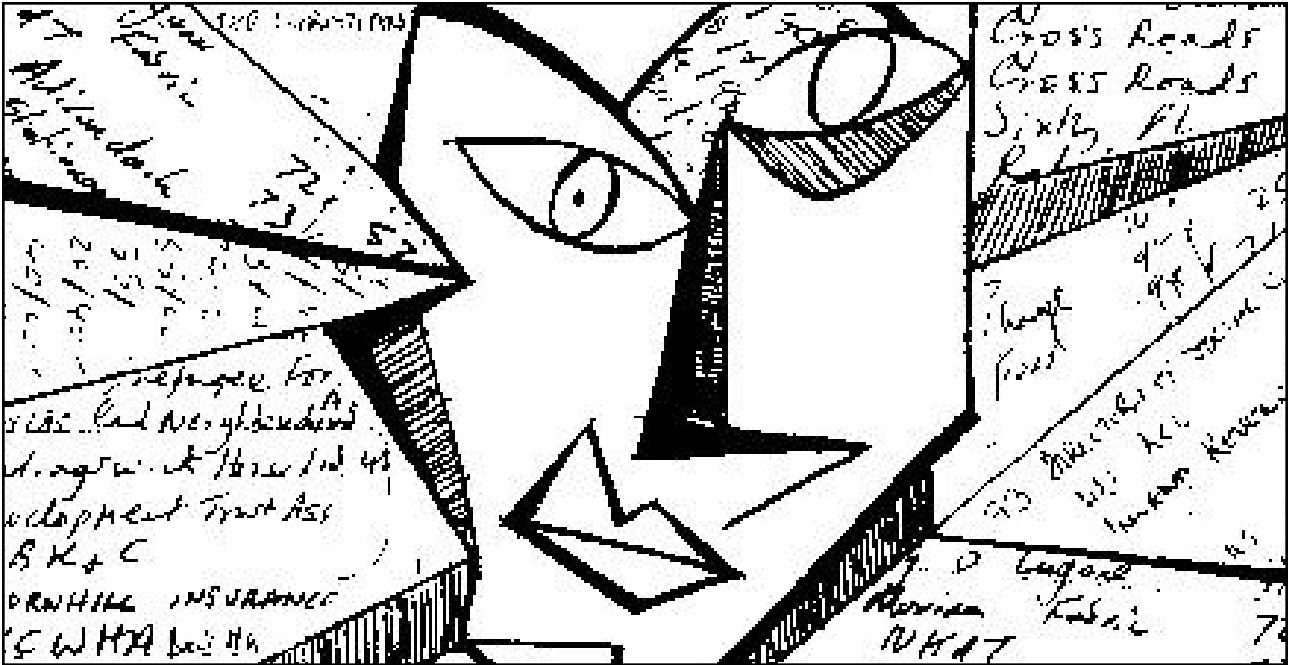


CASHFACTS

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PQASSO finance

Quality standards are set for each part of the organisation, including financial management. The standard set is to manage your financial resources efficiently, effectively, economically and ethically with due regard to the environment.

Trustees and managers should understand their legal responsibilities and accountability for financial control and be aware of the importance of good financial practice.

PQASSO has three levels. In this article we go through each finance section at level one and explain what evidence you need to meet the requirements. It is a

good idea to establish a separate PQASSO file to keep the various policies and other items of evidence together.

Management committee agrees budgets and there are quarterly reports on accounts

For organisations with a financial year starting 1st April the budget for the following year should be agreed in February by the management committee. The committee should also receive at least quarterly finance reports comparing income and expenditure against the budget.

Evidence: Budget, minutes, copies of finance reports.

Ensure auditing requirements are met in full

Many boroughs require organisations receiving funding of £10,000 or more to have a full audit. If the auditor sends a management letter this should be presented to the management committee and what action is to be taken minuted. Staff may act on the letter before the management committee meeting and report how they have responded to correct any omissions identified in the examiner's or auditor's letter.

Evidence: Audited accounts, management letters, minutes indicating action to be taken.

Payroll

Frequently wages and salaries are the largest part of a voluntary organisation's expenditure. Rates of pay should be authorised by a meeting of the trustees.

Evidence: Minutes and financial procedures.

Inland Revenue

Consider whether you are meeting all the regulations. Should cleaners and other contractors be on PAYE? If volunteers receive round sum expenses i.e. £5 a day they should sign an Inland Revenue form P46.

Consider whether some expenses and allowances are taxable, the Inland Revenue has a guide covering this.

Do you have a system for checking that employees have the right to work in the UK - EC passport, NI number, work permits etc.

Evidence: Inland revenue payroll records, P46s, P60s, annual returns, pay slips, correspondence from a payroll bureau if you use one. Schedule D numbers for freelance workers. Write a note about when contractors should be taxed through PAYE and put it in the PQASSO file. Check personnel files for evidence of right to work in the UK. photocopy one piece of evidence and put it in the PQASSO file.

National Insurance, Statutory sick pay and maternity pay

Check that every one paid above the threshold is paying national insurance and the calculations are correct. Check that statutory sick pay and maternity pay is being paid when appropriate and the right amount is being deducted from the monthly payment to the revenue.

Evidence: Same as for Inland Revenue.

VAT

If your trading/contracted income exceeds £54,000 (01/02) you should register for VAT, charge VAT to your customers and reclaim the VAT you pay on supplies. Grant income is excluded from the £54,000 VAT threshold. You should check with your VAT office whether a service agreement is a contract and liable for VAT.

Evidence: Total for contract and trading income. Quarterly VAT returns. Letters from funders and Customs and excise.

Charities Act Regulations

The Charities Acts govern the way charity annual accounts should be produced. A Statement of Financial Affairs (SOFA) must show unrestricted and restricted funds separately and split expenditure between direct charitable activities, management and administration and fundraising. Income is restricted when the funder has stated that it must be spent on a specific purpose or activity.

The regulations also divide charities into five bands based on annual income or expenditure. Organisations with income of less than £250,000 do not need a full audit unless a funder or the constitution requires one. Organisations with an income of £100,000 or less can use simple receipts and payments accounting. If income is less than £10,000 accounts do not have to be audited or examined, but funders or the constitution may require an examination or audit. All charities must keep proper books and records and send an annual return to the charity commission. (See CASHFACTS Charities Act on CASH-ONLINE).

Evidence: Photocopy a page of account book. Independent examination or audit and annual report. Returns to Charity Commission and any correspondence.

Banking procedures

How frequently do you bank income? Cash over £100 and cheques should be banked weekly. Cheques can be photocopied and the original posted to the bank with the paying in book to save staff time.

Evidence: Photocopy 3 months bank statements and highlight bank deposits. A copy of your financial controls highlight banking procedures.

Expenses

What expenses can be claimed? Travel mileage, lunch phone calls, stationary stamps etc. Are there scales or maximum rates for travel etc? Who authorises that payments made are for the organisation's benefit typically this would be a manager.

Evidence: Write half a side of A4 describing what expenses can be claimed, scales, limits. Photocopy some expenses claims. Check that if any of the expenses are taxable and that the correct amount of tax is being deducted. Copy of financial procedures.

Petty Cash

You should operate an imprest system. Have an agreed float say £100? If £81.22 has been spent during the month draw a cheque for this amount to top the float up to £100. The petty cash book and tin should be balanced and signed each month. There should be receipts and a voucher for each payment signed by the person receiving the money and the person authorising it.

Evidence: Petty cash balance signed by book keeper, and checked by a manager/trustee every month/quarter. Photocopy in PQASSO file.

Cashflow

Cashflows are needed if you are paid in arrears by any of your funders, if money is particularly tight or if you are expect-

ing a deficit and drawing down reserves. Monitoring cash flow can also be useful for checking that funders are paying on time.

Evidence: Copy of the cashflow forecast or explain why you are not going to do a cash flow. Time costs money so only do it if it is needed! It's better to spend money on services than on unnecessary administration, this helps keep unit costs down.

Sufficient resources for the level of service

How stressed and under resourced are staff? Are time sheets kept and is time off in lieu taken? Are adequate materials and facilities provided for the service? Is the organisation under costing services to win grants and contracts? Do trustees review the organisation's work on a regular basis, estimate unit costs and consider the level of resources needed to provide the service?

Evidence: The budget, supervision reports, minutes of management committee meetings and annual strategic review meetings.

Records of supplies and deliveries

Are deliveries of stationary etc. checked against the delivery note when they arrive?

Evidence: Delivery notes, signed by a member of staff/volunteer that the goods have arrived. Fixed asset register. Stock control system if large stocks are being held.

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