exceptional circumstances after getting the agreement of the Chair of the Audit and Risk Committee. The Chair should set up the following Secondary Users:

- a. The Treasurer and one other Board Member with the ability to authorise payments up to the daily/individual limit.

- b. The Chair of Audit and Risk with ability to view all accounts, but without power of authorisation, and to receive advice of account balances and significant deposits and withdrawals.

5. Accounting data

- a. Treasurer is responsible for integrity of accounting data
- b. Treasurer has full access and authority to enter data and initiate bank reconciliation
- c. Chair, second signatory, Chair of Audit and Risk and Bulley Davey have read only access

Annex 2 – Procedure for Reporting Losses

Any breach of agreed security practices must be reported at the earliest possible opportunity to the Chair of the Board. In the absence of the Chair, the Chair of the Audit and Risk Committee will be informed.

Any damage to Rutland First premises and equipment, or any loss of equipment, stores or supplies must be reported by employees at the earliest possible opportunity to the Chair of the Board. If the Chair is unavailable, and the cost of the loss or damage is in excess of £200, the Board as a whole must be informed. Losses or damage should be entered in the assets log.

Annex 3 – The Audit and Risk Committee Terms of Reference

1. Purpose

The purpose of the Audit and Risk Committee is to:

- a. assist the Board in its oversight of the
 - i. integrity of Rutland First CIC's financial reporting, including supporting the Board in meeting its responsibilities regarding financial statements and the financial reporting systems and internal controls;
 - ii. risk management framework, monitoring its effectiveness and its performance to protect against and mitigate risks.
- b. review and, where appropriate, make recommendations to the Board on the adequacy and effectiveness of the CIC's internal control and risk management systems;
- c. monitor the effectiveness and objectivity of the CIC's internal and external audit functions (if applicable);
- d. provide input to the Board in its assessment of enterprise risks and determination of risk appetite as part of the overall setting of strategy.

2. Authority

- a. The Audit and Risk Committee ("ARC") is a Committee of the Board of Rutland First CIC from which it derives its authority and any delegated powers and to which it regularly reports.
- b. The ARC may investigate any matter within its Terms of Reference and obtain or require to be provided with such information as it may require from any Director, Officer, Volunteer or Employee of Rutland First CIC.

3. Membership of the ARC

- a. The ARC shall consist of a committee chair (who shall be a member of the Rutland First CIC Board, annually appointed at the AGM) and any other member(s) agreed by the Board;
- b. Notwithstanding 3a, the Chair and the Treasurer of Rutland First CIC, bank signatories and members of the Finance Committee (if established) should not be members of the Committee;
- c. In considering appointment of members to the ARC, the Board shall give due consideration to the experience and background of individuals. Members of the ARC should
 - i. be independent and objective with a good understanding of the objectives and priorities of Rutland First CIC and their role on the committee;
 - ii. have no other executive responsibilities;
 - iii. have relevant experience and possess the requisite knowledge and skills to effectively engage with and challenge the organization.

- d. In the absence of the Chair of the ARC or an appointed deputy, the Board may call upon an available Board member as long as it complies with 3a above, to chair a meeting of the Committee.
- e. With the agreement of the Chair of Rutland First CIC, the ARC may co-opt additional members to help fulfill its duties and obligations and provide (pro bono) specialist skills, knowledge and experience for a period not exceeding a year. Where the ARC requires to procure specialist ad-hoc advice at the expense of Rutland First CIC or one of its projects, then the Board must agree the appointment in advance.
- f. The Board may remove members of the ARC at any time by a majority of those able to vote at a Board Meeting.

4. Meetings

- a. The ARC shall meet at least annually prior to the AGM.
- b. Other meetings may be convened at any time by the Chair to consider any matters falling within these Terms of Reference or to consider any matter at the request of the Chair of the Board.
- c. The Board -preferred quorum for ARC meetings is two ARC members of which at least one must be the Chair of the ARC. In the event of it proving difficult to form a quorum then, with the approval of the Chair of the Board, the Chair of the ARC may operate alone, reporting back to the Chair of the Board.
- d. The following may be expected to attend committee meetings (in an advisory capacity only) on a regular or an “on request” basis:
 - i. Treasurer
 - ii. Representative of Bulley Davey, Accountants
 - iii. Internal Auditor, if appointed
 - iv. Any Board member, officer or employee at the invitation of the Chair of the ARC and they may collectively be requested to withdraw if the Chair of the ARC requires it.
- e. The Chair of the Board may request to attend a committee meeting for a specific purpose in an advisory capacity.

5. Responsibilities

- a. Financial Planning and Reporting
 - i. Conduct initial reviews of the Rutland First CIC’s annual budget and make recommendations for approval to the Board.
 - ii. Review management accounts and any key performance indicators (KPIs) and bring any significant matters of performance to the attention of the Board.
 - iii. Review the financial aspects of Rutland CIC’s strategic plans and make recommendations for approval to the Board.
- b. Financial Policies and Procedures
 - i. Review and recommend to the Board any new financial or investment* policies or any revisions to existing financial policies. This specifically includes financial reporting policies, any reserves policy and any investment policy.
 - ii. Review any proposed revisions to Standing Financial Instructions and ensure there is assurance that all financial activity is carried out in accordance with the SFIs.

- iii. Review the nature and levels of delegated authorities annually.
- c. Internal Controls and Risk Management Systems
 - i. Keep under review the adequacy of the management information systems.
 - ii. Annually review the robustness and effectiveness of the internal control and risk management systems.
 - iii. Review the risk policy and register and assess the risk appetite for each of the major risks identified and make recommendations to be discussed with the Board.
 - iv. Collate the findings and recommendations from the Board and managers in relation to risk, into the Risk Register. Ensure that appropriate action is being taken to mitigate these risks wherever appropriate.
 - v. Regularly review the financial risks and consider the need for a reserves* policy to adequately address these risks.
 - vi. Review fundraising activities and grant applications and gain adequate assurance that such activity and applications are being conducted in a fair, honest and legally compliant manner.
 - vii. Report on major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and Board or management response
- d. External Audit
 - i. There is an exemption from external audit for small companies under which Rutland First CIC currently operates. With this in mind, the Treasurer should regularly review the financial criteria for assessing if Rutland First CIC meets the criteria for being too small, under the terms of the exemption. If there is a need to change the Audit and Risk Committee should be notified.
 - ii. As well as having regard to the above points, it is also possible that a funding agency may make external audit or examination a requirement for funding, or the Board may need to consider the need in relation to other factors such as integrity and reputation of the organisation.
- e. Financial Statements

Monitor the integrity of the financial statements including the annual report prior to their approval by the Board, focusing in particular on:

- I. The application and appropriateness of significant accounting policies and practices, and any changes in them
- II. the extent to which the financial statements are affected by unusual transactions in the year and how they are disclosed
- III. Material information presented with the financial statements including any strategic report and corporate governance statements both audit or risk management – based;
- IV. compliance with accounting standards, relevant Statement of Recommended Practice (SORP), the Companies Act and any other appropriate legal and regulatory requirements
- V. decisions requiring a major element of judgement
- VI. significant audit adjustments

- VII. the going concern assumption
- VIII. the Annual Review and the Chairman's Report.

f. Internal Audit

- i. Approve any internal audit programme and any specific work be undertaken, monitor significant findings including management responses;
- ii. Review the effectiveness of any internal audit programme;
- iii. Consider and report annually to the Board on the adequateness and appropriate standing of internal audit resources.

g. Reporting

- i. The Chair of the Committee will report its activities to the Board periodically;
- ii. Minutes of meetings will be made available to the Board

h. Governance and Resources - the Committee will conduct an annual assessment of its activities and report any conclusions and recommendations to the Board including

- i. Adequateness and appropriateness of support to fulfil its role
- ii. Manageability and sufficiency of resources to carry out its work
- iii. With due regard to relevant legal or regulatory requirements and associated best practice whether there are implications for its activities
- iv. Appropriateness of Terms of Reference and any proposed amendment

*In the absence of such policy, to consider applicability at least annually