



## **Accounting Policies and Procedures Manual**

**(Reviewed Sept 2017)**

## Contents

1.	Delegation of Authorities.....	3
1.1.	Commitments .....	3
1.2.	Bank Mandate, Payments and Treasury Policy.....	3
1.3.	Capital Expenditure .....	4
1.4.	HR .....	4
1.5.	Matters Reserved for the Board.....	4
2.	Accounts payable .....	7
2.1	Paying third parties.....	7
2.2	Staff expenses.....	7
2.3	Cash Floats.....	8
3.	Revenue Accounting .....	10
3.1	Grants and Donations .....	10
3.2	Cash receipts .....	10
3.3	CAF Cheques.....	10
4	HR and Payroll accounting.....	11
4.3	Recruitment of staff other than the CE.....	11
4.4	Recruitment of a new CE .....	11
4.5	Payroll.....	11
5	Periodic Accounting.....	12
5.1	Entering transactions in the cash book .....	12
5.2	Bank Reconciliation .....	12
5.3	Analysis of the Cash Book .....	13
5.4	Month-end and year-end Reporting .....	13
6	Accounting Policies .....	13
6.1	Basis of accounting .....	13
6.2	Recognition of Income and expenditure .....	14
6.3	Reporting of Income and expenditure .....	14
6.4	Allocating Support Costs to activities .....	14
6.5	Fixed Assets.....	15
6.6	Fund accounting .....	16
6.7	Deferred Income .....	16
6.8	Reserves.....	16

## **1. Delegation of Authorities**

Authority lies with the Board. Specific and general authorities may be delegated to individual officers or Trustees. All other authorities are retained by the board. For clarity sake, a list is provided in Section 1.5 below of matters specifically reserved for the Board.

The Board will review and approve delegated authorities on an annual basis.

### **1.1. Commitments**

1a	Approve the annual budget or subsequent changes	The Board
1b	Approve tender strategy for commitments of more than £10,000	Treasurer and Chairman, or either with one other Board member.
1c	Issue tenders and approve purchases or make commitments for single transactions or for recurring commitments of up to 12 months in the ordinary course of business.	Up to and including £5,000, CEO Over £5,000, CEO with Chairman or Treasurer
1d	Make recurring commitments over more than a 12-month period with prior budgetary approval in the ordinary course of business.	Up to and including £5,000, CEO Over £5,000, CEO with Chairman or Treasurer.
1e	Make commitments in excess of £5,000 or over 12 months, without prior budgetary approval	The Board

### **1.2. Bank Mandate, Payments and Treasury Policy**

2a	Approve the opening of new bank accounts, additions or changes to bank mandates and list of approved signatories	The Board
2b	Set up on-line bank authorities, adding, changing or removing names, subject to Board approval	CEO jointly with Hon treasurer
2c	Create payment, subject to approval, in the bank system	Administrative Assistant, CEO, Treasurer
2d	Approval of payments (subject to division of duties between creation and approval) using on-line banking or by cheque	Up to and including £200 CEO (single signature) Over £200 CEO plus one Director Over £5,000, CEO with Chairman or Treasurer

2e	Approve in principle the making of term deposits or investments that are not instant-access accounts	The Board
2f	Make and manage term deposits and investments other than instant access accounts, subject to Board approval under 2e.	CEO, Treasurer

### 1.3. Capital Expenditure

3a	Approve capitalisation of expenditure in accordance with accounting policy	Treasurer
3b	Approve disposal, including donation, and write-down or write-off of fixed assets, whether capitalised or not	Up to £1,000 Treasurer (on recommendation of CEO) Over £1,000, Chairman and Treasurer
3c	Approve depreciation and amortisation policies	The Board

### 1.4. HR

4a	Approve appointment of Chief Executive and other Officers	The Board
4b	Approve appointment of new staff, including remuneration and terms & conditions of employment	The Chairman, on advice of the CEO. Generally, endorsement from all Trustees will be sought.

### 1.5. Matters Reserved for the Board

In addition to those matters reserved to the Board in the Articles of Association, the list below is provided for the sake of clarity

#### Strategy, policy and reporting

Approve objective, strategy and medium term plans, including movements into new business areas or geographic areas

Approve standards, policies and procedures

Approve capital expenditure

Approve cessation of any material part of the charities activities

Approve changes to company listing or status as a company limited by guarantee and a registered charity.

Approve annual report

Approve significant changes in accounting policies or procedures

Approve the annual budget and any changes in plans impacting 10% or more over previously approved gross expenditure

Approve the charity's risk appetite and review/approve description and treatment of risks annually

#### Commitments

Approve capital expenditure in excess of Chief Executive's delegated authority

Approve contracts that are material as to size or impact on the activities of the charity or that are not in the ordinary course of the charity's activities

Approve material funding applications (in the absence of a timely board meeting, may be approved by the Chairman and Hon Treasurer together)

Approve entering into any debt arrangement (lending or borrowing)

Approve commitments to taking any legal actions including prosecutions or the commencement of defence or settlement of litigation or alternative dispute mechanisms

Approve the overall level of insurance including directors' and officers' liability insurance

Approve public statements and press releases relating to matters reserved for the Board

#### Governance and people

Approve appointments to the Board and selection of the Chairman

Approve appointment of staff, including the Chief Executive

Approve the establishment of Board Committees, members and chairmanship of the committees and matters which the Board wishes to delegate to committees.

Approve suspension of directors or the Chief Executive on the recommendation of the Chairman for a breach of ethical policy or actions which adversely impact on the charity's reputation.

Approval of the appointment of the independent financial examiner

Approve remuneration paid to employees of the charity

Approve delegation of authorities for specific transactions on an ad-hoc basis to the Chairman, Hon Treasurer and / or Chief Executive or any combination

Approve the schedule of authorities delegated to individual directors, executives and other staff.

Review and, if appropriate approve conflicts of interest where allowed by the articles of association

## **2. Accounts payable**

*This section covers the recording of commitments, recording of liabilities and payments, other than payroll, payment of staff expenses and handling of cash floats. Reference should also be made to Section 1 – Delegation of Authorities.*

### **2.1 Paying third parties**

- a. A4D does not currently issue purchase orders to support commitments to third parties. Third party invoices should be recorded in the cash book on receipt as a record of the liability.  
*(NB Aug-17 update: the volume of invoices remains low. In view of this, keeping track of outstanding payments is not difficult and it is acceptable to post them in the bank account as due for payment and then only upload them at the month end to the cash book. See section 6 below)*
- b. When an invoice is received from a third party a copy is scanned and copied to the appropriate (period) file in cloud storage. Hard copy is filed in the current year file under Expenditure ("B" section).
- c. If the payment is valid, the CE or Admin Assistant sets up a payment in the Lloyds bank account payments system, recording an appropriate payment date reflecting payment terms.  
*(Aug 17 update: For Phoenix Court rent is paid at the beginning of the month, in advance and salaries are paid at the month end in arrears. This means that the largest recurring costs fall in the correct period, so accruals are not required. Other items are generally not material enough to require accrual, but will be taken on a case-by-case basis for the annual accounts cut-off date).*
- d. The Administrator e-mails a copy of the invoice to the CE and/or Trustee for approval as appropriate. The approver checks that the amount, due date and payee agree with supporting documentation and makes further enquiries or asks for other documentation (contracts, letters etc..) if they consider it necessary, prior to approving the transaction using the on-line approval process at Lloyds Bank plc.
- e. The approver replies to the e-mail from the Administrator to confirm that they have approved the transaction. This copy of the e-mail is retained as evidence.
- f. If documentation is not acceptable then the approver should notify the CE or Administrator who will follow up any discrepancies with the supplier before re-submitting revised documentation for approval.

### **2.2 Staff expenses.**

- a. Staff, Volunteers and Trustees wishing to claim back expenses incurred in the course of their duties complete an expense claim form (Appendix 1). If possible expense claims should be submitted once a month to minimise administration, but if significant amounts of cash expenditure are incurred then more frequent submissions will be accepted.

- b. Sufficient detail should be provided on the expense form to enable the Admin Assistant to analyse expenses in the cash book according to expense type, activity and to show whether they relate to restricted activities or not. Receipts must be attached for all expense items, or an explanation provided as to why there is none.
- c. Expense Claim Forms are submitted to the CE with receipts attached. The CE has discretion not to pay expenses if not supported by receipts.
- d. CEs expenses will be self-approved and reviewed by the Treasurer periodically. Any concerns will be raised with the CE and/or with the Chairman as appropriate.
- e. The CE approves and expenses are paid to the individual's bank account in accordance with the procedure in 2.1 above.

### **2.3 Cash Floats**

- f. A petty cash float is not maintained. If it is necessary to obtain a cash float for a specific purpose, for example for an event where items, books, food and drink or raffle tickets are for sale, the CE will withdraw cash from the bank and the sum recorded in the cash book. Following the event cash sales plus the float will be paid into the bank account with the float recorded as a negative value in expenses (offsetting the original withdrawal) and other receipts as revenues. A reconciliation of the opening cash balance plus receipts less expenses should be prepared by the Administrator or CE and filed in the current accounts file.

## Accounts Payable Appendix 1

## **Arts 4 Dementia Expense Claim Form**

Claim Date \_\_\_\_\_ Name \_\_\_\_\_

Please list individual expense items below and attach receipts with a staple.

Where individual payments are to be split between expense types, projects (activities) and/or assigned to more than one restricted fund, list the amounts separately. If more lines are required, please use another form.

**Payment ref**

### **Reimbursement (bank) date**

### **3. Revenue Accounting**

This section covers receipt of revenues from all sources, including grants and donations, ticket sales and other fund-raising whether as cash (at events), cheques received and direct payments to the bank, or via third party sites (Virgin Money, CAF, Donorfy Widget etc.)

#### **3.1 Grants and Donations**

- a. Grants and Donations are recorded as income when they are received. They may be received directly into the bank account, as a cheque, a CAF "cheque" (that is submitted to CAF and subsequently paid into our bank account) or as cash.
- b. When cheques are received a photocopy is made and retained in the current year file under revenue (Section "B"). The Administrator enters details of the payee and the amount in the paying-in book. The paying-in book reference is written on the filed photocopy.
- c. Receipts are banked on a regular basis by the CE.
- d. The cash book is normally updated by download from the bank account. However, at month ends if there is likely to be any delay in banking receipts they should be entered on receipt in the cash book so that revenues are recorded in the correct period.

[Aug 16: While recording each payment separately in the cash book provides a good audit trail, in view of the limited number of transactions each month, updating the cash book from the bank statement is sufficient providing the audit trail is properly recorded by noting the paying-in slip reference on the filed copy of the cheque and subsequently putting the revenue line reference from the cash book on that copy (there may be multiple receipts on a single line in the bank/cash book).

#### **3.2 Cash receipts**

- e. Cash received at events from sales of raffle tickets etc. will be recorded as a single amount with an appropriate description. Significant cash donations received at the same time should be entered in the cash book individually for reference (name of the donor, and the amount donated).

#### **3.3 CAF Cheques**

- f. CAF cheques must be submitted to CAF who will process the payment to our bank account [Description required of this process].
- g. On receipt, a photocopy of the CAF cheque is taken and files in the current year file under revenues. CAF cheques should be entered in the cash book when received to ensure that a record is kept and that they can be followed up in payment is not received from CAF (which may take some time). Ensure that the name of the individual, the amount and

references are captured in the cash book, to be matched with the bank entry

(NB: Aug 16: As with expenses, the number of transactions is fairly low and does not always warrant opening the cash book spreadsheet and updating. Providing a copy is made when the post is opened, and kept on file it is unlikely that a cheque will go missing completely and the cash book entry may be made when the bank account details are downloaded at a subsequent date)

## **4 HR and Payroll accounting**

### **4.3 Recruitment of staff other than the CE**

- a. The creation of a new position will normally only be in accordance with approved plans and is otherwise approved by the Chairman in consultation with the Treasurer, on recommendation of the CE.
- b. Job descriptions, profiles, contractual terms and salary for staff are prepared by the CE and reviewed and approved by one or more trustees to whom this task has been delegated.
- c. The CE and one Trustee will interview candidates and recommend a candidate to the Board, who will approve the appointment.
- d. The CE prepares a contract of employment, obtaining agreement for any changes to previously agreed terms and conditions. After obtaining the staff member's signature, the CE signs for A4D.

### **4.4 Recruitment of a new CE**

- e. Where a new CE is to be appointed, the Board will agree the process to be followed. Where external candidates are considered, then two Trustees will interview and, after discussing with the Chairman, make a recommendation to the Board.

### **4.5 Payroll**

- f. Starter and Leaver forms are completed and sent to the independent accountants who prepare the payroll.
- g. Each month the accountants e-mail pay slips for each staff member and a summary for A4D. The pay slips should be printed out and given to the employee concerned.
- h. Payments are set up in the bank for payment on the last Thursday of the month (this ensures that payment is normally received before the month end, including when the month end falls on a holiday). Payment is approved as described in Section 2 - Net pay, NIC/Tax payments to HMRC and pension payments where appropriate are posted to the cash book from the bank statement (See Section 2.1 – Paying Third Parties).
- i. **Pension Auto-enrolment (effective from July 2017).** A4D subscribes to the Government-endorsed "Smart" pension scheme. The CE will auto-enrol staff on engagement if they qualify. A4D contributes the minimum 1% of pensionable salary, with the employee also paying 1%.

Deductions and payments will be advised by Kirk Rice as part of the payroll process and paid by A4D at least every quarter.

## 5 Periodic Accounting

This section deals with routine period end processes, including bank reconciliations and financial reporting. As A4D accounting relies on an analysed cash book and does not currently use a double entry ledger, an explanation is also provided in Appendix 1 of how the master spreadsheet works and the activities required to maintain it.

- a. The main accounting ledger is an analysed cash book split over two sheets in the Accounts Master spreadsheet (201X/1Y Accounts MASTER.xls) called “Revenue Input” and “Expenditure Input” respectively. Reports and analysis in the spreadsheet are based on these input worksheets being completed correctly. An “Instruction Manual” for the Accounts Master spreadsheet contains detailed guidance on using it. The procedure below only highlights key activities that take place routinely. [\[Aug 2017: the Instruction Manual still needs to be written!\]](#)

### 5.1 Entering transactions in the cash book

- b. As described in sections 2 and 3, in view of the small number of transactions and to avoid additional administration, the cash book may be updated by downloading the bank statement and cutting/pasting into these two worksheets, though transactions are entered manually if there is expected to be any significant delay before this occurs.
- c. Columns are provided to enter the document number (cheque number for receipts or payments or other references as appropriate) and to indicate if a receipt or other documentation in support is on file (if so “Y”). The sequential transaction reference shown in the cash book (Rxxxxx for revenue, Exxxxx for expenditure) is written on the relevant filed documents (see Sections 2 – Accounts Payable, and Section 3 – Revenue Accounting above) purely for reference.
- d. Where transactions cover more than one analysis category (see 5.3 below) then the original line is duplicated, using the same sequential transaction number for all lines relating to the same transaction, and the total value is split between the lines, with different analysis for each line. [For example, an expenses claim may be split between Staff Travel and Accommodation, and Office Supplies. Another example is salaries that may be split between restricted and unrestricted funds.](#)

### 5.2 Bank Reconciliation

- e. The Administrator normally enters transactions in the cash book. The Treasurer (or someone independent of the Administrator) checks that all transactions have been correctly entered, ticking them off in the

bank statement paper copy and entering "y" in the column Bank Rec = "y" as validation. Discrepancies are investigated and corrected.

- f. The Treasurer will prepare a bank reconciliation on a periodic basis (note however that as the accounts are prepared on a cash basis with downloads from the bank statement, reconciling items should be rare. The main objective is to ensure that all transactions in the bank statement have been correctly entered in the cash book).

### **5.3 Analysis of the Cash Book**

- g. The administrator ensures that sufficient information is captured in the payee/payor and description fields (free format) that the purpose and nature of the payment or receipt can be determined. The analysis fields are then updated as follows:
  - Revenue or Expense Type - what the expenditure relates to
  - Project Flag (Y/N) – this is used to identify whether expenditure relates to a specified activity.
  - Activity - why the expenditure is being incurred
  - Restricted Activity (if relevant).
- h. Fields are provided to flag revenues that attract gift aid. And to enter the amount. These are not currently used.  
*[Aug 17: Gift aid is claimed back via Donorfund. Processes remain to be documented]*

### **5.4 Month-end and year-end Reporting**

- i. The Treasurer takes a copy of the Accounts Master spreadsheet at the end of the month to check that all transactions have been entered correctly. Where necessary additional values are added to the drop down menus and to the periodic reports, for example to add or delete activities or restricted funds. Expenditure lines may be added to split costs between restricted and unrestricted funds.
- j. The analysis worksheets are checked to ensure that they are correct (if activities have been added then almost certainly there will be errors). Once all check totals are correct and the various worksheets agree then extracts can be made for reporting to the Board.

## **6 Accounting Policies**

A4D is a small organisation that does not employ professional accounting staff, so both accounting and reporting should be as simple as possible.

Where accounting policies are set out in the annual report then the relevant text is shown in italics.

### **6.1 Basis of accounting**

*Arts 4 Dementia is a public benefit entity.*

*The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended*

*Practice (FRS 102) and the Companies Act 2006 as applicable to companies qualifying for the smaller companies regime.*

FRS102 applies to A4D for 2016-17 reporting on later.

#### Historic Cost Accounting

*Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.*

#### Accruals Basis

*The accounts are prepared on an accruals basis.*

This applies to the annual accounts, but not to the management accounts where for practical reasons month-end adjustments are kept to a minimum. Generally outstanding liabilities are not material enough to warrant adjustment and can readily be explained as a footnote to the (cash-basis) management accounts where appropriate.

### **6.2 Recognition of Income and expenditure**

*Income is recorded in the period it is received unless explicitly relates to an event that will take place in a future period, in which case it will be treated as deferred. Expenditure is recorded in the period to which it relates.*

### **6.3 Reporting of Income and expenditure**

The Statement of Financial Activities shows income split into main categories and expenditure by fully-costed activity. Support cost are allocated to activity categories using appropriate keys (for more detail refer to note 4 to these accounts). Residual indirect costs were together immaterial and so have been included within support costs and allocated to activities.

As far as possible the management accounts follow the same format as the annual statutory accounts. Income is analysed by type and expenditure by main activity, including three categories of charitable activity (Workshops, Training, Best Practice), and Fundraising.

Governance costs, which included largely office administrative costs and were reported separately in 2015-16, are included with support costs and allocated to these activities as they are not material enough to be reported separately on the face of the Statement of Financial Activities (SOFA) (Aug 17: This will be changed if the amounts prove to be significant).

### **6.4 Allocating Support Costs to activities**

Indirect , also called support costs, are allocated across the principal activities (see 6.3) in order to show the true full cost of provision of the related services. Three methods of allocation are used:

*Salary-weighted Effort – Effort for each principle activity is estimated for each member of staff and an average, weighted by budgeted gross*

salary, is calculated. This percentage is then applied to the total pot of relevant costs, principally payroll-related. [Aug 2017: at present this also includes other office-related costs. These represent approximately 20% of the total effort-related cost pot. It is expected that this will be changed to use unweighted effort as this is more representative of how the costs are applied se next allocation category].

*Percentage of effort – relevant for office space and miscellaneous administrative costs (printing, telephone, stationary etc..) [Aug 2017: this is a new category to be applied later this year. At present all these costs are included with salaries and allocated using the salary-weighted effort key]*  
*Estimated Utilisation – Website and marketing activities benefit all of A4Ds activity, though to different degrees. An estimate of the benefit derived by each activity is used to allocate these costs.*

Allocation keys will be reviewed from time to time, and can be updated for actual costs on a month-by-month basis, to ensure that they remain reasonable.

## **6.5 Fixed Assets**

*The only fixed assets owned by the charity are computers and printers.*

*These are expensed in the period in which they are acquired.*

*Board approval required before any assets are capitalised.*

## **6.6 Fund accounting**

Reserves are split between restricted and unrestricted funds. Restricted funds are those that, because of the wishes of the donors, may only be used in accordance with the grant application and in furtherance of the particular projects specified.

Restricted donations are noted separately within revenue and expenditure is allocated to each fund as appropriate such that A4D can report to donors on how they have been utilised. The CE will determine in conjunction with the Treasurer how costs will be assigned to individual funds. Expenditure is then recorded against specific restricted funds, or split between them or between restricted and unrestricted funds, in the cash book, in order to ensure that there is no duplication.

The Finance Committee and Trustees receive a report showing utilisation of restricted funds at each board meeting so that they can satisfy themselves that A4D is compliant with its obligations to donors, where relevant.

## **6.7 Deferred Income**

The general rule is that a cash receipt is recognised as income in the period it is received, consistent with as far as possible maintaining the management accounts on a cash basis. However if, this is likely to lead to a material distortion of A4D's financial position at the accounting year end, recognition of income may be deferred.

To minimise complexity in the accounts, only amounts in excess of £20k should be considered for deferral and the payments should explicitly relate to projects falling within a future accounting year. Note that they must survive review by the external examining accountants and comply with FRS 102.

Deferred income is released as related expenditure is incurred.

## **6.8 Reserves**

*The trustees recognise the need to maintain reserves sufficient to enable A4D to meet its core commitments despite fluctuations in the level of income. Such reserves will be held in the readily realisable form of cash or near-cash equivalents. During the year, the Trustees approved an increase in reserves to cover 6 months of normal operating costs plus committed and planned events during this time, together with any statutory liabilities.*

[Aug 17: the policy to hold 6 months reserves will be submitted for approval at the September 2017 Board meeting]