

Herefordshire County Business Improvement District Limited

Finance Policy

July 2023

Definitions

Herefordshire County BID Ltd, hereinafter referred to as HCBID, is registered as a company limited by guarantee in England with number 13952117 whose registered office is 11 Corn Square, Leominster, Herefordshire, HR68YP

Purpose

It is the duty of the Board of Directors of HCBID to ensure that the company's resources are protected in order that the company can fulfil its aims. It is important that all those working at HCBID, whether Directors or Employees, take the issue of internal financial controls seriously. Making controls work should not be seen as just the responsibility of one or two Directors or the Chief Executive Officer (CEO), or as applying to some but not others.

The aims of the internal financial controls are:

- To protect the company's assets.
- To identify and manage the risk of conflicts of interest, loss, waste, bribery, theft or fraud.
- To ensure that financial reporting is robust and of sufficient quality.
- To ensure that the Directors comply with company law and regulation relating to finance.

This policy should be read in conjunction with the accompanying Internal Financial Controls Checklist (Appendix A).

Review of Controls

The effectiveness of these controls is reviewed annually by the Finance Sub Group to be presented at the following Board of Directors meeting for Board ratification.

Monitoring and Communication of Financial Information

CEO alongside the accountant prepares an annual Budget which is agreed by the Board of Directors no later than the first Board meeting of the financial year, usually held in April.

The accountant prepares monthly Management Reports to be reviewed by the CEO and presented to the Board. These include:

- General Administration Profit & Loss Report to-date
- Balance Sheet to-date
- Budget Update with Variance
- Summary of Levy payments and other receipts

At each Board meeting financial matters are discussed as part of the Finance agenda item in which the CEO presents:

- The accounts to the end of the quarter which are monitored against the previous year's figures and the current annual Budget.
- Explanations for significant variances.

- Levy payments received.

Directors' Accounting Responsibilities

1. Accounting Records

- The CEO alongside the Business Liaison Manager ensures that accounting records are kept in full, using the Xero accountancy system, to show HCBID's financial position and there are paper/electronic/ email trails to explain all transactions as necessary.
- All accounting records are kept for the legally required period, usually 6 years. Some Government and European grant schemes require records to be kept for up to 12 years.

2. Annual Audited Accounts

- The CEO prepares the annual report and the accountant produces the company's accountants which will be externally audit and prepared to meet the statutory an legal requirements.
- The audited accounts are formally approved by the Board at the AGM.
- The accounts are filed with Companies House by the accountants.
- The Annual Report and accounts are sent to all relevant stakeholders by the CEO and are published on the HCBID website.

3. Reserves Policy

- HCBID Reserves Policy states that a minimum of £30,000 of reserves are held and this is disclosed in the Annual Report.
- The CEO annually reviews the value of reserves held when preparing the annual Budget.

4. Newly Appointed Directors

- The CEO gives all newly appointed Directors a copy of the latest Annual Report and accounts together with other essential documentation including the Articles of Association, Code of Conduct and Membership Forms.

Managing the Risks of Financial Crime and Abuse

1. Internal financial controls implemented to manage the risk:

- Awareness training at induction for all new Employees and Directors.
- Gifts and hospitality and bribery policy
- New Funds & Programmes Acceptance Policy
- Conflict of Interest Policy
- Use of Computers, Email and Internet Policy
- Information Storage and Retention Policy
- Malwarebytes anti-virus protection on all computers and laptops.
- Procedures for receiving potential scam emails or telephone calls.

Income

1. Banking and custody procedures

- HCBID do not accept cash payments
- All cheques received by HCBID are banked as soon as possible by the CEO

- All paying-in slip counter foils are completed with proof of deposits attached.
- All unbanked cheques are kept by the CEO until payment can be made into the bank.
- All financial records, receipts and income is recorded on Xero accounting system.
- The accountant reconciles all transactions once a month and is checked as part of the annual external audit.

Purchases and Payments

1. Controls and authorisation of expenditure on goods and services.

This section forms the written policy on the authorisation of expenditure.

- The CEO has delegated authority to spend up to £500 per month on budgeted operating expenditure to an annual total of £2,000.
- Any purchase in excess of this amount must be approved by the Board.
- The CEO is responsible for ensuring that orders placed are within the approved budget.
- Any additional costs not included in the budget must be approved by the Board.
- The Business Liaison Manager is responsible for checking invoices received against the orders confirming the price to be paid. This will then be sent to the Finance Sub Group before any payments are made.
- A minimum of 3 written quotes must be obtained for items to be purchased over £500.

2. Payments by cheque / debit card or cash

- HCBID do not have the facility to make payments by cheque.
- HCBID do not have a company Debit Card. The CEO will pay day to day costs and claim back via the expense's protocols.
- Payments in cash - HCBID do not accept cash payments

3. Payments by direct debits, standing orders and BACS direct credit

- The Finance Sub Group are responsible for setting up direct debits and standing orders which must be authorised by two Directors as per the bank mandate.
- When an automatic payment is no longer required the Finance Sub Group will immediately cancel the debit arrangement.
- The Finance Sub Group raises the payments via the bank's online portal two Directors named on the bank mandate will have to sign off all payments. The Directors will individually authorise the payments via the dual-authority procedure set up by the bank, querying any differences between the payments. This process ensures a triple check on any payments that are being made.

4. Wages and salaries

- The accountant is responsible for processing the monthly payroll using the accounting system Payroll software.
- The Finance Sub Group ensures all statutory deductions made from the employees' salaries are forwarded to HMRC and the pension provider by the required monthly deadlines.
- The CEO is responsible for keeping aware of all employment legislation to ensure that HCBID adheres to the minimum wage and all other legal obligations through HMRC notifications.
- The monthly Payroll reports are signed off by the Finance Sub Group.
- The salary payments are raised by the Finance Sub Group on the Payment Instruction sent by the accountant.
- All salary payments are paid by BACS to clear the employees' bank accounts a minimum of three working days before the end of the month.

- The payments are authorised on the bank by the two Directors as per the bank mandate.
- The Directors have a record of the monthly salaries for all employees. Should a monthly payment vary, the CEO and Accountant will advise the Directors of the reason.
- The Finance Sub Group and accountant ensures that all month-end and year-end returns are sent to HMRC and P60s are distributed to the staff within the required timelines.
- The accountant is responsible for informing and enrolling all new staff onto the Auto Enrolment Pension Scheme. This is postponed until the employee successfully passes their three-month probationary period.
- All members of staff have contracts of employment and personnel records are held by the CEO.
- Changes to rates of remuneration, setting salary levels, authorising starters, changes of hours and other payroll changes are discussed by the company's Executive sub group for final approval by the Board. All decisions are recorded in Board meeting minutes.

5. Payment of expenses and reimbursements

- HCBID tries to limit the necessity for payment of business expenses to staff.
- All out of pocket expenses are reimbursed to Directors and to employees on completion of an expenses form with all relevant receipts attached.
- All expenses must be approved by the CEO for staff members and final approval by Finance Sub Group.
- Please refer to the Staff Handbook for further details.

6. Checks on expenditure records

- All invoices are checked by the CEO before payment is made.
- Direct debit payments are kept to a minimum and are checked when each payment is debited from the bank.
- All records of payments are processed on the Xero accounting system by the accountant.
- Payments are checked monthly by the accountant as part of the bank reconciliation process.

Assets and Investments

1. Controls of fixed assets

- The CEO and accountant maintain a fixed asset register, which is updated annually for the external audit.
- This register is referred to when the annual insurance policy is renewed to ensure adequate cover is provided.

2. Money held as a current asset

- Records of all bank accounts are recorded on the accounting system Xero by the accountant.
- Bank accounts are balanced monthly against online bank balances and reconciled monthly.
- Bank reconciliations are recorded as a hard copy and checked as part of the annual external audit.
- Electronic bank statements are received monthly and held on file.
- The opening and closing of bank accounts is authorised by the Board and actioned by the Finance Sub Group.
- All accounts must be held with banks and building societies authorised by the Financial Services Authority protected in the event of their failure by the Financial Services Compensation Scheme for deposits of up to £85,000.

3. Electronic banking

- HCBID uses the electronic banking facility at Lloyds using a dual authorisation system.

- Please refer to the BACS procedure above for details on processes, security and internal controls.

Date	Written / updated	Approved by board
July 2023	DM	July 2023

Checklist

Contents

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1. Self-assessment checklist

This checklist has been adapted from the one issued by the Charity Commission. The questions in this checklist are designed to help company Directors and their advisers evaluate the company's performance against the legal requirements and good practice recommendations set out in the commission's guidance on internal financial controls for charities. Directors should review their company's performance at least once a year.

Each of the questions on the checklist links to a paragraph of the Company financial controls guidance, <https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8/internal-financial-controls-for-charities#further-information-advice-and-resources>, where further details can be found. Not all the controls listed will be appropriate for all companies, for example, where a section of the checklist deals with an area of activity that the company does not undertake then that section of the checklist will not apply.

HCBID must always comply with legal requirements and these requirements are identified in the checklist. A 'yes' answer for good practice recommendations does not mean there is no scope for further improvement. A 'no' answer does not always indicate a problem. It may be that the company has not put in place a particular control because the risk involved is small and the potential loss is acceptable, given the cost that would be involved in putting in place stronger internal controls.

Finally, the answers in the checklist should be based on the Directors' knowledge of what actually happens in the company and not what they expect to happen. Having an internal control in place is only part of the picture. It must operate in practice to be effective.

2. Some key issues, monitoring arrangements and risk of fraud

2.1 Financial controls throughout the company	Yes	No
Is there segregation of duties to provide automatic 'double check'?	x	
Do the Directors carry out an annual review of the internal financial controls?	x	
2.2 Monitoring activities	Yes	No

Are annual budgets of income and expenditure prepared, and approved by the Directors?	x	
Is performance measured against budgets at regular intervals and explanations sought for variances?	x	
2.3 Internal audit and finance committee	Yes	No
Have the Directors considered the need to appoint an internal auditor or set up an finance committee?	x	
2.4 Information and communication	Yes	No
Are the Directors provided with regular information about the financial performance of the company?	x	
Do the Directors discuss the financial performance of the company at each of their meetings?	x	
Are terms of reference in place for any finance sub-committee, or similar sub-group of the Board?	x	
Does any finance sub-committee report to the full board of Directors for final decision making?	x	
2.5 Directors' responsibilities	Yes	No
Are sufficient accounting records kept of all transactions? (legal requirement)	x	
Have the Directors considered the need for a reserves policy and put in place a reserves policy if one is needed? (legal requirement)	x	
Do the accounts comply with legal requirements? (legal requirement)	x	
Are the accounts formally approved by Directors at an annual meeting?	x	
Have the Directors appointed an auditor or independent examiner? (legal requirement)	x	
Are newly appointed Directors given a copy of the latest accounts?	x	
Do the Directors file the annual report and accounts and annual return on time? (legal requirement)	x	
2.6 and 2.7 Managing the risks of financial crime and abuse	Yes	No
Are Directors and staff made aware of why the company is at risk from financial crime and abuse and of typical examples of potentially fraudulent activities?	x	

Does the company have an anti-bribery policy, policies on the acceptance of hospitality, the acceptance of donations and a register of interests in place?	x	
Does the company have policies and controls over access to and storage of electronic information?	x	
Does the company have computer programmes to protect its data and systems from external interference?	x	
Does the company have procedures for reporting suspicions internally, and to the commission and the police?	x	

3. Income

3.1 Income received in the post	Yes	No
Is incoming post opened in the presence of two unrelated people?	x	
Are all incoming cheques recorded immediately?	N/A	
Does the company keep unopened mail secure?	x	
3.2 Trading income	Yes	No
If the company undertakes trading activities	N/A	
• does the company have a pricing policy for the goods and services supplied?		
• does the company have invoicing procedures for goods and services supplied?		
• does the company review outstanding debts and collection procedures?		
• are there procedures to reconcile amounts invoiced?		
3.3 Banking and custody procedures	Yes	No
Are incoming receipts banked promptly?	x	
Are funds banked without deduction of expenses?	x	
3.4 Checks on income records	Yes	No
Are regular checks made to ensure income records agree with the bank paying-in books and statements?	x	
Are checks made by someone other than the person who made the entry in the accounting records?	x	

4. Purchases and payments

4.1 Controls and authorisation of expenditure on goods and services	Yes	No
Is there a written policy on the authorisation of expenditure?	x	
Are invoices received checked against orders confirming pricing and the receipt of the goods or services ordered?	x	
4.2 Payment by cheque – Company does not have a cheque book	Yes	No
Does the company follow any stipulation in the governing document about who can sign cheques?	N/A No cheques are used	
Does the bank mandate require at least two signatories?	N/A	
4.3 Payments by direct debits, standing orders and BACS direct credit	Yes	No
Are only named individuals authorised to set up direct debits, standing orders and direct credits?	x	
Does the company use a dual authorisation system for BACS payments?	x	
Does the company monitor the arrangements to ensure that automatic payment arrangements are cancelled when the goods and services are no longer being supplied to the company?	x	
4.4 Wages and salaries	Yes	No
Are statutory deductions (tax and NIC) made from employees' wages and salaries and regularly forwarded to HMRC? (Legal requirement)	x	
Does the company comply with minimum wage legislation? (Legal requirement)	x	
Are any other deductions from salaries made only where they are required or authorised? (Legal requirement)	x	
Are the end-of-year returns (P60 and P11Ds) completed and filed with HMRC by the deadline? (Legal requirement)	x	
If the company employs staff are the required pension arrangements in place? (legal requirement)	x	
Do all employees have contracts of employment?	x	

Are personnel records kept and held separately from wages records?	x	
Are salary levels properly authorised and recorded?	x	
Is there a system of authorisation for recording and notifying starters and leavers, changes of hours and other payroll changes?	x	
Are payments made by BACS?	x	
4.5 The payment of expenses and reimbursements	Yes	No
Does the company have a written policy to cover the payment and reimbursement of expenses?	x	
Is the policy communicated to all Directors, staff and volunteers?	x	
Are expenses reimbursed only where the individual incurred the expense in the course of carrying out the company's business?	x	
Does the expense claim include a self-declaration that the claim is accurate and incurred on the business of the company?	x	
Are reimbursements made by BACS transfer?	x	
If the company pays mileage rates for travel are the rates in accordance with HMRC approved rates?	x	
4.6 Loans	Yes	No
Are the terms of the loan documented?	x	
Does the company have a repayment plan in place to repay the principal and any interest due?	x	
4.7 Checks on expenditure records	Yes	No
Are regular checks made to ensure expenditure records are accurate and agree with the bank statements?	x	
Are regular checks made to ensure no discrepancies between the payments made and the original invoice or payment records?	x	
Are checks made by someone other than the person who made the entry in the accounting records?	x	

5. Assets and investments

5.1 Controls over fixed assets	Yes	No
Is a comprehensive fixed asset list held and updated regularly?	x	
Are assets checked regularly to ensure they are still in good repair and are of use to the company?	x	
Has insurance cover been considered?	x	
Is the use of fixed assets reviewed annually (to ensure put to best use and serving the company's interests)?	x	
5.2 Money held as a current asset	Yes	No
Are secure records held of all bank and building society accounts?	x	
Are bank statements regularly received and regular bank reconciliations carried out?	x	
Are instructions to open or close accounts properly authorised and reported to Directors?	x	
Are checks made to ensure that there are no dormant accounts?	x	
Are the accounts monitored to ensure there is no third party use?	x	
Do the Directors regularly review the costs, benefits and risks of their current and deposit accounts?	x	
5.3 Electronic banking	Yes	No
If the company uses electronic banking to make payments does the system used require authorisation of transactions by two individuals?	x	
Are PCs kept secure with up-to-date anti-virus and spyware software and a personal firewall?	x	
Are Directors and staff made aware of the need to ensure that the company's security details (including the password and PIN) are not compromised?	x	
Is the PIN and password regularly changed, for example to mitigate the risks of compromising security when individuals leave the company?	x	
Does the company maintain a list of persons (Directors and staff) who are approved to have access to the PIN and password?	x	

Does the company keep an audit trail of electronic banking transactions?	x	
Have those using online banking facilities been trained in their use?	x	