

NG 2

FINANCIAL REGULATIONS

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Foreword

To conduct its business effectively the company needs to ensure that it has sound financial management systems in place and that they are strictly adhered to. Part of this process is the establishment of regulations which set out the financial policies of the company.

1. Status of Financial Regulations

- 1.1. The financial regulations of NG 2 form part of its overall system of financial and management control. The articles of the company and the overall policy framework outline how the company will be controlled and run.
- 1.2 This document sets out the company's financial regulations. It translates the company's broad policies relating to financial control into practical guidance.
- 1.3 Compliance with the financial regulations is compulsory for all staff connected with the company. It is the responsibility of heads of departments and the directors to ensure that their staff are made aware of the existence and content of the financial regulations and that an adequate number of copies are available for reference within their department.
- 1.4 The Finance Director is responsible for maintaining a continuous review of the financial regulations and advising the Board of any additions or changes as necessary.

2. Financial Control – Board of Directors

- 2.1 The Board of Directors has ultimate responsibility for the company's finances. Its financial responsibilities are:
 - a. to ensure the solvency of the company
 - b. to safeguard the Company's assets
 - c. to ensure the effective and efficient use of resources
 - d. to ensure that financial control systems are in place and are working effectively
 - e. to approve the Company's strategic plan
 - f. to approve annual estimates of income and expenditure and to approve the annual financial statements

Audit Requirements

- 2.2 The Finance Director is responsible for drawing up a timetable for final accounts purposes and will advise staff and the external auditors accordingly. The Company shall prepare all accounting work, together with a fully referenced audit file, in a format agreed in advance with the auditors, in order that the audit can be carried

out as efficiently and effectively as possible. This also ensures the complete independence of the external audit.

- 2.3 The accounts and audit findings letter should be reviewed by the Board. A formal response to the audit findings letter will be issued to the auditor by the Board. The Company will, wherever possible, act upon the issues raised and recommendations made, in order to become more efficient in its financial arrangements and systems of financial control.
- 2.4 External auditors shall have authority to:
- a. access company premises at reasonable times
 - b. access all assets, records, documents and correspondence relating to any financial and other transactions of the Company.
 - c. require and receive such explanations as are necessary concerning any matter under examination
 - d. require any employee of the Company to account for cash or any other company property under his/her control
- 2.5 Whenever any matter arises which involves, or is thought to involve, irregularities or fraud concerning cash, or other property of the Company or there is any other suspected irregularity in the exercise of the activities of the Company, the head of department concerned shall notify the Finance Director or Chief Executive Officer (CEO) of the Company. He/she will take steps as necessary by way of investigation and report the matter to the Board in the first instance and if necessary externally where required. The Company should also ensure that a procedure for whistle blowing is in place and operating effectively.

External Audit

- 2.6 The appointment of external auditors will take place annually at the after consideration by the Board of the auditor's performance. The primary role of external audit is to report on the Company'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.

- 2.7 On appointment, the content of the external auditor's engagement letter should be clearly discussed and agreed with the CEO and Finance Director in order that there is a clear understanding of the external auditor's responsibilities. This engagement letter should be reviewed every three years to ensure that it is still appropriate.

Other Auditors

- 2.8 The Company may, from time to time, be subject to audit or investigation by external bodies such as HMRC who have statutory rights of access.

The main responsibility of internal audit is to provide the Board, the CEO and Senior Management Team with assurances on the adequacy of the internal control system. The internal audit service has direct access to the Board, CEO and chairperson of the Audit Sub-Committee of the parent.

The internal auditor will comply with the Auditing Practices Board's auditing guideline *Guidance for Internal Auditors*

Responsibilities

The Chief Executive Officer (CEO)

- 2.9 The CEO and other Board Directors are responsible for the operational management of the Company's affairs. They shall determine the strategic objectives and promote the achievement of such objectives through the effective deployment of The Company's resources.

The Finance Director

- 2.10 Day to day financial administration is the responsibility of the Finance Director. The Finance Director is responsible to the CEO for:
- a. financial and business planning
 - b. preparing annual capital and revenue budgets
 - c. preparing management accounts and information, monitoring and control of income and expenditure against budgets and all financial operations
 - d. preparing the Company's annual accounts and other financial statements and accounts which the Company is required to submit to other authorities

- e. preparing appraisals for major investment decisions
- f. ensuring that the Company maintains satisfactory financial systems
- g. providing professional advice to the Board on all matters relating to financial policies and procedures including treasury management.

Budgeting

Resource Allocation

- 2.11 Resources are allocated regularly, and at least annually, on the recommendation of the Board.

Budget Preparation

- 2.12 The day-to-day administration and the control of the budget will be delegated to the Directors and operational managers. The Finance Director is responsible for ensuring a revenue budget is prepared annually for consideration by the Board. The budget should also include cash flow forecasts for the year and a projected year end balance sheet. The Finance Director must ensure that detailed budgets are prepared in order to support the resource allocation process and that this is communicated to staff as soon as possible following their approval by the Board.
- 2.13. During the year, the Finance Director is responsible for submitting revised budgets to the Board for consideration and approval as required.

Accounting Policies

Basis of Accounting

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

Fixed assets

The Company's assets are written off evenly over their expected useful lives on a straight line basis as follows:

Office premises	-	over 25 years
Vehicles & equipment	-	over 3 – 5 years
Computer hardware	-	over 3 years

Accounting Returns

- 2.15 The Finance Director is responsible for dispatching financial returns and other periodic financial reports to Companies House, HMRC and any other body as required.

Accounting Records

- 2.16 The Finance Director is responsible for the retention of financial documents. These should be kept in a form acceptable to the relevant authorities.

- 2.17 The Company is required by law to retain prime documents. These include:

- a. accounts raised (three years)
- b. copies of receipts and invoices (three years)
- c. payroll records (three years)
- d. VAT records (three years).

- 2.18 For auditing and other purposes, the Company should retain other financial documents for six years.

3. Income & Banking

General

- 3.1 The Finance Director is responsible for ensuring that appropriate procedures are in operation to enable the Company to receive all the income to which it is entitled. All receipt forms, invoices, or other official documents in use must have the approval of the Finance Director.

- 3.2. The Finance Director is responsible for the prompt collection, security and banking of all income received.

- 3.3 The Finance Director is responsible for ensuring that all grants are received and appropriately recorded in the Company's accounts.

- 3.4 The Finance Director is responsible for ensuring that all claims for funds are made by the due date.

Appointment of Bankers

- 3.5 The Board is responsible for the appointment of the Company's bankers on the recommendation of the Finance Director.

Banking Arrangements

- 3.6 The Finance Director is responsible, on behalf of the Board, for liaising with the Company's bankers in relation to the Company's bank accounts and the issue of cheques.
- 3.7 A bank account cannot be opened or closed without approval from the Board. All bank accounts for the Company shall be in the name of NG 2 Ltd.
- 3.8 The Finance Director is responsible for ensuring that all bank accounts are subject to regular reconciliations and independent reviews and that large or unusual items are investigated as appropriate.

The Collection of General Debts

- 3.9 The Finance Director should ensure that:
- a. sales ledger invoices are raised promptly in respect of income due to the Company
 - b. debtors are raised on official invoices which are numbered sequentially
 - c. swift and effective action is taken to collect overdue debts in accordance with the Company's formal procedures.
- 3.10 The Board is responsible for implementing credit arrangements and indicating a period in which different types of invoices must be paid. Any subsequent changes must be submitted to Board for approval.

4. Expenditure

- 4.1 The Finance Director is responsible for making payment to suppliers of goods and services to the Company.

Authorities

- 4.2 All purchases must be authorised by at least a Manager. No account for expenditure shall be payable until the Manager concerned is satisfied that the:
- a. the account is due and payable
 - b. goods and services have been carried out in accordance with the instructions given.
 - c. charges are in accordance with schedule of rates, estimates or sums reasonably chargeable
 - d. accounts have not already been paid in whole or in part
 - e. where appropriate, the invoice has been matched to the work order number
 - f. the additions and extensions on the invoice have been checked
 - g. the invoice details (quantity, price and discounts are correct)
 - h. VAT issues have been complied with where they apply.
- 4.3 Any changes to the authorities to sign must be notified to the Finance Director immediately.
- 4.4 The CEO has the authority to authorize non budgeted expenditure:
- a. goods and services up to a maximum of £20,000

Any work carried out under the above will be incorporated into the annual budget and reported to the Board.

Petty Cash

- 4.5 Petty cash levels in the office should be kept at a manageable level. Therefore petty cash should normally be maintained at a level under £1,000.
- 4.6 Claims for reimbursement will normally be by cheque or through the staff payroll unless it causes the individual financial hardship. The appropriate method of payments will be at the discretion of managers.

Payment of Invoices

- 4.7 The procedures for making all payments shall be in a form specified

by the Finance Director.

- 4.8 Suppliers shall be instructed to send all invoices for payment to the Finance Department. Payments will only be made by the Finance Director against invoices which have been certified for payment by the appropriate manager.
- 4.9. Payment runs to pay the purchase ledger invoices is done twice a month. However, an extra payment run for utility and other immediate bills may be required at any time during the month.

Cheque signing policy

- 4.10 Manual cheques for Company cashbook expenditure should be drawn as and when required. All cheques are to be signed by two authorised cheque signatories.

5 Salaries and Wages

General

- 5.1 The Finance Director is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered.
- 5.2 All the staff of the Company will be appointed on terms approved by the Board. All letters of appointment must be copied to the Finance Department.
- 5.3 In particular these include:
- a. appointments, resignations, dismissals, secondments and transfers
 - b. absences from duty for sickness or other reason, apart from approved leave
 - c. changes in remuneration
 - d. information necessary to maintain records of income tax and national insurance, etc.
- 5.4 The Finance Director is responsible for ensuring that all casual and part-time employees will be included on the payroll.

5.5 The Finance Director shall be responsible for keeping all records relating to payroll including those of a statutory nature.

5.6 All payments must be made in accordance with the Company's detailed payroll financial procedures and comply with HMRC regulations.

Payment of salaries

5.7 Salaries are normally paid on the 28th of the month unless this date falls on a weekend day in which case the salaries will be paid on the last Friday before the 28th. The CEO has the authority to pay the salaries early at holiday periods such as Christmas. All salaries are paid through the banking system by BACS transfer.

Travel, subsistence and other payments

5.8

a. Allowances for additional payments are either in accordance with agreed rates set by the Board.

b. Overtime and additional expenses must be approved by Directors/Managers.

6. Assets

Land, Buildings, Fixed Plant & Machinery

6.1 The purchase, lease or rent of land or buildings or fixed plant can only be undertaken as part of an approved programme.

6.2 The Finance Director is responsible for maintaining the Company's register of land, buildings, fixed plant and machinery.

Asset Disposal

6.3 Disposal of equipment and furniture must be in accordance with procedures agreed by the Board and contained in the Company's detailed financial procedures.

6.4 Disposal of land and buildings must only take place with the authorisation of the Board.

7. Other

Risk Management

7.1 The Board is responsible for developing a Risk Management

Strategy, in order to identify the risks facing the Company and types of protection required to cover these risks. The strategy should cover important potential liabilities and be sufficient to meet any potential risk to all assets. This will be considered and approved by the Board.

Insurance

- 7.2 The Finance Director is responsible for effecting insurance cover as determined by the Board. He/she is therefore responsible for obtaining quotes and maintaining the necessary records. He/she will also deal with the Company's insurers and advisers about specific insurance problems. The insurance cover should provide good value for money against potential risks. It is essential to identify every type of risk prudent to be covered by insurance. Insurance tendering procedures should be carried out at least every five years.
- 7.3 Officers must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the Company may be exposed. The Finance Director's advice should be sought to ensure that this is the case. Officers must give prompt notification to the Finance Director of any potential new risks and additional property and equipment which may require insurance and any alterations affecting existing risks.
- 7.4 The Finance Director will keep a register of all insurances effected by the Company and the property and risks covered.
- 7.5 All staff using their own vehicles on behalf of The Company shall maintain appropriate insurance cover for business use.

Taxation

- 7.6 The Finance Director is responsible for advising heads of departments on taxation issues in the light of guidance issued by the appropriate bodies and the relevant legislation as it applies to the Company
- 7.7 The Finance Director is responsible for maintaining the Company's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Security

- 7.8 Managers are responsible for maintaining proper security at all times for all buildings, stock, furniture, cash, etc under his or her control. He/she shall consult the CEO in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 7.9 Officers will be responsible for maintaining proper security and privacy of information. Access to areas where data is stored will be restricted to authorised persons. Information relating to individuals held on computer will be subject to the provisions of the Data Protection Act.

Hospitality

- 7.10 The limits concerning acceptable expenditure for entertaining guests from outside bodies are set out in the Company's Gifts Donations and Hospitality Policy.
- 7.11 Members of the Board and members of staff should refuse all material hospitality and gifts offered by an individual or company that does or could provide services to the Company where they are offered as an inducement to secure favour.