

FINANCIAL PROCEDURES AND REPORTING MANUAL

CONTENTS

	Page
Introduction	3
The purpose of financial procedures and reporting	
Section 1 - Accounting Procedures	4
1. Authorised Signatories	4
2. Central Purchasing	5
3. Staff/Student Group Expenses	6
4. Company Credit Cards	7
5. Cash & Bank	8
6. Petty Cash	9
7. Sales Ledger	10
8. Credit Limits & Credit Control	12
9. Payroll	12
10. Capital Expenditure	14
11. BACS Payments Control	15
12. Housekeeping	15
13. Bank Mandates	15
14. Post Opening Procedures	16
Section 2 - Budget planning and reporting	17
1. Introduction	17
2. Rolling 4 Year Plan	17
3. The Overall Budget Plan Document	17
4. Core Activities and Projects	17
5. The Planning Process	18
6. Controlling Manager – Management Accounts/Forecasting	18
7. Management Accounts	19

INTRODUCTION

The purpose of Financial Procedures and Reporting Manual is to provide a framework of standard procedures for financial controls and reporting across the Union for those team members who are entrusted by the Board of Trustees and the managers of the Students' Union with financial responsibilities.

The Union as a registered charity is accountable to Durham University for its funding. It is essential therefore to have sound financial procedures in place to enable the charity to satisfy its funders, donors, auditors and the Charity Commission that our financial affairs are in order.

Whilst the procedures and reporting manual provides essential support to managers and staff in the performance of their duties, it does not address every detail of day to day tasks.

All team members of the Union have a prime responsibility to the Board of Trustees and the Senior Leadership Team (SLT) for the conscientious stewardship of the Unions financial affairs and its conduct.

These procedures should help give the Board of Trustees and SLT assurance and confidence in the execution of the charity's financial affairs.

The success of the Unions financial procedures and reporting needs the co-operation and understanding of all staff with financial responsibility and these procedures should be discussed and explained with relevant staff by their managers.

SECTION 1

ACCOUNTING PROCEDURES

1. AUTHORISED SIGNATORIES

- 1.1 The limits stated below are in place for authorisation of purchase orders, purchase invoices and staff and student expenses including those on company credit cards. This includes items of capital expenditure, and payroll/ statutory payments.
- 1.2 The following limits are in force (Before authorisation can be given it needs to be ensured that there is adequate budget approved):

Amounts Including VAT (not exceeding):

- Controlling Manager Non-SLT:- (see 1.4 below) £ 5,000 for any single transaction.
 - Controlling Director SLT:- £ 5,000 - £10,000
 - CEO:- £ 10,000 (but with authority to exceed this limit in case of emergency)
 - Exemption from authorisation limits exist for normal statutory payments (such as VAT, PAYE, employees court orders), payroll (although amendments to payroll should be properly authorised), utilities, consumables for the bar café.
 - Payments of between £10K and £20K to be signed by CEO and Director
 - Payments over £20K signed by CEO and Trustee (*The CEO and one Trustee [typically the Chair] both must sign after consideration and approval by the whole Board*)
 - Capital purchases of over £10K go to the Board for decision.
 - Opportunities Co-Ordinators may sign off student expenses upto £250 per transaction, and should seek appropriate countersignature as above for any requests higher than this.
- 1.3 In every case where he/she has been involved, the Controlling Manager should sign to indicate agreement and where necessary then seek counter-signature in accordance with the limits.
- 1.4 Controlling Managers have discretion to authorise other staff in their Department for such lower amounts as they consider appropriate not exceeding £500 and should do so to ensure continuity of authorisation in their absence. However, above these lower limits, the general principle remains that in the absence of a signatory, the authorisation procedure

should pass to the level above.

- 1.5 Specimen signatures must be supplied to Finance whenever there is a change of signatory, together with the amount of any limit authorised to other staff in accordance with 1.4 above.

These limits apply to entire contract values which should not be divided to avoid the effect of these limits.

- 1.6 The Finance Department will carry out a regular review of authorised signatories on file when doing the monthly salaries to ensure these are up to date and to eliminate leavers. The Finance Manager will carry out independent periodic reviews.
- 1.7 The CEO may sign for any cost centre and will inform the relevant Controlling Managers; other Controlling Managers may only sign for costs charged to their own cost centres ,except where this may cause operational issues (ie holidays), in which case either the CEO or Finance Manager may agree to accept the authorisation of an alternative.
- 1.8 In case of uncertainty please contact Finance. Persistent incorrect approvals or sign-offs by any individual may result in revocation of signing authority and disciplinary action by the Senior Leadership Team.

2. **CENTRAL PURCHASING**

- 2.1 A Purchase Order Request Form should be completed for all goods and services exceeding £500 (excluding those items exempted from the authorisation rules above at 1.2) with relevant authorisation as at the time the order is placed.

All orders should state the following:

- a) Date of order
- b) Supplier's name & full address
- c) Brief description of goods/service
- d) Cost (Approximate if not available)
- e) Valid authorisation

This enables the Finance Team to:

- a) Input new suppliers details in readiness for receipt of invoice
- b) Direct supplier's enquiries to the relevant area, if invoices have

- not been received by Finance
c) Prepare the month end accruals

The requirement for a purchase order is for any individual purchase. In relation to a capital project only one order per supplier is required per project.

- 2.2 On receipt of the purchase invoice, the invoice then requires correct authorisation in line with the current procedures regarding signatories. The invoice should be authorised properly coded and forwarded to Finance.
- 2.3 To enable Finance to take advantage of supplier's credit terms and early payment discounts, invoices must be forwarded to Finance as soon as possible. If budget holders want payments held, the purchase invoice should still be forwarded to Finance, with the request to withhold payment and a note of the status of the query.
- 2.4 Invoices received into Finance are checked to ensure that they are complete.

Any invoices received without the correct information or authorisation will be returned to the relevant manager and payment may be delayed..

- 2.6 Invoices with correct documentation received into Finance will be paid within supplier's payment terms. Payment will be made by BACS transfer which will be paid directly into the supplier's banks.

Finance will inform all departments of any delays to these payments due to bank holidays, system problems, BACS failure etc.

- 2.7 Utility bills are currently dealt with by the University. In the event that this situation changes, the responsibility for invoice checking and authorisation lies with the nominated person in charge of facilities management.

3. STAFF/STUDENT GROUP EXPENSES

There are no different rules from the Students Union staff point of view, and expense claims, whether hard copy or electronic via Expense 365 should be authorised in line with the rules in Section 1. Student Expenses should also be final authorised by the Opportunities team in line with Section 1.

- 3.1 All Staff/Student Group expenses where reimbursement is requested must be claimed on an Expenses Claim form or via Expense 365 supported by relevant receipts and/or invoices and approved by the Student Group authorised signatures in accordance with their mandate for Student Group expenses. If for any reason a receipt or voucher is not available, the authorising signatory must initial the item on the Expenses Claim Form. It is the responsibility of the Opportunities Co-Ordinators to obtain authorisation. A separate section deals with expenses using the company credit card.
- 3.2 For each claim, and in accordance with the Purchasing procedures, the Opportunities Co-Ordinator team will check that the appropriate authorisation is present and that the signature is valid for that cost-centre and that amount. They will also ensure that all Student Group Expense claims have been verified and initialled.
- 3.3 Expense claims should normally be submitted at least monthly but can be claimed more frequently if preferred. Student Groups submit expense claims weekly in accordance to the deadline that is currently in place. This means that all Student Group Expense Claims must be in before midnight on a Sunday to be paid that week. Anything after that will go into the following week's payment run.
- 3.4 All expenses on the claim will be charged to the claimant's cost centre.
- 3.5 Claims for car mileage allowance must be claimed in accordance with the mileage rates issued each year. These are in accordance with limits allowed by HMRC, currently 45p per mile. Each claimant has the responsibility to monitor their claims cumulatively through the year so that the lower rate is claimed after 10,000 business miles. Mileage claims must also be supported by a completed car mileage claim form and attached as supporting document to the Expenses Claim Form.
- 3.6 Any proposed travel or entertaining expenditure likely to exceed £100 should be cleared in advance with a line manager/authorised signatory.
- 3.7 The following categories of staff expenses are examples of items that will not be reimbursed, unless specifically authorised by the CEO/Board of Trustees:
 - a) Parking fines or clamp release fees
 - b) Overnight garaging or car cleaning
 - c) First class travel

- d) Foreign travel
- e) Hotel accommodation above 3*
- f) Travel/meals/accommodation expenses for partners.
- g) Alcoholic drinks

It is accepted that it is not always possible (ie parking meters) to get a VAT receipt for your payment, but we will not be able to reclaim VAT on any expenses without a valid VAT receipt.

4. COMPANY CREDIT CARDS

- 4.1 The conditions of use apply to all users of the company credit card.
- 4.2 The company credit card is issued to enable staff members to meet business expenditure commitments without having to use their own funds or personal cards or where it is not possible for invoices to be paid centrally by Finance. The Company Credit Card will therefore be usually used for travelling and accommodation expenses and online / telephone purchases. Use for cash withdrawals should be avoided. It is essential that these guidelines are followed strictly in order to operate the scheme smoothly.
- 4.3 The credit cards are issued to authorised individuals and are the property of the Union
- 4.4 The credit card is to be used solely for the purpose of conducting the Union's business affairs. The card cannot be used for private expenditure, and any breach of this condition will be treated as a serious matter, subject to discipline. Should you have any questions concerning this condition, please seek guidance from your line manager or from Finance.
- 4.5 All expenditure incurred has to be supported by credit card slips / vouchers available electronically and original expenditure invoices. All credit card transactions should be checked against the credit card statement on a monthly basis by the card holder, and a monthly credit card expense for completed and duly authorised. The expenditure will then be entered by Finance into the accounting system.
- 4.6 Again, It is accepted that it is not always possible (ie parking meters) to get a VAT receipt for your payment, but we will not be able to reclaim VAT on any expenses without a valid VAT receipt.

5. CASH AND BANK

- 5.1 The Union's principal bankers are approved by the Board of Trustees and reviewed no less frequently than once every five years.
- 5.2 Cheques received through the mail and opened by the Finance team are registered on the daily banking cash sheet. The cash sheet separates the banking between sales ledger receipts and cash to be posted directly to the general ledger. Once registered, the cheques are filed in the safe awaiting completion of a paying-in slip and enclosed in an envelope for banking.

Any cash received by the organisation at reception should be counted by placing in the Scancoin machine, in the presence of the person bringing it in and receipted where necessary (exemption applies to DUCK collection buckets due to volume of coinage). Cash is banked weekly by collection from our approved security company.

- 5.3 All bank accounts are held and reconciled within the Finance Department. Statements received are logged and matched against outstanding items on a daily basis. Any discrepancies are investigated and recorded on the bank reconciliation by the Finance Team.
- 5.4 A small stock of banking stationery is held by the Finance. Cheque books and Paying In books are issued by the bank and sent to Finance. The cheque books are logged and kept securely.
- 5.5 Income received through sales is recorded in line with the income guidelines. Paying-in slips are reconciled against the cleared bank statement items.
- 5.6 Direct debit payments are made from the main bank Account. Controlling Managers send the direct debit mandate to the Finance Department with the original documentation and a payment authorisation form. The Finance Manager completes the form and it is then authorised in line with the bank mandate. Any documentation received regarding direct debit payments should be forwarded to Finance to ensure that the deductions are checked and monitored. Cancellation requests should be sent to Finance via email and the direct debit is cancelled with the bank by telephone or via the internet.

6. PETTY CASH

- 6.1 The small Central petty cash float is maintained by Finance.
- 6.2 Petty cash should be used for minor ad hoc expenditure only, supplier accounts should be arranged whenever possible. Petty cash vouchers presented for reimbursement should all have valid itemised receipts attached and state the following:
- a) Date
 - b) Brief description
 - c) General ledger code
 - d) Department
 - e) Authorised signature for cost centre
 - f) Signature of cash recipient
- 6.3 Under no circumstances will the petty cash float be used to fund personal expenditure, loans or advances apart from advance funding for travel expenses, which must be authorised by a line manager or authorised signatory. Advances must be accounted for within 5 working days of the trip.
- 6.4 The central petty cash is held in a petty cash box (keys held by the Finance Team)
- 6.5 The Petty cash box is checked and reimbursed on a monthly basis. Cash is counted, checked and listed and the totals entered on the reconciliation schedule along with the un-posted petty cash vouchers, and outstanding IOU's. Once agreed, cash listings and reconciliation schedule is signed off by Finance and kept in the safe check file.
- 6.6 A petty cash top up requisition is completed for the total reimbursement which should reconcile to the total of petty cash vouchers. This is authorised by the Finance Manager who will then instruct the Finance Team to withdraw funds from the Scancoin safe for petty cash. A general ledger journal will be posted to record the movement.
- 6.7 The petty cash vouchers are then posted as a general ledger journal.
- 6.8 On the last working day of each month, the petty cash box is checked with the Finance Assistant along with the Finance Manager and reconciled

back to the general ledger.

7. SALES LEDGER

- 7.1 The Sales Ledger consists of various sections representing different activities of the Union and these sections are accounted for under separate general ledger codes.
- 7.2 Invoices for DUCK, Student Groups and Union (Core) must be raised in conjunction with an Invoice Request Form.

All invoice requests should state the following:

- a) Date of invoice
- b) Customer's name & full address including email address/telephone Number
- c) Department Number
- d) Project/Job Code (mainly for DUCK use)
- e) Brief description of goods/service
- f) Amount Due
- g) Valid authorisation

All invoices are stored on the Finance Accounting system in numerical order.

- 7.3 Sundry invoices are generated directly from the Exchequer system and are occasional, one-off invoices or claims. The relevant controlling Manager must request the invoice to be raised. The request must be signed or sent via email and include the cost centre and GL code. The request must be sent to Finance for production and despatch of an invoice. Finance will do so within five working days.

Invoices are then produced and, where appropriate, sent out via email or post if no email address given. These are then batched and posted to the Sales Ledger.

- 7.4 Cash receipts are posted daily by the Finance Assistant. Cheques received in the mail are posted by the Finance Assistant, direct bank remittances are allocated by Finance Assistant.

If a sales ledger refund is required a Credit Note Request Form is completed by the relevant department and submitted with supporting documentation for authorisation by the Finance Manager or the Director of

Compliance. The refund is affected by an ACH Credit payment which is raised by the Finance or if the payment has been paid online then the payment will be refunded the same way.

- 7.5 Debtors Letters/Statements are produced monthly.
- 7.6 At each Month end the sales ledger is reviewed to resolve unallocated cash, clear down the unidentified account and investigate accounts with negative values. The sales ledger can then be closed for the period and relevant reports printed. Sales ledger reconciliations must also be signed monthly by the Finance Manager.

8. CREDIT LIMITS & CREDIT CONTROL

- 8.1 It will be appreciated that extension of credit to our students and customers represents a form of risk to funds and there have been occasions in the past when the Union has suffered irrecoverable debts.

Therefore it is appropriate that extension of credit should be subject to authorisation by the Finance Manager. We follow the structure in use for authorised signature levels for revenue and capital expenditure, amended to reflect that this is a potential risk rather than actual expenditure. Instalment terms, and any amendments thereto, must be approved by the Finance Manager..

- 8.2 It is the responsibility of the Finance team to follow up and collect amounts receivable which appear in the Sales Ledger.

Aged Debtors will be reviewed with the Finance Manager as part of the month end Balance Sheet check.

A reasonable Bad Debt Provision based on likelihood of debt recovery will be made for all doubtful debts .

The Finance team will normally operate using letters, statements, telephone calls, e-mails, credit stops etc. The agreement of the CEO must be obtained before legal proceedings can be pursued (although the use of “gentle touch reminder” standard legal letters from solicitors are at the Finance Managers discretion).

9. PAYROLL

- 9.1 All employees are paid through the Union's payroll system. The Union currently has one payroll which consists of:
- Monthly Payroll - all paid employees (Permanent , Casual and Part Time)
- 9.2 The monthly salaries are paid on or on the first working day prior to the 25th of each calendar month if falling on a weekend for the current month using BACS transfer.
- 9.3 All salaries and other remuneration (except expenses) paid by the Union to its employees is processed through the payroll system. The appropriate input documentation should be received within Finance by 17th of the month in which the change is to be affected.
- 9.4 All starter, leaver and salary amendments will only be processed to the payroll when accompanied by the appropriate documentation and authorisation from the relevant controlling manager. All salary amendments must be approved by a director or the CEO.
- 9.5 The requirements of statutory payment regulations along with the Union's internal requirements for sick pay, maternity pay etc. must be fully observed, with records maintained for examination by external agency inspectors.
- 9.6 Taxation and other mandatory deductions as well as any further deductions authorised by the Union must be at current rates and properly accounted for, with records maintained for examination by authorised inspectors.
- 9.7
- 9.8 Data and other documentation used to produce salary payments must be checked for the following:
- a) correct rates of pay (in line with current pay structure)
 - b) correct contractual hours
 - c) appropriate authorisation (budget holder/manager/HR/ CEO/ Director)
- Final payroll data will be signed by the Finance Manager.
- 9.9 Calculation of salaries will be compiled and prepared in accordance with authorised input data and other documentation received from line

managers.

- 9.10 A director will review and sign the payroll submission.
- 9.11 Payment of salaries by BACS transfer is processed by the Union's Finance Team.
- 9.12 All payroll data must be properly reported, filed and archived for inspection to ensure compliance with statutory regulations.
- 9.13 Statutory payments and reconciliation of control accounts must be produced monthly.

10. CAPITAL EXPENDITURE

- 10.1 Capital expenditure tends to involve larger sums of money and although it does not appear in the operating statements at once, except in the form of additional depreciation, it nevertheless represents an immediate call on the Union's cash resources. Controlling Managers should be aware that depreciation is calculated on all capital expenditure and therefore, once the asset is in use, a revenue charge will appear in the relevant operating department.
- 10.2 In broad terms any single item or project with a value exceeding £500 and which has a life exceeding one year is likely to be capital. Items below £500 may in certain circumstances also be capitalised with Finance's agreement. Examples are plant, machinery, buildings, land, furniture, computer equipment and office equipment. The capital budget is to be agreed by the Board of Trustees each year as part of the planning process.
- 10.3 Capital expenditure incurred in respect of an item which is included in the budget can be authorised in line with the normal authorisation procedures and limits for revenue expenditure.
- 10.4 On the occasions where capital expenditure is incurred without an approved budget, then authorisation is required by a director or CEO, up to their revenue spend limits of authority.
- 10.5 There may be occasions where the Finance team are required to transfer items to capital expenditure from revenue in order to comply with accounting standards and principles. Where this occurs, controlling managers will be informed.

Any amounts transferred in this way will not create additional revenue budget unless there is an agreed capital budget in respect of the item purchased. We would therefore expect that the revenue budget will be under spent by the amount transferred in this circumstance.

- 10.6 Disposal of the Union's assets may be negotiated verbally but written authority must be obtained in advance from the Director of Services. The proposal must be initiated by the relevant authorised signatory and be based on the net book value of the asset, which can be obtained from Finance. Attention must also be paid to any outstanding statutory grants or restricted income conditions attached to the asset as funding may be partly repayable on disposal.
- 10.8 Fixed assets are depreciated on a yearly straight-line basis starting in the month when the item is brought into use.

11. BACS PAYMENTS CONTROL

- 11.1 BACS payments can only be set up through authorised users in Finance who have a designated username and access PINS Entry Device. Therefore all BACS transmissions can only be sent using individual Security Devices and passwords. Every authorised user is responsible for their own security device.
- 11.2 Only Users Final authorisation can finalise BACS payments. These are the CEO, the Directors, and the Finance Manager. Generally the Finance Manager will final authorise, but in his absence the CEO and Directors may deputise.
- 11.3 Group BACS transactions (Purchase Ledger Payments) are checked and authorised for payment prior to being uploaded to the bank.
- 11.4 The file is then uploaded and checked against the authorised documentation prior to the file transmission using BACS.
- 11.5 Individual or "priority" BACS transmissions are manually entered into a transmission file from original authorised documentation and a hard copy of the data is checked and initialled by another member of the Finance team.
- 11.7 All BACS reports and file data are printed in detail for each transmission file.

12. HOUSEKEEPING

- 12.1 The Finance Manager will maintain a list of Controlling Managers.
- 12.2 A checklist of control accounts will be maintained. Control account reconciliations will be prepared by the Finance Team and reviewed by the Finance Manager.

13. BANK MANDATES

- 13.1 The Mandate is approved by the Board of Trustees for ongoing use. All transactions require two signatures.
- 13.2 It is the responsibility of the Finance Team to ensure that mandate changes are sent to the bank and that leavers are eliminated from the mandates. All bank mandates are kept electronically by the Finance Manager..
- 13.3 For purposes of clarity, it should be noted that signature limits under bank mandates are for that purpose only and are unconnected to the hierarchy of internal authorisation of expenditure limits dealt with earlier in the Manual.

SECTION 2

BUDGET PLANNING AND REPORTING

1. Introduction

The Three Year Plan including the Budget is the principal device by which the Union operates financially. The budget and plan are programmes agreed by the Board of Trustees for each year representing what the Union wishes to do and considers feasible. It is therefore vital that the Senior Leadership Team of the CEO and Directors, working with the Finance Manager takes responsibility for their areas of responsibility and ensures that the budget and plan is put into practice.

2. Rolling 3 Year Plan

The Financial Plan is revised annually by management and agreed by the Board of Trustees for the three year period ahead. It contains the direction in which the Union intends to develop with detailed guidelines for the growth of individual lines of income and expenditure down to department level.

The annual plan proposed by the SLT should be within the parameters of the strategic plan.

3. The Overall Budget Plan Document

The planning document known as the Union's Budget is a document designed to focus on each department's income and costs for the upcoming year and future years.

4. Core Activities and Projects

The Overall Budget Plan makes a distinction between central activity, commercial activity and strategy strand work and their projects.

A project is broadly a new or incremental activity which is separately identifiable in financial terms. It may be capital as major capital expenditure would normally be a project and could well be separately funded. A project may straddle two or more accounting periods but would not be a project indefinitely.

Projects are accounted for by using the job costing element of the general ledger chart of accounts.

There are core activities which are ongoing activities which we will generally continue to do. If it is difficult or impossible to isolate the income and costs of a potential project then it should be regarded as a core activity, but should still be included within a central, commercial or strategy strand budget.

5. The Planning Process

The annual planning process usually commences in January for the financial year commencing the following 1 August. Strategy Groups and Commercial then have until the end of April to complete their plan. THE CEO and Finance Manager will collaborate on Central Funding and Costs. Each strategy strand/commercial will receive assistance from Finance who will participate in their planning.

The resultant plans are consolidated by the Finance Manager and compared to previous years as appropriate and actual for the year to date and reviewed for reasonableness, completeness and internal consistency. The consolidation gives the CEO a view of the resources envisaged by funding and the expenditure requested by strategy groups and commercial.

The Strategic Development Committee reviews the overall budget plan

and considers the Union's overall position and makes the necessary amendments before approving the budget for submission to the Board of Trustees. The Finance Sub Committee will be kept apprised of progress and direction of travel at its meetings during the budgeting period.

The Plan and Budget are formally adopted by the Board of Trustees at its June board meeting is for formal submission to the University in line with the Memorandum of Understanding between the University and the Union.

The Budget is then set for the year and is not revised. Subsequent variances are calculated against the agreed plan.

6. Controlling Manager - Management Accounts / Forecasting

Management Accounts will be issued to appropriate Directors/ CEO for their departments on a monthly basis, within 15 working days of the month end.

On a regular basis, Directors/ CEO are requested to project their Annual Outturn Positions which forms part of the Monthly Management Accounts package to the Board of Trustees.

While the Budget is a statement of intentions and does not alter during the year, annual outturn positions are objective estimates of the final outcome for the year.

Directors/ CEO are asked to be as realistic as possible because accurate forecasts:

- help the Union to predict and manage cash-flow
- help the Union to budget well for the following year
- help the Union to redistribute resources
- give warning of any problems arising

7. Management Accounts

The CEO is responsible for the submission of Management Accounts to the Finance Committee and University on a regular basis as requested.