



# **FOSYM GOVERNANCE**

## **FINANCIAL OPERATING RULES**

### **SECTION 6**

**VERSION 3.0**

**MARCH 2021**

## 6. FINANCIAL ADMINISTRATION

### 6.1 Overview

Sound and strong financial control is at the heart of FOSYM operations which seeks to ensure that appropriate policies and procedures are in place to enable transparent and fully auditable day to day management of FOSYM's finances.

The Treasurer is responsible for ensuring that such effective financial measures and controls are put in place and are appropriate for the charity's operations. Whilst the Treasurer oversees the financial matters of FOSYM, **all Trustees continue to be jointly and severally responsible, and therefore liable, for FOSYM's administration.**

The Governance Group provides additional scrutiny to the Accounts.

### 6.2 Banking Arrangements

#### 6.2.1 General Administration

The Treasurer has prime responsibility for ensuring that any bank account opened in the name of FOSYM is managed appropriately and who is the primary contact/correspondence point between FOSYM and the bank(s) concerned.

The custody of bank statements, cheque books/paying in books and other banking related documentation is vested with the Treasurer who maintains overall control. As and when the office holder changes (either after the AGM or for any other reason), it is the Treasurer's responsibility for handing over such items to the new office holder.

The Treasurer is responsible for ensuring that bank statements are received and reconciled with FOSYM's management/operating accounts on a timely basis – as a minimum monthly in line with bank statement production and delivery - on-line banking provides facility for more frequent scrutiny as required – and subsequently providing a regular financial update to the Board.

#### 6.2.2 Management Accounts

These are the day to day records of funds received (donations, membership fees and grants and funds held on behalf of FOSYM partners) and payments made (awards, grants administration expenses) and which are updated/reconciled on receipt of the bank statements.

The Treasurer is responsible for producing an annual Budget and Expenditure Plan for agreement and sign off by the Board of trustees in the month following the AGM.

## FOSYM Governance – Business Operating Rules & Policies

The Treasurer will provide a summary of the charity's financial position to the Board of Trustees on a regular basis – currently in time for each of the scheduled Board Meetings.

The Treasurer will also provide a full Financial Report to Trustees and Members at the AGM.

The Treasurer will also support the completion of the Annual Report for the Charities Commission.

### 6.2.3 Operation of FOSYM Bank Account(s)

Signing instructions for any bank account held are determined by the Board of Trustees:

The Authorised Signatory List consists of 3 available authorised signatories (Chairperson, Treasurer, Secretary).

Signing instructions permit any 2 of 3 authorised signatories to sign which mitigates any potential issues/problems in the prolonged absence of any one signatory. It also serves as a check and balance and provides added security.

On the same basis BACS payments will be made under dual online authorisation of the Treasurer, Chairperson and/or Secretary.

Chairperson and Treasurer jointly will be the normal day-to-day signatories.

Banking PIN and Password must be changed in the event that a Trustee with a banking mandate either leaves the Charity or relinquishes their role of office.

The Payment Card held under the responsibility of the Treasurer will only be used on the following basis:

- Obtaining bank balances
- Topping up Petty Cash when required to a maximum of £20 per occasion (any activity to be recorded in the petty cash book and reconciled to the bank statement(s))
- Purchase of stamps (in conjunction with the keeping of a stamp register and reconciliation to the bank statement(s))
- Setting up automatic debit arrangements for services e.g. Namesco (name domain provider)

### 6.2.4 Cash Management

Where FOSYM has more than one bank account opened in its name, the Treasurer is responsible for ensuring that the highest bank interest rate available is received on balances held – particularly for those funds that may not be required for use immediately.

Where multiple bank accounts have been opened, Standing Instructions will, from time to time, be determined by the Board setting out minimum and maximum balances in each account to maximise bank interest received on funds held.

This provides the Treasurer with a standing authority to transfer funds to and from multiple accounts, in accordance with the current bank account signing instructions, as and when necessary, without recourse to the full Board each time such a transfer is required.

### 6.2.5 Reconciliation of Bank Statement(s)

Reconciliation is undertaken monthly by the Treasurer to coincide with statement periodicity or more frequently where required using online facilities. This enables the Treasurer to confirm that items and balances appearing on the bank statement(s) agree with those items recorded in the financial accounts.

The reconciliation process should be undertaken within one week of receiving the bank statement(s) to ensure anomalies or issues are identified at the earliest juncture.

Where anomalies arise, investigations should be undertaken as required and resolutions put in place. Where resolutions are not possible, the matter should be referred to the Chairperson to determine and agree the appropriate required action/next steps.

### 6.2.6 Miscellaneous

Where **is it** determined that additional or alternative bank accounts are required (better interest rates, facilities, or accounts no longer fit for purpose etc), the Treasurer will seek appropriate approval from the Board to effect such changes.

## 6.3 Management of Funds Received

Funds received will be a mixture of membership fees, outright donations, grants received from various awarding bodies and funds held periodically on behalf of FOSYM's Partners.

### 6.3.1 Outright Donations

Any donations over £100 should as a matter of course receive formal acknowledgement of receipt, but details of all donations should be passed to the Chairperson to determine which others, if any, warrant formal acknowledgement of receipt.

The Treasurer is responsible for ensuring that legacies, large donations and funds held on behalf of Partners are correctly identified and included in the Accounts.

### 6.3.2 Membership Fees

Details of membership subscriptions received direct to the bank or to the Treasurer will be notified to the Membership Secretaries to generate a formal acknowledgement of receipt and confirmation of Membership.

Where membership subscriptions are received in the first instance by the Membership Secretaries, payments received either in cash or cheque must be credited to the designated bank account within **5** working days of receipt. The Membership Secretaries are responsible for notifying the Treasurer of such receipts in a timely manner, but no later than 48 hours following receipt and credit to the bank, so that the Treasurer can ratify the accounts.

### 6.3.3 Grants

Receipt of grants would normally be anticipated; however any acknowledgement should be generated in line with any conditions associated **to the** Grant by the grant-giving body.

### 6.3.4 Funds held on behalf of Partners

FOSYM, by a change in its Constitution is able to act as a Holding Trustee, enabling the Charity to hold funds on behalf of Partners where Trustees are satisfied that this provides an effective way of pursuing the Charity's Objectives.

Receipts will take the form of cash, cheque or electronic payment, and dependant on the type, specific action is required:

### 6.3.4 Cash/Cheques

Cash/cheques received are to be paid into FOSYM's bank account **NO LATER** than 5 working days after receipt. Where FOSYM has multiple bank accounts, this will be the bank account designated by the Treasurer for day to day use, unless such donations are of a sizeable nature as to warrant credit to the interest bearing account e.g. donations to the Lavey Fund/Partner Funds.

A record of cash/cheques received is to be maintained by the Treasurer to enable reconciliation with bank statement(s) as and when received.

### 6.3.5 Electronic Payments

Electronic credit payments will either be received directly into the bank or via PayPal.

The Treasurer must take steps to confirm the source of the payment so that, where a payment is expected, appropriate steps are taken to acknowledge receipt as required e.g. membership renewal etc.

If the source cannot be properly identified and the sum received is substantial (£100) the matter must be reported to the Chairperson to determine and agree what action may be required. This may involve the Treasurer liaising with FOSYM's bankers to investigate further and/or arrange for the return of the payment if the payment received is considered to be suspicious or fraudulent.

The Treasurer will inform the Membership Secretaries on receipt of membership subscriptions being credited direct to the bank/or via PayPal.

Following the change to on-line banking facilities and by agreement of the Trustees it has been agreed to acquire a Card Reader to enable easier donation at events and to minimise cash handling.

The Treasurer must maintain a trail of all electronic credit/debit banking transactions.

In the event that an electronic debit transaction is made in the absence of the Treasurer, notification by the Chairperson and/or Secretary should be sent to the Treasurer's email account within 24 hours of the posting.

### 6.3.6 Income from Public Collections and Fundraising Events

Events where FOSYM Trustees are in attendance, a minimum of 2 personnel (Trustee x 2 or Trustee plus volunteer) should be present and involved in counting and recording the income. A dually signed record must be maintained for each fund raising event where funds are collected.

Fundraising by volunteers: A minimum of 2 unrelated individuals must be involved in counting and recording the income. A form of receipt should be completed denoting the venue, date and value of the collection. This form of receipt should then be signed by both individuals involved, as described above, and submitted as follows:

- Directly to the Treasurer with the funds, (who will verify the documentation), and who will bank the monies within 2 working days, or else...
- To a Trustee (who will carry out the same checks), and who will bank the monies within 2 working days, or else will transfer the funds and recording sheet to the Treasurer for their attention.

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- Where the Treasurer has not been involved in the process and where funds have been paid direct into the bank by a third party, the signed form of receipt and any documentation provided by the bank teller should be forwarded to the Treasurer at the earliest opportunity but not exceeding the expiry of 7 working days from date of the event.
- Where the Treasurer is not directly involved in the fundraising, once funds are received and credited to the bank an acknowledgement will be sent to the individual or the organisation responsible for raising the funds.

### 6.3.7 Gift Aid Declaration

Where the payment received is a donation or membership fees, a Gift Aid Declaration may have been submitted which enables FOSYM to claim tax relief back from HM Revenue and Customs on the amount received. Where a declaration has been received, a log of Gift Aid Declarations must be maintained by the Member Secretaries, who will be responsible for the timely submission of the annual return to HMRC where required.

## 6.4 Management of Funds Disbursed

### 6.4.1 Spend Categories

Funds disbursed will normally include:

- The Lavey Award;
- FOSYM Trustees' Award;
- Murfin Fund;
- Support of musical activities organised by The Music Partnership;
- Contribution towards the purchase of musical instruments;
- Contribution towards the cost of auditions for music courses at university or conservatoire, (one audition per student only);
- Contribution towards attendance at courses, workshops, concerts and other performances by eligible individuals or groups, including transport costs;
- Contribution towards approved music tuition

The above funding categories form part of the Annual Budget and Expenditure Plan. The budget sets out the maximum commitment agreed by the Board of Trustees for each category of spend on a yearly basis.

Further information about Awards and Grants can be found in the Rules for Applications for Financial Grants Document and on FOSYM's website at [fosym.org](http://fosym.org)

### 6.4.2 Approval of Expenditure

To demonstrate transparency and ensure a clear audit trail, items of expenditure will only be authorised as follows:

Administrative costs – invoices and/or receipts to be submitted to the Treasurer within the Accounting Year for review and approval in ALL instances.

Non-administrative costs – Grants and Awards – all approvals to be recorded in the Minutes of Board Trustee Meetings.

The initial approval of Financial Grants up to the value of £250 (and which meets the required criteria) is made by the Grants Group which has delegated authority approved by the wider Board of Trustees. Trustees will be informed of such decisions at the next full meeting of the Trustees. In the event that a full meeting of the Board of Trustees is not expected to take place within two months of such decisions, an electronic communication will be sent to all Trustees by the Group Chair or designated person, within one calendar month of that decision being made. The allocation will then be recorded in the minutes of the next Board Trustee Meeting.

Any instance where the Grants Group is unable to agree on a given grant application, that application will be put before the full Board of Trustees for decision at the earliest opportunity.

### 6.4.3 Protected Balance

In 2019 FOSYM's Trustees amended guidelines on annual expenditure from 10% of the Charity's balances to setting aside a sum of £20,000 as a protected balance of core funding to sustain the Charity for at least two years, on the assumption of no income.

**NB: No expenditure will be allowed from any category unless there is an agreed budget commitment in place – any potential expenditure from unallocated funds (other than that state in 6.4.2) must be referred to the Board of Trustees for approval. Any expenditure that would exceed the current budget must also be referred to the Board of Trustees for approval.**

### 6.5 Reserves Policy

A Reserves Policy explains to existing and potential funders, donors and other stakeholders why a charity is holding a particular amount of reserves. A good Reserves Policy gives confidence that finances are being managed and can also provide an indicator of future funding needs.

Reserves are that part of a charity's unrestricted funds that is freely available to spend on any of the charity's purposes. Charity trustees have a general duty to spend income within a reasonable time of receipt. The Charity Commission regulations state that, where an Annual Return is required to be submitted by virtue of its annual income level, a statement of the charity's Reserves Policy must be included within its Annual Report. In addition, if a charity operates without a Reserves Policy, the Regulations require this fact to be stated in the annual report.

**Where annual income exceeds £10,000 there is a requirement to submit an Annual Return to the Charities Commission. In this event, this would provide the opportunity for a Reserves Policy to be developed where none exists.**

### 6.6 Financial Accounts

As a regulated organisation, FOSYM needs to maintain financial records that fully reflect its operations during any financial trading year and make them available to the public on request.

The financial accounts are managed by the Treasurer and in summary consist of:

- Records of funds received, payments made, expenses incurred and the setting out of total available funds.
- Records of 'designated' funds which FOSYM may be holding alongside its general funds.
- Annual accounts – the official end-of-year financial position of the charity and which is submitted to the Charity Commission as part of the Annual Return (depending on income levels – see 6.6.2 below).

Further detailed information and the rules governing maintenance/submission of financial accounts is available from the Charities Commission.

#### 6.6.1 Trading Year

The Charity's trading year currently runs from the 1st September to the 31st of August annually.

#### 6.6.2 Annual Return

If income is over £10,000 in a single year, it is a legal requirement for the Trustees to send an Annual Return to the Charities Commission each year within ten months of the year end e.g. based on FOSYM's current trading year, an Annual Return would be due by the following 30<sup>th</sup> June.

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If income is £10,000 or less in a single year, the trustees have a legal duty to advise the Charities Commission of changes to the charity's details including income and expenditure each year. The most convenient way to do this is by completing the Annual Update, which is the same as Part A of the Annual Return.

By law, the accounts must be externally scrutinised if either:

- Annual gross income is more than £25,000 in the accounting year.
- The governing document (Constitution) requires this.

External scrutiny may involve an audit or an independent examination of the finances. It reassures donors and beneficiaries that FOSYM is maintaining proper financial records and that its accounts reflect those records.

If gross income is under £25,000 the accounts do not need to be externally examined unless there is a requirement in the governing document (Constitution).