



Ashdon Jazz Academy

Financial Procedures and Reserves Policy


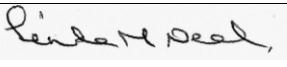
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Financial and Reserves Policy

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Signed by 2 Trustees as approval by the AJA Board of Trustees

Date	Names	Signature
11/10/22	Kevin Howell	
13/09/22	Linda Neal	

Section One

Purpose

The purpose of this document is manifold. It provides Ashdon Jazz Academy with the minimum financial regulation that is designed to be used irrespective of size and regardless of its staffing structure.

1. Ashdon Jazz Academy should also review its obligations as a charity and company incorporated by guarantee and acquaint itself with any additional requirements this may entail. It may wish in these circumstances to seek independent professional advice to that end.
2. It further provides (in section 2) a list of key financial controls with simple explanations of their relevance and how to implement them. These are designed to form the basis for the financial governance and supply a structure for evidencing financial compliance and reporting.
3. The templates (section 4) are intended to give examples of good practice or in some instances to give a detailed description of the key control.
4. This document is not intended to be static and, particularly, for section 4, the charity plans to develop this as additional needs are identified.

This document is not intended to be a step-by-step set of instructions to implement the finance regulations and key controls.

Section Two

Key Financial Controls and Compliance Reporting

There are several financial controls within any organisation that are considered necessary for the smooth running of the business.

These controls should be considered as an integral part of its function/activities. All Controls should be implemented; and no one control should be considered more important than the others.

Controls:

1. Reconciliations:

- ✓ All Bank Accounts
- ✓ Supplier
- ✓ Control Accounts

2. Fixed Assets Register

3. **Hospitality and Gifts Register**
4. **Business Interests Register**
5. **Authorisations/Limits of Authority**
6. **Segregation of Duties**
7. **Monthly Reporting**
8. **Security of Cash and Payroll**
9. **Board Minutes**
10. **Bank Mandate**
11. **External Reporting**

The Key financial controls are explained in more detail:

1) Reconciliations:

These are designed to prove that the number stated on the finance system for certain balance sheet accounts represents the actual balance. Any difference between the two should be investigated and if they cannot be explained then they should be listed as a reconciling difference.

a) Bank Reconciliation:

This is the most important reconciliation and should be completed each month without fail for all bank accounts even if there have been no transactions.

The most common form of reconciling adjustment will be cheques that have been issued but not cashed. If these remain unreconciled for a prolonged period, then they will need to be cancelled and re-issued.

b) Supplier Reconciliations

Generally, these reconciliations are completed periodically and only on the larger accounts. They should compare the invoices outstanding on the supplier statements to those outstanding on the finance system to ensure no invoice has been lost or raised incorrectly. This ensures that the creditors' figure on the balance sheet is correct.

c) Control Accounts (where used)

A control account is a summary of the transactions raised on a daily or weekly basis. These would usually consist of the totals of debtors or creditors raised or cash received or paid.

These reconciliations are completed monthly and check the balances of the individual accounts to the control account of the same type. This ensures that the balance accurately reflects the individual accounts.

2) Fixed Asset Register

The fixed asset register should list all assets, the date they were purchased and the cost. It should also list the location of the asset.

Any assets that are not the responsibility of the charity i.e. those loaned should also be acknowledged. These items will not be included in Ashdon Jazz Academy's accounts but should be listed and recorded.

3) Hospitality and Gifts Register

This is a register that contains details of any gifts or hospitality offered to any member of staff or the board. It should detail by whom the gift or hospitality was offered, when, and what action was taken, i.e. whether it was refused or accepted.

It is a record that can be scrutinised at the time of an audit to ensure that no inappropriate gift or hospitality has been offered or accepted.

The register is to ensure that there is no impression given to any member of the public, any organisation or to colleagues that the recipient might be influenced by any offer. The register should be updated regularly to avoid any misunderstanding.

4) Business Interests Register

This is a register that details those business interests of The Board of Trustees or members of staff that could be construed as having an influence where a contract is being awarded to a company in which a board member or member of staff has an interest.

Any business interests should be point 1 on the agenda of any board meeting. This is to ensure that a member has declared any interests before the business of the meeting has started to prevent them from influencing a decision. The Board of Trustees member(s) concerned should abstain from discussion and voting on that point and the minutes should reflect that that they have done so.

5) Authorisations and Limits of Authority

A list of staff/board members who are allowed to procure items should be listed along with the amount they are allowed to authorise.

This list should be updated regularly to take account of starter's, leavers and changes of post.

During an audit, the auditor will check that items purchased have been authorised and that the authoriser has not signed over their limit.

6) Segregation of Duties

The most common control within this area is ensuring that no one individual can authorise expenditure and sign the cheques.

7) Monthly Reporting

Regular monthly reporting is not only crucial to inform those not involved in the day to day running of the business of it's

8) Security of Cash and Payroll

The security of cash covers two types. Cash receipts should be held in a fireproof safe until banked. Banking should be on a regular basis and to some extent will be dictated by the availability of staff. It is important to remember that the cash holding must never exceed the level quoted for cash holding in Ashdon Jazz Academy's insurance policy. Petty cash should be the responsibility of a designated individual and held in a locked box and when not in use in a fireproof safe. This is done both for the protection of the designated staff as well as the security of the funds.

Payroll records are subject amongst other legislation to the Data Protection Act and require that they are kept in a secure environment to prevent unauthorised third parties having access to an individual's personal detail.

9) The Board of Trustees Minutes

The meeting minutes are documents providing evidence of the board's governance of the charity and the following points are designed to ensure the accuracy of them. They should include the list of those present to confirm the existence of a quorum and the apologies of those who have not attended to confirm that the meeting was held with their knowledge. The first item must always be a record of members' interests. The decisions of The Board of Trustees with brief details of discussions should be noted and there should be confirmation that The Board of Trustees has approved the accuracy of the previous minutes.

10) Bank Mandate

This document details the staff who are able to authorise payments on the Ashdon Jazz Academy's bank accounts and as a consequence it is essential that it is always kept current.

Section Three

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1. FINANCIAL CONTROL

The Board

1.1 The Board of Trustees and the senior manager have ultimate responsibility for Ashdon Jazz Academy's finances.

1.2 Its financial responsibilities are:

- ✓ to ensure the solvency of the charity
- ✓ to safeguard the charity's assets
- ✓ to ensure the effective and efficient use of resources
- ✓ to ensure compliance with the regulatory body's performance standards
- ✓ to ensure that financial control systems are in place and are working effectively
- ✓ to ensure that Ashdon Jazz Academy complies with the regulatory body's code of audit practice
- ✓ to approve the Ashdon Jazz Academy's strategic plan
- ✓ to approve annual estimates of income and expenditure and to approve the annual financial statements
- ✓ to recommend to the annual general meeting (AGM) the appointment of an external auditors.

Committee Structure

1.2 The Board of Trustees delegates its responsibilities to the committees detailed below. These committees are accountable to the Board.

Finance Monitoring

1.3 The ongoing monitoring of the Ashdon Jazz Academy financial position and financial control systems is undertaken by the treasurer.

The treasurer will:

- ✓ examine annual budgets and accounts and recommend their approval to the board
- ✓ ensure that short term budgets are in line with agreed longer term plans and that they are followed
- ✓ consider any other matters relevant to the financial duties of The Board of Trustees and make recommendations accordingly
- ✓ ensure that The Board of Trustees has adequate information to enable it to discharge its financial responsibilities.

2. AUDIT REQUIREMENTS

- ✓ A timetable for final accounts purposes is drawn up.
- ✓ External auditors are advised accordingly. Following consideration by the finance committee, the accounts and management letter should be reviewed by the audit committee.
- ✓ On the recommendation of these committees the accounts and letter will be submitted to The Board of Trustees for their approval.

- ✓ External auditors and internal auditors shall have authority to access premises at reasonable times:
 1. Access all assets, records, documents and correspondence relating to any financial and other transactions
 2. Require and receive such explanations as are necessary concerning any matter under examination
 3. Require any employee to account for cash, stores or any other property under his/her control
 4. Access records belonging to third parties, such as contractors when required

Whenever any matter arises that involves malpractices whether actual or suspected, an officer usually designated by the management committee will with the involvement of internal audit investigate and where required report to the management committee. The irregularities or fraud may concern cash, stores, property or other activities of Ashdon Jazz Academy. In addition Ashdon Jazz Academy should also ensure that a procedure for whistle blowing is in place and that all members of staff are fully aware of the procedure.

External Audit

- 2.1 The appointment of external auditors will take place annually at the pre Annual General Meeting (AGM) and it is the responsibility of The Board of Trustees to make recommendations following advice received from the audit committee.
- 2.2 The primary role of external audit is to produce an independent report on Ashdon Jazz Academy's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties will be in accordance with advice set out in the code of audit practice and the Auditing Practices Board's auditing standards. Each year the audit committee will review the effectiveness of external audit and, provided the auditors' work is of a sufficiently high standard and reasonably priced, should recommend that The Board of Trustees reappoint them.

Other Auditors

- 2.3 The Ashdon Jazz Academy may from time to time, be subject to audit or investigation by external bodies such as HM Revenue and Customs, MVSC etc.

3. ACCOUNTING POLICIES

Basis of Accounting

- 3.1 The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

Financial Year

- 3.2 The accounts are prepared for the financial year ending 31 September. The financial year will commence on the 1st September of each year.

Accounting Records

3.3 Financial Documents should be kept in a form acceptable to the relevant authorities. It is required by law to retain prime documents. These include:

- ✓ accounts raised (six years)
- ✓ copies of receipts (six years)
- ✓ payroll records (six years)
- ✓ VAT records (three years)

For auditing and other purposes, Ashdon Jazz Academy should retain other financial documents for three years.

4. INCOME AND BANKING

General

4.1. An appropriate system should be in operation that enables Ashdon Jazz Academy to receive all the income to which it is entitled.

4.2. Ashdon Jazz Academy should ensure the prompt collection, security and banking of all income.

Appointment of Bankers

4.3 The Board of Trustees is responsible for the appointment of the Ashdon Jazz Academy Bankers

Banking Arrangements

4.4 A designated trustee should be delegated the responsibility of liaising with the banks on all matters. Periodically all cheque books should be reviewed to ensure that all cheques are in the book. (This is to prevent cheques being used significantly out of sequence and facilitating a fraud).

4.5 If a bank account is not being used consideration should be given by the finance committee that it be closed.

4.6 Details of authorised signatories and their limits, for all types of payment, including BACS and CHAPS should be listed and kept up to date. Currently two trustees and the CEO are signatories for all Ashdon Jazz accounts.

4.7 The number of individuals able to sign cheques should be kept to a minimum.

4.8 Bank accounts are subject to monthly reconciliations and that large or unusual items are investigated immediately.

4.9 The treasurer should review the bank reconciliations and evidence that check.

Cash Receipts

All monies received from whatever source must be recorded on a daily basis. An authorised receipt should be issued and signed and a copy kept.

Custody of all cash holdings must comply with the requirements of the insurance company

No deductions may be made from any cash collected on behalf of the Ashdon Jazz Academy.

Personal or other cheques must not be cashed out of money received on behalf of the Ashdon Jazz Academy.

The Collection of Debts

4.11 Ashdon Jazz Academy should ensure that:

- ✓ Debts are raised on official invoices and are raised promptly in respect of the income due to Ashdon Jazz Academy
- ✓ Swift and effective action is taken to collect overdue debts.
- ✓ Outstanding debts are reviewed and monitored monthly

Write-off of Bad Debts

4.12 Requests to write-off any debts must be referred to The Board of Trustees for their consideration.

Gifts, Benefactions and Donations

4.13 Records in respect of gifts, benefactions and donations, must be maintained in the form of a gift and hospitality register.

4.14 The register should list all gifts, benefactions and donations made to or declined by any staff member.

4.15 The Gift and Hospitality Register should be made available to external and internal auditors for review.

Security of Documents

4.20 The CEO is responsible for the safekeeping of all the official and legal documents. Signed copies of deeds, leases, agreements and contracts must, therefore, be forwarded to this officer. All such documents shall be held in an appropriate secure, fireproof location and copies held at a separate secure location.

Stocks and Stores

4.21 Ashdon Jazz Academy must ensure that the stocktaking procedures are in place for all stocks that require a valuation in the balance sheet.

4.22 A physical inspection of all stock should be carried out on a regular basis.

5. EXPENDITURE

Authorities

- ✓ A register of authorised signatories and their limits should be maintained and any changes should be updated immediately.
- ✓ Specimen signatures should be obtained of those authorised to certify invoices for payment.
- ✓ Ashdon Jazz Academy order form and the resulting supplier's invoice must be approved by different authorised signatories to ensure separation of duties.

Petty Cash

- ✓ Petty cash will be logged using the financial recording system in place for all transactions. Receipts must be produced

Payment of Invoices

- ✓ Payments to UK suppliers will normally be made by cheques produced monthly.
- ✓ Suppliers should be instructed to submit invoices for goods or services to the department.
- ✓ Budget holders are responsible for ensuring that expenditure for their projects/activity does not exceed funds available.
- ✓ Payments will only be made against invoices that have been certified for payment by the appropriate staff. Certification of an invoice should involve at least two individuals in the process and will ensure that the goods have been received, examined and approved with regard to quality and quantity, or that services rendered or work done is satisfactory.
- ✓ where appropriate, it is matched to the order
- ✓ invoice details (quantity, price, discount) are correct
- ✓ the invoice is arithmetically correct
- ✓ the invoice has not previously been passed for payment
- ✓ VAT issues have been complied with where they apply
- ✓ Invoices must be passed to the clerical assistant as soon as they have been certified. Care must be taken by the budget holder to ensure that discounts receivable are obtained.
- ✓ Invoices must not be altered in any way. Where the wrong amount has been invoiced a request should be made to the supplier for a credit note and to re-issue an invoice with the correct amount.

6. SALARIES AND WAGES

General

6.1 All staff will be appointed to the salary scales approved by The Board of Trustees and in accordance with appropriate conditions of service. All letters of appointment must be

issued promptly. Any changes to the personnel details must be implemented immediately. These will include:

- ✓ Appointments, resignations, dismissals, supervisions, secondments and transfer.
- ✓ changes in remuneration including normal increments and pay awards.
- ✓ Information necessary to maintain records of service for superannuation, income tax, national insurance, etc.
- ✓ All casual and part-time employees will be included on the payroll.

Travel, Subsistence and Other Allowances

6.2 Claims by members of staff must be certified by the authorised persons as appropriate. The certification by the authoriser shall be taken to mean that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by Ashdon Jazz Academy.

7. ASSETS

Fixed Assets and Plant

7.1 The purchase, lease or rent of fixed plant can only be undertaken as part of an approved development programme.

Fixed Assets Register and Inventories

7.2 The fixed asset register should be divided into two parts- the asset register proper and the inventory. The asset register should include all plant and machinery, furniture and office equipment stores owned by Ashdon Jazz Academy whose value is recorded in the balance sheet and is subject to depreciation. The inventory should include all items donated or held in trust or have a written down value of zero that Ashdon Jazz Academy considers to be "desirable" or items that have major utility value and require identification.

7.3 These inventories must be checked at least annually and shall contain at least the information shown in the previous register.

Assets Disposal

7.4 Disposal of equipment and furniture must be in accordance with procedures agreed by board.

7.5 Disposal of land and buildings must only take place with the authorisation of the board. The Regulatory body's consent may also be required.

8. OTHER FINANCIAL MATTERS

Insurance

- 8.1 Ashdon Jazz Academy is responsible for obtaining insurance cover as determined by The Board of Trustees and/or the regulatory body. At least two quotes should be obtained.
- 8.2 The insurance company must be informed immediately of any potential new risks and additional property and equipment which may require insurance and any alterations affecting existing risks.
- 8.3 A register of all insurances held by Ashdon Jazz Academy and the property and risks covered should be kept and reviewed regularly.
- 8.4 Suitable records subject to inspection by an insurance company should be maintained and ensure that inspection is carried out in the periods prescribed.

Taxation

Ashdon Jazz Academy should apply for the exempt charity status from the Inland Revenue to ensure that corporation tax is exempt.

An officer should be designated to maintain its tax records, make all tax payments, receive tax credits and submit tax returns by their due date as required.

Reporting

The CEO will produce monthly management reports detailing all income and expenditure, showing all variances (i.e., differences which are either overspends or under spends) and a commentary highlighting any significant variances. Forecasts of short-term projections should also be included.

Ashdon Jazz Academy board have the right to request: a more detailed analysis of budget heads, the style of the management reports required and a timetable for management reports.

9. RESERVES POLICY

General

9.1 Ashdon Jazz is a small charity, but is operating within this Reserve policy in order to minimise unforeseen risks eg unexpected expenditure, long or short-term staff sickness, income falls below expectation, match funding or short-term deficits etc

9.2 Ashdon Jazz Academy trustees will in line with the Charity Commission guidelines <https://www.gov.uk/government/publications/charities-and-reserves-cc19/charities-and-reserves> publish, implement and monitor their charity's reserves policy to comply with legal duties to:

- act in the interests of Ashdon Jazz Academy and its beneficiaries
- protect and safeguard the assets of the charity
- act with reasonable care and skill
- ensure Ashdon Jazz Academy is accountable

Calculation of reserves

9.3 The Ashdon Jazz Academy Reserves (the charity's unrestricted funds that are freely available to spend on any of the charity's purposes) will be variable depending on the amount of fundraising achieved by the charity each year. It should be noted that some or all of the unrestricted funds of Ashdon Jazz Academy may not be readily available for spending. This is because spending those funds may adversely impact on the charity's ability to deliver its aims. The following are therefore excluded:

- fixed assets used to carry out the charity's activities, such as land and buildings
- designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income
- commitments that have not been provided for as a liability in the accounts
- Restricted funds – those designated for projects through direct funding or to be used for a particular area of Ashdon Jazz Academy's work.

Holding of reserves

9.4 The holding of reserves ensures that Ashdon Jazz Academy can manage any future uncertainty and ensure that beneficiaries, funders and the public are not affected. It also ensures that current activities are sustainable, whilst helping voluntary funders to understand the need for funding.

Strategic planning and budgeting

9.5 The reserve policy will be integral in the charity's strategic planning, budget setting and risk management processes, including future income streams etc.

9.6 Ashdon Jazz Academy will monitor the amount held in reserves during the course of the year as part of a charity's budgetary processes.

Level of Reserves

9.7 The level of reserve monies can be a targeted amount or within a range. Consideration will also be given as to what Ashdon Jazz Academy might need in reserve, in comparison to what monies/ reserves are actually held at the end of the charity's financial year. The level of reserve monies will be adjusted as required to ensure that identified troughs and peaks in funding can be met by the held reserves and will be held for 6 months and reviewed twice yearly or more frequently as required



9.8 The reserve monies allocated and the reasons for this, will be published in the Annual Trustees report

This policy will be kept electronically at the Ashdon Jazz Academy Office

Checklist for the Review and Approval of Procedural Documents

Title of document being reviewed	Yes/No/ Unsure	Comments
1. Title		
Is the title clear and unambiguous?	YES	
Is it clear whether the document is a guideline, policy, protocol or standard?	YES	
2. Rationale		
Are reasons for development of the document stated?	YES	
3. Development Process		
Is the method described in brief?	YES	
Are individuals involved in the development identified?	YES	
Has a reasonable attempt has been made to ensure relevant expertise has been used?	YES	
Is there consultation with stakeholders and users?	YES	
4. Content		
Is the objective of the document clear?	YES	
Is the target population clear and unambiguous?	N/A	
Are the intended outcomes described?	N/A	
5. Evidence Base		
Are any key references cited (if appropriate)?	N/A	
Are any local/organisational supporting documents referenced?	N/A	
6. Approval		
Does the document identify which committee/group will approve it?	YES	
7. Dissemination and Implementation		
Is there an outline/plan to identify how this will be done?	YES	

Does the plan include the necessary training/support to ensure compliance?	??	
8.Document Control		
Does the document identify where it will be held?	YES	
9. Review Date		
Is the review date identified?	?	
Is the frequency of review identified? If so, is it acceptable?	?	
10. Overall Responsibility for the Document		
Is it clear who will be responsible for coordinating the dissemination, implementation of the documentation?	NO	
Is it clear who will be responsible for overseeing the review of the documentation?	YES	