



Shetland Charitable Trust

Financial Regulations

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1. OVERVIEW

1.1 Introduction

- 1.1.1 There are three documents governing the conduct of the Shetland Charitable Trust's (the Trust) business. The Trust Deed sets out what the Trust can do, the Administrative Regulations set out the governance and administrative rules as to how it conducts its business and the Financial Regulations which sets out the rules governing the financial business and transactions of the Trust.
- 1.1.2 These financial Regulations set out a framework for the proper financial administration of the Trust.
- 1.1.3 The Regulations should be supported by detailed financial procedures for each of the topics.
- 1.1.4 The Financial Regulations need to be read and understood by any member of staff who may be involved in the financial processes of the Trust.
- 1.1.5 Only expenditure and income related to the business of the Trust can be administered through the Trust's accounts. No member of staff or Trustee's personal expenditure can be administered through the accounts of the Trust. No expenditure relating to a business interest of a member of staff or Trustee may be administered through the accounts of the Trust.
- 1.1.6 Only members of staff may commit the Trust to any expenditure. If Trustees have a need to commit expenditure, they should do so with the prior agreement of the Chief Executive and follow the guidelines for authorisation set out in these regulations.

1.2 Statutory Framework

- 1.2.1 In accordance with the Charities and Trustee Investment (Scotland) Act 2005, a charity must:
- keep proper accounts;
 - prepare for each financial year of the charity a statement of account, including a report on its activities in the financial year;
 - have the statement of account independently examined or audited;
 - send a copy of the statement of account to the Office of the Scottish Charity Regulator (OSCR); and
 - maintain the relevant financial records for a period of 6 years from the end of the financial year in which they are made.
- 1.2.2 The Chief Executive shall be responsible for ensuring the accounting system delivers accounts in a form that complies with all relevant statutory requirements and deadlines.

1.3 Responsibilities

- 1.3.1 Ultimate responsibility for ensuring the proper financial administration of the Trust rests with the Chief Executive, on behalf of the Trustees.

- 1.3.2 The Chief Executive shall be responsible for the administration of the Trust's financial affairs.
- 1.3.3 The Chief Executive shall be responsible to the Trust for proposing regulations and controls to ensure that the proper administration of the finances of the Trust.
- 1.3.4 The Board of Trustees shall provide strategic direction to the Chief Executive on the administration of the Trust's financial affairs, to protect the assets of the Trust and ensure that it operates within its financial means.
- 1.3.5 The Chief Executive shall be responsible for advising Trustees on the impact of changes in financial legislation, regulations and taxation relevant to the affairs of the Trust.
- 1.3.6 The Chief Executive shall be responsible for the provision of financial advice and information to the Board of Trustees to ensure they can fulfil their responsibilities, including an explanation of the financial implication of any decisions.
- 1.3.7 The Chief Executive shall ensure that at all times proper and adequate financial systems exist which deliver the information necessary for effective financial management.
- 1.3.8 The Chief Executive shall ensure that the Board of Trustees is kept informed of the Trust's overall finances through regular reporting of information.

1.4 Separation of Duties

- 1.4.1 The following principles shall be observed in the allocation of accounting duties:
 - 1.4.1.1 The duties of providing information regarding sums due to or from the Trust and of calculating, checking and recording these sums, shall be separated as completely as practicably possible from the duties of collecting or disbursing them.
 - 1.4.1.2 Staff charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.
 - 1.4.1.3 Where these principles cannot be complied with it shall be reported to the Board of Trustees together with steps taken to minimise any risk.
- 1.4.2 No financial sums or other assets shall be written out of the accounts without the approval of the Board of Trustees.

1.5 Review of Financial Regulations

- 1.5.1 This document is intended to be a useful and live document. The Financial Regulations will be reviewed as necessary and at least every two years. Any changes other than procedural items will be put the Board of Trustees for approval.

2 FINANCIAL PLANNING

2.1 Planning Cycle

2.1.1 The Trust has long term financial policies, which inform the normal three year budget strategy. These policies are formally reviewed on a three year cycle and updated annually and amended, as appropriate, by the Trustees.

2.1.2 The Chief Executive is responsible for the detailed long term financial planning, which draws upon and informs the long term financial policies, through suitable reports to Trustees.

2.2 Budget Preparation

2.2.1 Each year the Chief Executive shall prepare a budget of expected income and expenditure for the approval of the Board of Trustees. This budget shall be driven by the financial policies and three year budget strategy of the Trust.

2.2.2 The budget shall be prepared in consultation with all officers of the Trust and the Board of Trustees. Consultation is required to ensure that all income and expenditure that can reasonably be foreseen are included in the budget.

Procedure Note: Budget Preparation

3 FINANCIAL MANAGEMENT

3.1 Budget Monitoring and Control

- 3.1.1 It is the responsibility of the Chief Executive to monitor and control overall income and expenditure (including commitments) against the budgets of the Trust.
- 3.1.2 It is the responsibility of each Budget Holder (BH) to monitor income and expenditure (including commitments) against the budgets that they are responsible for. The BH will review expenditure to ensure it is within budget and if not the Chief Executive will be notified before approval of the expenditure.
- 3.1.3 All reasonable effort should be made to ensure that no expenditure is incurred which exceeds an approved budget for any given area.
- 3.1.4 All reasonable efforts should be made to ensure that expenditure is incurred for the purposes, and in the amounts, approved by the Trust.
- 3.1.5 All reasonable efforts should be made to ensure that income is collected at least up to the level of an approved budget for a given area.
- 3.1.6 Where expenditure is unavoidably incurred which exceeds an approved budget then the BH must report, to the Chief Executive, the facts and circumstances at the earliest opportunity with proposals for remedial action to get the budget back into balance.

3.2 Changes to Approved Budgets

- 3.2.1 The term Virement shall be used to describe movements between budgets.
- 3.2.2 All proposed Virements should be notified to the Chief Executive with an explanation why.
- 3.2.3 The Chief Executive shall be able to approve any Virements up to £50,000 within the administration budget. Any in excess of this level shall go to the Board of Trustees for approval.
- 3.2.4 The Chief Executive shall be able to approve any Virements up to £10,000 between grant schemes. Any in excess of this level shall go to the Board of Trustees for approval.

Procedure Note – Virements

3.3 Budget Responsibility and Authority to Spend

- 3.3.1 Approval of a budget is a key control mechanism for the Trust. Without an approved budget by the Board of Trustees, a member of staff can incur no expenditure on a budget area. Committing the Trust to expenditure without prior budget approval may, if significant, result in disciplinary action.
- 3.3.2 For each budget there is a BH. The BH is the responsible for preparation, monitoring and control of that budget. This is usually the person who will be taking the spending decisions on what is needed to for the budget area.

3.3.3 Prior to committing the Trust to the acquisition of goods, works or services the BH must demonstrate that:

- the action is legal and charitable in terms of the Charities and Trustee Investment (Scotland) Act 2005;
- the funded activity is in accordance with the terms of the Trust Deed and solely in the interests of Shetland and its inhabitants (indirect benefit by others is acceptable)
- the budget area contributes directly to the Trust's Strategy, if available;
- the budget area is part of the service agreement or business operating plan for that year, if available;
- any funding conditions can be met;
- there is an approved budget for the cost of acquisition;
- the proposed expenditure secures value for money for the Trust.

3.3.4 Should any BH be unsure as to whether or not their intention to acquire, and/or make a commitment for, goods, works or services complies with the conditions laid out above, they should refer the case to the Chief Executive.

3.4 Treasury and Investment Management

3.4.1 Treasury Management is the responsibility of the Chief Executive. A Service Level Agreement with the Shetland Islands Council's Finance Service is in place for the day to day operational aspect of this work.

3.4.2 The Trust also appoints external Fund Managers to manage invested funds on the Trusts behalf as they see fit. The appointment of a new fund manager must be approved by the Board of Trustees.

3.4.3 The Chief Executive reports twice yearly on the performance of each of the funds.

3.4.4 Cash management is an operational function of the Trust and day to day responsibility lies with the Chief Executive.

3.5 Bad Debts

3.5.1 If a debtor fails to make payment every effort should be made to obtain this payment for the Trust. The Chief Executive shall lodge claims with the appropriate person in relation to sums due to the Trust.

3.5.2 Only once all methods of debt recovery have been exhausted can it be proposed to write off a debt. All write offs must be approved by the Board of Trustees.

4 INTERNAL FINANCIAL ARRANGEMENTS

4.1 Banking Arrangements and Cheques

- 4.1.1 The Chief Executive shall be responsible for issuing instructions in connection with the arrangements for opening all bank accounts in the name of the Trust and for ordering, issuing and safe keeping of cheques for the Trust's main banking account.
- 4.1.2 The Chief Executive shall be responsible for authorising payments from the Trust bank account.
- 4.1.3 All bank accounts shall be reconciled to supporting records at regular monthly intervals.
- 4.1.4 The Trust shall not enter into a loan agreement without the approval of the Board of Trustees.
- 4.1.5 The Trust's overdraft limit shall be approved by the Board of Trustees and shall not be exceeded without the prior agreement of the Board.
- 4.1.6 The Chief Executive shall ensure that the Trust secures the best possible interest rate from any cash held at the bank.

4.2 Control of Income

- 4.2.1 The collection of all money due to the Trust shall be under the supervision of the Chief Executive.
- 4.2.2 Each BH shall furnish the Chief Executive with such particulars in connection with work done, goods supplied or services rendered, and all other amounts due, as may be required to record correctly all sums due to the Trust and to ensure the prompt rendering of accounts for the recovery of income due.
- 4.2.3 All money received by an officer on behalf of the Trust shall without delay be paid to the Trust's bank accounts. No deduction may be made from such income unless specifically directed by the Chief Executive. Each officer who so banks money shall enter on the paying-in slip a reference to the related debt or otherwise indicate the origin of the cheque on the reverse of each cheque.

Procedure note – Cash and Cheque handling

4.3 Cash Imprests and Petty Cash

- 4.3.1 The Chief Executive shall provide such cash imprest advances as considered appropriate for such officers as may need them to meet the requirements of petty cash and other requirements. Reinstatement of the cash imprest balance shall be done to a frequency determined by the Chief Executive.
- 4.3.2 Payments from cash imprests shall be limited to minor items of expenditure and to such other items as the Chief Executive may approve, and shall be supported by a receipt wherever possible.

4.3.3 An officer responsible for a cash imprest shall, if and when requested, give the Chief Executive a certificate as to the state of the imprest.

4.3.4 On leaving employment of the Trust or otherwise ceasing to be entitled to hold a cash imprest, an officer shall account to the Chief Executive the state of the cash imprest.

Procedure note – Petty cash and cash handling

4.4 Procurement of Goods, Works and Services

4.4.1 Purchase Orders for works, goods and services shall be issued for all works, goods or services to be supplied to the Trust except for supplies of public utility services (e.g. telecommunications, electricity, water and drainage), periodical payments, petty cash purchases or other such exceptions approved by the Chief Executive.

4.4.2 All purchase orders must be approved by the Chief Executive or someone he/she have authorised to do this.

4.4.3 Incurring additional staffing costs, such as travel, accommodation, subsistence, expenses and overtime costs, etc, also require prior written authority, in a form to be determined by the Chief Executive.

Procedure Note – Purchase ordering

4.5 Payment of Accounts

4.5.1 Apart from petty cash the normal method of payment of accounts due from the Trust shall be by BACS from the Trusts bank account.

4.5.2 The BH issuing orders is responsible for ensuring independent examination, verification and certification of related invoices to ensure appropriate segregation of duties, and similarly for any other payment vouchers or accounts arising in his/her are of responsibility.

4.5.3 All purchase invoices received should be matched with the relevant documentation whether this is the Purchase Order or other paperwork.

4.5.4 Before certifying and account the BH shall have satisfied him/herself that:

- the work, goods and services to which the account relates have been received, examined and approved;
- the amounts are correct;
- appropriate entries have been made in inventories, stores or stock records as required; and
- the account has not previously been passed for payment and is a proper liability of the Trust.

4.5.5 Payment in advance is a risk and should be avoided wherever possible. If all efforts to obtain goods or services by normal methods fail, payment in advance may be authorised by the Chief Executive.

4.5.6 The duties of ordering goods, receiving goods, certifying or processing the relative invoices for payment shall be performed by different individuals. Where this is not

practicable the Chief Executive shall be informed and their agreement sought to such arrangements deemed appropriate.

- 4.5.7 The Chief Executive shall be responsible for signing applications for issuing of credit cards.
- 4.5.8 The Chief Executive will be responsible for ensuring that proper procedures are in place, and records are kept, to support the use of credit cards including payment of accounts.
- 4.5.9 Purchases made using credit cards should take due account of the purchases procedures.
- 4.5.10 Payments on credit cards shall be on occasions when no other form is acceptable or practical, there are significant savings available and for such other items as the Chief Executive may approve. The payment shall be supported by an appropriate receipt, and shall be subject to the same controls and authorisation procedures as all other purchasing order processes.
- 4.5.11 The card is office based and must not be taken out with the office without authorisation of the Chief Executive. The card must be stored securely in a locked safe and each card may only be used by the registered card holder.
- 4.5.12 On leaving the employment of the Trust or otherwise ceasing to be entitled to hold a credit card, an officer shall return the card immediately to the Chief Executive for cancellation.

Procedure note – Payment of accounts

Procedure note – Credit card transactions

4.6 Tax and VAT management

- 4.6.1 The Chief Executive will be responsible for the taxation procedures of the Trust, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for, avoiding any possible losses.
- 4.6.2 In particular the Chief Executive will be responsible for:
- ensuring that transactions comply with relevant statutory requirement sand authorities;
 - Minimising the Trust's tax liability; and
 - Maximising the Trust's tax flow
- 4.6.3 In carrying out such responsibilities the Chief Executive will:
- define and allocate duties in relation to taxation and tax management;
 - ensure that financial control systems operate effectively, produce the necessary information and minimise the risk of error;
 - ensure appropriate guidance is provided to employees involved in processing tax-related transactions;
 - ensure assistance is provided for any investigations undertaken by any Government Agency, and justification for assessments made resulting from investigations are properly reviewed;

- implement arrangements to monitor the execution of these responsibilities; and
- report any significant changes in the Trust's tax affairs to the Board of Trustees.

4.6.4 The Chief Executive may appoint external tax specialists.

Procedure note – VAT

4.7 Stocks and stores

4.7.1 The Chief Executive shall be responsible for the care of stocks and stores.

4.7.2 Stocks shall not be in excess of normal requirements except in special circumstances.

4.8 Salaries, Wages and Pensions

4.8.1 The payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees of the Trust shall be made by the Chief Executive, under arrangements approved and controlled by him/her.

4.8.2 The Chief Executive shall notify the payroll provider of soon as possible of all matters affecting the payment of such emoluments, in particular:

- appointment, resignations, dismissals, suspensions, secondments and transfers;
- changes in remuneration, other than normal increments and pay awards and agreement of general application;
- information necessary to maintain records of service for pension, income tax, national insurance and the like, including sick leave; and
- any cases where employees have been paid incorrectly.

4.8.3 All such forms and records shall be forwarded to the payroll provider timeously within the deadlines set by him/her. In particular no payment will be made in relation to claims over six months old except with the approval of the Board of Trustees.

4.8.4 The names of staff authorised to certify such records shall be sent to the payroll provider and shall be amended on the occasion of any change.

4.9 Travelling Expenses and Allowances

4.9.1 All claims by staff for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted to the payroll provider, duly certified (by the claimant and countersigned by or on behalf of the Chief Executive), in a form approved by him/her, made up to a specified day of each month, timeously with the deadlines set by him/her. In particular no payment will be made in relation to claims over six months old, except with the express approval of the Board of Trustees.

4.9.2 The names of officers authorised to certify such records shall be sent to the payroll provider and shall be amended on the occasion of any change.

4.9.3 The certification by or on behalf of the Chief Executive shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred, that the allowances are properly payable by the Trust, and

no payment will be made by any other body or person towards such expenses or allowances.

4.9.4 The certification of expenses incurred by the Chief Executive shall be undertaken by the Chair of the Board of Trustees or his/her nominee.

4.10 Trustees Expenses

4.10.1 Only payments to Trustees who are entitled to claim travelling or other allowances and expenses will be made by the Chief Executive upon receipt of the prescribed form duly completed and certified.

4.11 Financial Document Retention

4.11.1 The Trust's document retention policy will provide guidance on the retention of documents.

4.11.2 The Chief Executive will be responsible for the correct implementation of this policy in each area of the Trust. Each area of the Trust should assign responsibility for records management to a member of staff of appropriate knowledge to act as records manager in that area.

5. RISK MANAGEMENT AND CONTROL OF RESOURCES

5.1 Property and Security

- 5.1.1 The Chief Executive, or their nominee, shall maintain a register of all land and heritable properties owned or leased by the Trust.
- 5.1.2 The Chief Executive shall have the custody of all title deeds and lease document and shall ensure their security.
- 5.1.3 Inventories shall be maintained covering all owned and leased items of furniture, fittings, vehicles, vessels, plant and machinery.
- 5.1.4 The Trust's property shall not be used other than for the Trust's purposes, except under specific instruction from the Chief Executive.
- 5.1.5 Once the Trust has satisfied itself that it has no further need for an owned asset, it will be disposed of at the maximum value to the Trust.
- 5.1.6 The Chief Executive is responsible for maintaining property security at all times for all buildings, inventories, stocks and stores under their control, including and special security arrangements required.
- 5.1.7 One set of safe keys are to be kept secure on the premises with another secure in the possession of the Chief Executive.
- 5.1.8 The Chief Executive shall be responsible for maintaining the proper security and privacy of all information held, whether by computer or otherwise.

5.2 Prevention and Detection of Fraud and Corruption

- 5.2.1 The Trust will be robust in dealing with any financial malpractice, and can be expected to deal timeously and thoroughly with any person who attempts to defraud the Trust or who engages in corrupt practices.
- 5.2.2 All suspicions of fraud must be reported to the Chief Executive and will be investigated.
- 5.2.3 The Chief Executive will ensure that matters are reported to the Police if there are reasonable grounds for believing that a criminal offence has been committed.
- 5.2.4 The Trust's Disciplinary Procedures will be used where the outcome of the investigation indicates improper behaviour on the part of employees.
- 5.2.5 Where loss has been suffered through fraudulent activity, the Trust will pursue the perpetrator for recovery, including taking appropriate legal action.

5.3 Risk Management and Insurance

- 5.3.1 Risk Management concerns itself with the identification and management of those uncertain future events that could influence the achievement of the Trust's strategic, operational and financial objectives.

- 5.3.2 It will be the responsibility of the Board of Trustees to identify the strategic risks of the Trust whilst the Chief Executive will have responsibility for the operational risks. These risks will be reviewed annually.
- 5.3.3 The Board of Trustees, Chief Executive and all staff will be encouraged to participate in risk reductions processes.
- 5.3.4 The Trust shall ensure that it carries adequate insurance cover for all statutory requirements and reasonable insurable risks.
- 5.3.5 All reportable incidents, accidents and claims, and material facts which may give rise to a claim, must be reported to the Board of Trustees.
- 5.3.6 In line with statutory requirements, the Board of Trustees is responsible for ensuring that it has in place adequate Risk Management arrangements.
- 5.3.7 All Trust employees are expected to adopt the principles of risk management in their daily working practices.

6 EXTERNAL FINANCIAL ARRANGEMENTS

6.1 Awards to Voluntary Organisations

6.1.1 The Chief Executive shall be responsible for ensuring that all awards to voluntary organisations are made in accordance with the Trust's Disbursement Policy. In particular:

- All grants are payable under an approved scheme through delegated authority; or
- All grants are payable following approval in advance by the Trustees.
- All monitoring checks must be completed before grant awards are presented for decision making or paid.
- Service and financial performance is monitored and reported on a regular basis.

6.1.2 The Trust's policy with regard to the retention of unused funds is set out in the Disbursements Policy.

6.2 External Audit

6.2.1 External audit is independent of the Trust and the external auditors shall, with or without previous notice:

- have authority to enter the Trust premises at all reasonable times;
- have access to all Trust files, correspondence, documents and records including computer records;
- require and receive explanations as necessary concerning any matter under examination; and
- require an employee of the Trust to produce cash, stores or any other Trust property under his/her control.

6.2.2 The external audit will be put out to tender at least every 5 years.