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Document.	<b>0010</b>	<b>Finance Policy</b>			
Revision	<b>05</b>	Approved By	<b>P Whateley</b>	Approval Date	<b>02/01/14</b>

## **Scope**

This policy applies to all provision for early years aged children, and also – where appropriate – to before and after school provision and walking bus provided by Duchy Pre-school and Playgroup for primary school aged children attending The Duchy School in Bowley Meadow.

## **Separation of Duties**

Good financial governance requires that the various responsibilities within the financial management of the setting are separated. Depending on who is responsible for managing the finances of the setting, there are two main models for this:

1. Where the day-to-day financial management of the setting is undertaken by an officer of the committee of trustees (typically by the Treasurer), the Chair of the trustees shall maintain oversight of the function on behalf of the Trustees.
2. Where there is an employed member of staff who conducts the day to day management of the accounts (for example a Business Manager or Administrator), the Treasurer shall act on behalf of the trustees to maintain oversight.

In order to maintain separation of duties, and to comply with best practice as recommended by both the Charities Commission and Ofsted, the person maintaining oversight on behalf of the trustees (the Chair in scenario 1, or the Treasurer in scenario 2) should have duplicate copies of bank statements sent directly to their home address by the bank, and shall conduct or witness monthly bank reconciliation, and perform periodic audit of the accounts as noted below.

## **Signatories to Bank accounts**

Bank current accounts shall be set up so that cheques drawn on the account shall always have two signatories, one of whom shall be an officer. It is not acceptable for a signatory to sign a cheque made payable to themselves, (therefore a minimum of three signatories is required).

Internet banking shall only be used where transactions involving the transfer of money out of an account requires at least two authorizations.

## **Authorisation of online transactions**

It is important that there are rigorous protocols for authorisation of on-line transactions. Once the Business Manager has set up an on-line transaction, they will email the necessary supporting paperwork (for example pdf copies of invoices, expense vouchers etc.) to the relevant trustees. No authorisation should be actioned until the second authority receives supporting information.

In the case of payroll, an additional consideration is that the Business Manager is a payee. In order to add appropriate safeguards relating to authorisation of a payment to themselves, the wage calculation sheet will be emailed directly to the second authority by the wages clerk once the wages transactions have been entered. This will permit an independent check of the payroll transactions.

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## **Audit**

The trustee having responsibility for oversight of the finances shall ensure that monthly bank reconciliation is performed on any bank accounts that have had transactions in the previous month. In addition, petty cash, and all other bank and savings accounts shall be checked at least once every 3 months.

Reports to the trustees shall be made at formal meetings. The minimum requirements shall be:

- Income and expenditure account(s) for the period since the last trustees' meeting (either a single statement covering the period, or separate statements for each month.)
- Balance sheet for the end of the period.
- Reserves position

Checks on the accounts at the end of the financial year shall also be carried out by an independent person, and in accordance with the requirements of the Charities Commission.

## **Budgeting**

The budgeting process shall as a minimum require:

- Calculation of forecast overheads (indirect expenditure)
- Calculation of contribution required from sessions to cover forecast overheads.
- Comparison of forecast contribution to required contribution, and identification of planning gaps.
- A documented plan to deal with planning gaps which are identified by this process.

Where appropriate the budgeting process may also include a capital plan.

Additional financial controls may be appropriate where the setting is experiencing adverse variations in revenue or expenditure, especially where there are insufficient reserves in place to cushion the sustainability of the setting. Such measures may include detailed variance analysis and cash flow monitoring at an appropriate interval.

## **Trustee Disbursements**

Trustees must ensure that any disbursements they make are strictly in accordance with Charity legislation.

- All payments to trustees are required to be declared in returns to the Charity Commission.
- Out of pocket expenses cannot be reimbursed without a receipt.
- Trustees holding playgroup cash (for example floats, or proceeds of fund-raising events) must not make disbursements of expenses incurred from those funds without obtaining a receipt.

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Responsibility for periodic review	<b>Finance Sub-committee</b>
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**Document History**

<b>Rev</b>	<b>Changes</b>	<b>Date</b>	<b>Approval</b>
00	Previous changes incorporated for AGM.	17/05/10	AGM
01	Authorisation of online transactions.	26/05/10	Committee
02	Specification of requirements for trustee disbursements.	09/07/10	Committee
03	Reviewed for AGM: Significant changes to Budgeting and Reserves requirements.	15/11/11	AGM
04	Reserves Policy extracted into separate policy	26/11/12	Committee
05	Addition of scope statement	02/01/14	PNW

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