

Financial Standing Orders

As approved by the Board of Trustees September 2022
Next review due: December 2023

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1. Introduction

These Financial Standing Orders (FSOs) are issued by the charity, with the approval of the Board of Trustees.

The Board of Trustees delegates authority to the Chief Executive (CEO) who in turn delegates authority to the Director of Finance and Resources to implement these orders under the supervision of the Chief Executive. They are addressed to all staff of the charity who deal with matters affecting the finances of the charity. This includes all project managers and budget holders within the charity.

These FSOs are issued to provide financial direction throughout the charity and any subsidiaries and trading arms. They are to be the basis of all financial matters within the charity and provide the guidelines for any related subsidiaries or projects. Reference to the charity shall include any subsidiaries and trading arms. They detail the financial policies and procedures to be adopted by the charity and are designed to ensure that its financial transactions are carried out with probity, accuracy, and economy and in accordance with existing legislation and regulations in the areas of operations of the charity.

Notwithstanding the authorisation limits, if the CEO feels that there are specific and significant legal, regulatory, or reputational risks, then they should discuss these with the National Chair before making authorisations. Should any difficulties arise regarding the interpretation or application of any of these orders then the advice of the Director of Finance and Resources or Chief Executive must be sought before any action is taken.

Failure to comply with these Financial Standing Orders is a disciplinary matter which could result in dismissal.

2. Terminology

The charity is governed by UK Law, its Royal Charter and its byelaws and by the Charities Act and in line with these documents the following terminology is identified:

- a. The 'charity' refers to The Magistrates' Association and any subsidiaries or related projects.
- b. The 'Trustee(s)' means the Board of Trustees which is responsible for all functions, strategies and direction of the charity and its subsidiaries.
- c. The 'National Chair' means an individual member of the Board of Trustees elected by the membership in accordance with the byelaws as national chair of the Board of Trustees and responsible for the financial and operational well-being of the charity.
- d. The 'Treasurer' means an individual member of the Board of Trustees selected by the Board of Trustees to have oversight on their behalf of the financial administration and financial well-being of the charity. This oversight includes chairing the Finance and Audit Committee under its terms of reference.
- e. The 'budget' means a resource, expressed in financial terms, proposed by the charity

for the purpose of carrying out, for a specific period, any or all of the functions of the charity.

- f. The 'Chief Executive' means the chief officer of the charity.
- g. The 'Director of Finance and Resources' means the Chief Financial Officer of the charity.
- h. A 'budget holder' is an employee with delegated authority to manage finances (income and expenditure or capital) for a specific operation of the charity.
- i. A 'manager' is an individual who has delegated responsibility for managing an area of resources, and might have a designated budget code as a line manager.

3. Financial governance and administration

The Board of Trustees is responsible for regulation and control of finances in the first instance.

The Board of Trustees delegates management of the day to day financial performance of the charity to the Chief Executive and Director of Finance and Resources who shall together act under the supervision of the Board of Trustees.

The Board of Trustees delegates financial oversight to a Finance and Audit committee, which shall operate in accordance with its terms of reference and in line with the Board's scheme of delegation as agreed by the Board and shall make recommendations to the Board as appropriate. The final responsibility for the appropriate financial governance of the charity remains with the Board of Trustees.

The Board of Trustees further delegates oversight to a Remuneration committee, which shall operate in accordance with its terms of reference and in line with the Board's scheme of delegation as agreed by the Board and shall make recommendations to the Board as appropriate. The final responsibility for the appropriate remuneration terms set by the charity remains with the Board of Trustees.

3.1 Legality

The first priority of the trustees is to uphold UK law and statutes in the operations of the charity (this includes Charity Commission regulations). The second priority shall be deemed to be the upholding of the objects of the charity. These requirements are the overriding authority on all these orders.

3.2 The Board of Trustees

The Board of Trustees shall exercise financial supervision and control by:

- a. Authorising the financial strategy and business plan for the charity.
- b. Requiring the submission of budgets within approved allocations/overall income and approving these.
- c. Defining and approving essential features in respect of important procedures and financial systems (including the need to obtain value for money).
- d. Monitoring the extent of compliance with, and the financial effect of, relevant established policies, plans and procedures.
- e. Assessing the adequacy and application of financial and other related management controls.
- f. Assessing the suitability of financial and other related management data.

The Board of Trustees will achieve this by receiving and reviewing the following reports from the Director of Finance and Resources and Chief Executive (after oversight and recommendation from the Finance and Risk Committee):

- a. Annual accounts within the statutory filing period.
- b. Regular monitoring information, including management accounts, including reserve levels, balance sheets and rolling cash flows, within one month of the relevant period end. Frequency and format to be determined in dialogue with Trustees.
- c. An annual review of insurances.
- d. An annual review of financial regulations.
- e. Annual budgets and medium-term financial projections, to be reviewed and approved before the start of the relevant financial year.
- f. An annual review of reserve levels.
- g. Any investment appraisals, project appraisals or other ad hoc reports (as necessary for appropriate control of the company finances).

4. Responsible Officers

4.1 The Chief Executive

- a. Shall be ultimately accountable to the Board of Trustees for ensuring that the Board of Trustees meets its obligation to perform its functions within the available resources.
- b. Shall have overall executive responsibility for all charity activities and shall be responsible to Board of Trustees for ensuring that its financial obligations and targets

are met.

- c. The Chief Executive and Director of Finance and Resources shall, as far as appropriate, delegate their detailed responsibilities but they remain ultimately accountable for these.
- d. It is a duty of the Chief Executive to ensure that all managers and employees and all new appointees are notified of and understand their responsibilities within these instructions.

4.2 The Director of Finance and Resources shall be responsible for:

- a. Implementing the charity's financial policies and for coordinating any corrective action necessary to further these policies.
- b. Ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions.
- c. Ensuring that sufficient records are maintained to show and explain the charity's transactions, in order to disclose accurately, the financial position of the charity at any time.
- d. The provision of financial advice to the Chief Executive.
- e. The preparation and maintenance of such accounts, certificates, estimates, records and reports as the charity may require for the purpose of carrying out its statutory duties.

Without prejudice to any other functions of management and employees of the charity, the duties of the Director of Finance and Resources shall include:

- a. Assisting in medium - long term planning, providing medium term project projections (at a minimum) on an annual basis.
- b. Presenting management accounts to the Board of Trustees and its Finance and Audit committee (at each meeting where necessary/required).
- c. Preparation of accounts in (b) and of draft annual accounts for audit on a timely basis. Liaison with the auditors regarding the latter.
- d. Preparation of an annual budget for review and approval initially by the Chief Executive and ultimately by the Board of Trustees.
- e. Maintaining an efficient system of financial operations and controls.
- f. Keeping insurances under review and reporting to the Board of Trustees on this review on an annual basis.

- g. Reporting to the Board of Trustees on a regular basis on the level of resources proposed to be utilised in each financial year.
- h. Safeguarding the assets of the charity.
- i. Recommending any amendments to the financial regulations of the charity as necessary from time to time and to keep these under review (at least on an annual basis). To ensure these are observed in practice.

4.3 All employees, individually and collectively shall be responsible for:

- a. The security of any buildings/locations of the charity's operations and property therein.
- b. Avoiding loss of equipment and property belonging to the charity.
- c. Exercising economy and efficiency in the use of the charity's resources.
- d. Conforming to the requirements of the financial standing orders and any financial procedures.
- e. For all employees who carry out a financial function, the form in which financial records are kept and the manner in which employees discharge their duties must be to the satisfaction of the Director of Finance and Resources.

4.4 Legal and Regulatory compliance

This role will ensure the charity complies with all relevant laws and regulatory requirements and shall generally be played by the Director of Finance and Resources on behalf of the board of trustees. In his/her absence it will default to the Chief Executive until another suitable officer is appointed or alternative arrangements are decided by the trustees.

5. Risk

The Board of Trustees is responsible for ensuring adequate risk management procedures exist and are followed within the charity.

Definitions:

- Risk is defined as events that may prevent achievement of the aims or goals of the charity or otherwise adversely affect the security of the charity or its assets.
- Risk management is a systematic way of protecting the charity's resources and income against losses so that the objectives of the charity can be achieved without undue loss and interruption.
- Risk assessment is the systematic process of identifying and analysing risks.

5.1 Objectives and commitment

The charity is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with our activities as a means of minimising the impact of undesired and unexpected events on our business activities. The Board of Trustees will therefore delegate authority to the Chief Executive and the Director of Finance and Resources to:

- a. identify objectives that reflect the interests of all our stakeholders.
- b. identify the threats to the achievement of our objectives.
- c. control and manage our exposure to risk by appropriate risk reduction and mitigation actions.
- d. apply robust risk management processes as part of a wider management system.
- e. regularly review our key risk controls to ensure that they remain relevant, robust and effective.
- f. educate and train our managers in risk management.

5.2 Principles

In all project areas, including the development of new projects, the SLT will carry out risk assessments regularly, record the findings and take appropriate management actions in a timely fashion. Risk reviews will address among others, business, operational, financial, legal and reputational risks.

In particular, the following activities will be undertaken:

- Regular review and update of risk register(s).
- Preparation of contingency plans for high risks.
- Early identification of emerging risks and initiation of risk reduction or mitigation action.

Planning:

- Plans prepared which describe the actions to be taken to address significant risks.
- Key risk assessments and management measures referenced in strategic documentation.

Management:

- Assessed risks will be addressed by levels of management – including the Board - appropriate to the nature and magnitude of the risk, and an overall view of the portfolio risk to the charity are taken.
- Risks will be considered in the light of potential opportunities.
- Specific, appropriate and cost-efficient measures will be put in place to ensure continuing control and management of identified risks.

Audit and review:

- A programme of audits and reviews will be established to ensure that the risk management procedures are being followed and that planned risk reduction/mitigation actions have been implemented.
- An annual review of the risk management policies and procedures will be conducted to ensure that they continue to meet charity governance requirements and the needs of the charity.

All staff are responsible for the ownership and undertaking of their risk management functions in accordance with this policy standard and for its implementation within the framework of The Magistrates' Association's procedures and directives.

The Director of Finance and Resources is responsible for maintaining the central Magistrates' Association risk register, for providing appropriate reports to the trustees and for undertaking regular reviews of the charity's risk register.

5.3 The role of the Director of Finance and Resources

The Director of Finance and Resources shall be responsible for establishing a risk management system that will identify the major risks to which the charity is exposed and ensure systems are in place to mitigate those risks. The Director of Finance and Resources will report to the Chief Executive on the extent to which the charity's assets and interests are accounted for and safeguarded from loss of any kind arising from:

- a. Strategic risk (government policy, competition, image and reputation)
- b. Operational risks (health and safety, sickness, absence, fundraising risks)
- c. Financial risks (investment risk, statutory funding, fraud, financial security)
- d. Hazard risks (fire, flood, chemical)
- e. Waste, extravagance or inefficient administration
- f. Poor value for money or other causes.

6. Internal Controls

The Chief Executive and the Director of Finance and Resources shall be responsible for establishing regulations that will provide an independent and objective view of internal control by:

- a. Overseeing external audit services
- b. Reviewing financial, operational and support systems
- c. Ensuring compliance with financial standing orders

Where they consider that there is evidence of ultra-vires transactions, or of improper acts, or if there are other important matters that they wish to raise, the Chief Executive shall raise the matter initially at a meeting of the National Officers, which shall then escalate to a full meeting of Board of Trustees, which shall recommend further action.

The Director of Finance and Resources is responsible within the audit function for:

- a. Ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control by the establishment of internal controls.
- b. Ensuring that these controls are adequate and meet mandatory audit standards.
- c. Informing the Chief Executive of any cases of suspected fraud, misappropriation, and other irregularities.

The Director of Finance and Resources or designated auditors shall be entitled without giving prior notice to require and receive:

- a. Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature.
- b. Access at all reasonable times to any land, premises or employee of the charity.
- c. The production of any cash, stores or other property of the charity under an employee's control.
- d. Explanations concerning any matter under investigation.

The Finance and Audit committee, on behalf of the Board, shall, with the assistance of the Director of Finance and Resources, ensure the provision of a cost effective and adequate external audit service.

7. Budgetary control

7.1 The budget holder

The budget is used as the basis for authority to incur expenditure and the Board of Trustees through the Chief Executive can delegate this authority in accordance with the financial regulations.

Prior to the start of the financial year the Director of Finance and Resources will, on behalf of the Chief Executive, prepare and submit budgets for approval by the Board of Trustees.

Such budgets will:

- a. Be in accordance with the aims and objectives set out in the charity's business plan.
- b. Accord with workload and staffing plans.
- c. Be produced following discussion with appropriate budget holders.
- d. Be prepared within the limits of available funds.
- e. Identify potential financial risks within the year under budget consideration.
- f. Have regard to the long-term financial sustainability of the charity.

The Director of Finance and Resources shall monitor financial performance against budget and business plan, periodically review them and report to the Board of Trustees through the Finance and Audit committee. All budget holders must provide information as required by the Director of Finance and Resources to enable budgets to be compiled. The Director of Finance and Resources shall ensure that adequate training is delivered on an on-going basis to budget holders to help them manage successfully.

The Chief Executive may delegate the management of a budget to a specific employee of the charity to permit the performance of a defined range of activities.

The Director of Finance and Resources will devise and maintain systems of budgetary control. These will include:

- a. Financial reports to the Chief Executive in a format approved by the Chief Executive showing income and expenditure to date, balance sheet, reserves and cash flow, showing trends and forecast year end position.
- b. The issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible.
- c. Investigation and reporting of variances from financial, workload and manpower budgets.
- d. Monitoring of management action to correct variances.

The Director of Finance and Resources shall keep the Chief Executive and the Board of Trustees informed of the financial consequences of changes in policy, pay awards and other events and trends affecting budgets and shall advise on the financial and economic aspects of future plans and projects.

Each budget holder is responsible for ensuring that:

- a. Any likely overspend or reduction of income that cannot be met by virement is not incurred without the prior consent of the Chief Executive.
- b. The amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised.
- c. No permanent employees are appointed without the approval of the Chief Executive other than those provided for in the budgeted establishment as approved by the Board of Trustees.

Where a manager proposes:

- a. A new policy
- b. A variation to an existing policy
- c. A variation in implementation of a policy

that will have financial implications, the manager must report this to the Director of Finance and Resources who must provide comment on the proposal and will in turn report to the Chief Executive Officer and Board of Trustees in order to gain approval.

8. Accounting

8.1 Procedures and records

All accounting procedures and records of the company shall be determined by the Director of Finance and Resources in liaison with the Board of Trustees. They should be kept in accordance with statutory auditing and accounting regulations.

The Director of Finance and Resources will:

- a. Prepare financial returns in accordance with the guidance given by existing regulatory bodies and legislation, for example the Statement of Recommended Practice (SORP), the Companies Act, HMRC, the charity's accounting policies, and generally accepted accounting principles.
- b. Prepare, certify and submit annual financial reports to the Board of Trustees.

The charity's audited annual accounts must be prepared in a manner to be reported to an Annual General Meeting.

8.2 Banking and cash handling

The Director of Finance and Resources is responsible for managing the charity's banking arrangements and for advising the Chief Executive on the provision of banking services and operation of accounts.

The Finance and Audit committee shall approve the banking arrangements and any significant changes required to these.

The Director of Finance and Resources is responsible for:

- a. The overall management and operation of bank accounts.
- b. Establishing separate bank accounts for the charity and any subsidiaries.
- c. Ensuring payments made from a bank account do not exceed the amount credited to the account except where arrangements have been made.
- d. Seeking guidance from the Chief Executive on overdraft facilities and reporting to the Board of Trustees all arrangements made with the charity's bankers for accounts to be overdrawn.

No officer other than the Director of Finance and Resources shall open any bank account in the name of the charity.

8.3 Banking procedures

The National Chair, Deputy Chairs, Honorary Treasurer, Chief Executive and Director of

Finance and Resources will be the only contacts with the banks authorised to initiate and implement changes to the banking arrangements of the charity. Statements for all accounts will come direct to the Director of Finance and Resources or some other authorised officer as they permit.

All bank accounts should be reconciled to their respective record books monthly.

Bank reconciliations are to be performed within twenty actual days after the end of the relevant month. They are to be carried out by the finance team(s). The reconciliations are to be checked and authorised by the Director of Finance and Resources.

8.4 Account/cheque mandates

The charity will always operate a multi-administration mandate system for the management of its bank accounts.

The bank mandate will be reviewed annually. At least two of the following persons shall be the primary signatories on all bank accounts:

- National Chair
- Deputy Chairs
- Honorary Treasurer
- Chief Executive
- Director of Finance and Resources

The Director of Finance and Resources, in consultation with the Honorary Treasurer, shall include other approved signatories necessary for the operations of the charity.

8.5 Online banking

Online banking is the primary method of accessing the charity's bank accounts. The charity will always ensure a multi-administration mandate to online banking access exists to ensure continuity of access, service, and security.

The administration of the online banking facility must always be in line with the primary banking mandates of the charity.

The Director of Finance and Resources will be the primary administrator and will ensure the safe and proper custody of all administrative passwords and access. These roles may also be additional administrators on the system:

- National Chair
- Deputy Chairs
- Honorary Treasurer
- Chief Executive

There will be other lower-level access to accounts permitted to enable other finance persons to carry out their functions.

Any outsourced finance team will have one such log-in. Each individual with a log-in is responsible for the security of their log-in details.

The online banking system shall be the primary means of supplier and invoice payments. All final approvals or authorisations shall be made by an administrator. No other member of the finance team shall have the ability to approve payments from any of these accounts.

All expenses paid by this method must have an authorising indication attached to the invoice in line with existing authorisation procedures agreed by the Chief Executive and the Director of Finance and Resources.

The defined budget holder/ relevant manager is responsible for examining, verifying and certifying the related invoice(s) and similarly for any other payment vouchers or accounts arising from their budget authority prior to submission for processing.

Statements or photocopies of invoices will not be accepted by the finance team for processing except in exceptional circumstances.

Before approving an invoice, the certifying budget holders shall satisfy themselves that:

- a. The work, goods or services to which the account relates have been received, carried out, examined and approved.
- b. The relevant spend has been properly incurred and is within the relevant estimated provision.
- c. The invoice has not been previously passed for payment and is a proper liability of the charity.

Before processing a payment, the finance team member should satisfy themselves that:

- a. The prices, extensions, calculations, trade discounts, other allowances, credits, tax and allocation (coding) are correct.
- b. Appropriate entries have been made in necessary records.
- c. The account has not been previously passed for payment and is a proper liability on the company.
- d. The default period has not expired.

8.6 Control of credit/debit cards

The issue of credit cards/business cards or any increases in credit limits must be initiated by the Director of Finance and Resources and counter-approved by the Chief Executive, based on operational requirements.

All credit/debit cards will be held in the name of the charity.

Any expenditure charged to the credit/debit cards must be authorised prior to the use of the

card. In the event of operational necessities preventing the prior approval of these cards, retrospective approval must be sought. In the event of this approval being denied, the Chief Executive shall authorise the deduction of the monetary amount from the employees' wages/salary.

The cards must only be used to make payments for charity related procurements and these must be fully supported by invoices and/or other relevant evidence. In the event of any card being accidentally used to cover personal expenses, the Director of Finance and Resources must be notified immediately.

There must be no cash transactions carried out with charity credit cards unless expressly approved by the Chief Executive/Director of Finance and Resources. These include withdrawals and cash backs.

When placing orders via the internet, telephone or e-mail, the cardholder must ensure that a proper invoice and/or receipts are sent to the finance team in order to ensure that the amounts correspond to the credit card statement when checked.

The cardholder must never use the credit card beyond the agreed credit limit. Before ordering goods or services, the cardholder must ensure sufficient budgetary provision to meet the costs.

Where goods are faulty or partial supply made, the cardholder must contact the vendor for a replacement or a refund to the credit card account, the Director of Finance and Resources must also be informed immediately so as to ensure that the refund is received.

In situations where cardholder is not able to provide valid receipts for items purchased within 7 days without a valid explanation, the Chief Executive will decide if the cardholder will have to reimburse the charity with the full amount of the purchases.

The designated cardholder is ultimately responsible for the use of the credit card and in the event of other staff of the charity being allowed usage of the card, the cardholder must be satisfied that all security measures will be adhered to.

The finance team must reconcile the card statements in order to monitor purchases made by cardholder against entries on statements, and query any suspected spending not notified. This should be done every month and a copy of the reconciliation must be submitted to the Director of Finance and Resources and filed securely.

The Director of Finance and Resources must ensure that all credit card balances are cleared within the interest-free period and that no interest charges are incurred.

In the event of relevant cardholders leaving the charity, the respective cards shall be terminated and withdrawn once the final balances have been reconciled with the Director of Finance and Resources.

8.7 Income processing

All income shall be recognised and recorded within the charity's books according firstly to relevant existing legislation, for example SORP, and secondly according to the contractual

terms relative to the particular source.

The Director of Finance and Resources is responsible for:

- Designing, maintaining, and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.
- The appropriate recovery action on all outstanding debts and that the charity receives all monies due to it.

All employees must inform the Director of Finance and Resources promptly of money due arising from transactions which they initiate/deal with, including all contracts, donations and grants. All money due shall be collected in the name of the charity through the official invoicing system unless the specific written approval of the Director of Finance and Resources has been given to act otherwise.

8.8 Sundry income

All funding agreements must be signed by the Chief Executive or the Director of Finance and Resources. All contracts entered into by the charity must be signed by the Chief Executive or the Director of Finance and Resources and stored on the charity's secure systems.

All money received by a senior manager/finance person on behalf of the charity shall, without delay be relayed to the Director of Finance and Resources or duly authorised staff and paid into the relevant current account as soon as possible.

8.9 Donations

Donations of cash or cash equivalent items will be recorded and a written acknowledgement sent to the donor by the relevant team or the Director of Finance and Resources.

8.10 Cheque handling

Cheques must only be used if the electronic payment options are unavailable or unfeasible. Custody of the cheque book is the responsibility of the Director of Finance and Resources and only they are allowed to raise any cheques.

Any invoices or transactions paid by cheque must be authorised through the existing procedures and copies of these must be stored.

At least one trustee must sign any cheque of £10,000 or more in value.

A cheque made out to any person who is a cheque signatory must be signed by signatories other than the recipient of the cheque.

8.11 Control of cash

The following principles shall be observed, where practical, in the allocation of accounting duties in relation to cash handling:

- a. A petty cash float is kept for office use and must be within the limits set by the charity's insurance cover. All petty cash should be kept in a safe or similar secure location.
- b. The amounts of such floats shall be decided by the Director of Finance and Resources to the maximum permitted by these orders.
- c. Any expense item with a value exceeding £100.00 must not be paid for in cash.
- d. Expenditure from petty cash is only allowed in accordance with these financial procedures and must be authorised by the Chief Executive or Director of Finance and Resources.
- e. Cash loans to staff are strictly prohibited.

9. Expenditure authorisations

9.1 Levels of delegated authority

The overriding considerations in this area are risk and value. Though the limits outlined here are in terms of monetary value, the consideration of overall risks to the organisation of any financial decisions must be applied to both purchases and contracting.

Any purchase of goods or services of £50,000 or more in value must be approved by the Board of Trustees.

Items exceeding £30,000 but not exceeding £50,000 must be approved by the Chief Executive.

Items above £1,000 but not exceeding £30,000 must be approved by the Director of Finance and Resources.

Managers are only permitted to authorise expenditure below £1,000. They must have regard to the budget regulations (detailed above) regarding any authorisation by them above budget limits.

This is to ensure that cash flow remains consistent and budget control is exercised.

Managers are required to authorise all requisitions for the supply of goods and services relative to their projects. They must ensure that all supplies of goods and services are obtained at the best possible price within the charity's purchasing guidelines. Failing this, authorisation must be sought from the next higher officer, normally the Director of Finance and Resources.

9.2 Payment authorisation

Payments can be authorised only by budget holders for relevant projects or by the Director

of Finance and Resources and/or Chief Executive. The Director of Finance and Resources is ultimately responsible for the authorisation of office central costs.

9.3 Staff expenses

Staff may claim the actual cost of expenses incurred wholly exclusively and necessarily in the performance of the charity's business. Ordinarily a claimant should only claim travel costs for themselves. Where a claim is made for multiple costs, all others including designations should be listed. All expenses must be authorised by the relevant line manager and no claimant may authorise their own claim. By authorising transactions, the authoriser is confirming that the costs have been incurred and incurred necessarily for the purposes of the charity's business, that there is sufficient budget to cover the expense and that supporting documentation, such as a receipt, is presented. Any attempt to submit a false claim form will be treated as a serious disciplinary offence. Staff are expected to minimise costs without impairing the efficiency of the charity.

Members of staff who are about to embark on extended travel and will be required to incur expenditure while on the trip may claim cash advances. Requests for cash advances should be made well in advance of travel to allow for payment with the salary payment immediately before the travel date. Late claims for cash advances may not be fulfilled. The documentation for the claim should detail how much is required, the purpose for which this is required and the planned dates of travel. The claim must also state that it is an advance. The requirement for authorisation for cash advances is the same as for other expenses claims.

Within 21 days of returning from the travel, staff must provide an expenses claim and/or reimbursement of the advance to finance. Failure to do so will result in the cash advance being recovered from their next salary payment. All expenditure must conform to charity policy.

9.4 Writing off irrecoverable items of expenditure

The Board of Trustees will authorise potential write offs exceeding £10,000 or take such decision as would be commercially prudent with regard to such items. The approval of the Board of Trustees must be evidenced showing agreement to the item and amount. Any potential write-offs below £10,000 shall be authorised by the Chief Executive and reported to the Finance and Audit committee.

10. Salaries and pensions

An annual salary review must be approved by the Board of Trustees and the overall budgeted cost must be approved by the Board of Trustees as part of the budget approval process.

Ultimately, salaries must be approved by the Board of Trustees as part of setting the budget for the charity. The Remuneration Committee oversees salary proposals from the Chief Executive and makes recommendations for board approval.

All salary increases within financial years must be approved by the Chief Executive. In the

case of the Chief Executive any salary increase must be approved by the National Chair in consultation with the Remuneration committee.

All staff are currently paid by BACS and this is verified by the Director of Finance and Resources. All salaries are paid centrally. In cases where it is necessary to pay any member of staff by cheque, this must be done centrally, with a clear record kept of all relevant documentation. The amounts to be paid along with PAYE, National Insurance and pension contributions will be calculated by the finance team signed off by the Director of Finance and Resources.

The Director of Finance and Resources must be notified as soon as possible of any item affecting the payment of salaries and terms of employment, including:

- a. Appointments, resignations, dismissals, transfers etc.
- b. Unpaid absences due to sickness or other approved leave.
- c. Changes in remuneration, other than normal increments. Pay awards or other such agreements.
- d. Information necessary to maintain records of service for income tax, national insurance, pensions etc.
- e. All casual and part time staff to be included on the payroll.

All changes to the salaries of staff or method of payment must be approved by the Chief Executive before being processed through payroll.

The Director of Finance and Resources shall ensure that adequate internal controls are implemented and the final determination of pay, including the verification that rate of pay and relevant conditions of service are in accordance with approved agreements, the proper compilation of the payroll and for payments made.

11. Insurances

The trustees of the charity have a duty to protect the charity's staff, assets, and resources. The areas of operation of the charity have certain inherent risks and adequate insurance is deemed an appropriate way of protecting the charity against any loss, damage or liability arising from these risks. Insurance cover should only be taken out if the level of risk which is to be passed to the insurer means the insurance premium represents adequate value for money (unless it is required by law).

The types of insurance the charity holds shall be determined primarily by law and risk assessments of the charity's operations. A list of the insurances the charity holds will be kept by the Director of Finance and Resources.

The Director of Finance and Resources shall annually review all insurances and ensure that

there is an appointed broker or insurer who possesses specialist knowledge of the insurance requirements of the charity to ensure that the correct coverage is arranged at a competitive price.

The Director of Finance and Resources shall maintain a record of all cover held and notify the Chief Executive. The Finance and Audit Committee will review cover annually on behalf of the Trustees.

It is the duty of the Director of Finance and Resources or the Chief Executive to notify the existing insurance company of any incidents, which fall within the scope of the policy, and to ensure that the terms of the policy are adhered to.

In the event of any loss, liability or damage or any event that may lead to a claim, the Director of Finance and Resources must be notified immediately. The Director of Finance and Resources must decide whether a claim should be made/or a claim is due by consulting with the relevant insurers. If a claim is likely to be made or due, the Director of Finance and Resources shall then notify the Chief Executive who shall ensure that the proper legal and contractual procedures are followed. Claims to be reported to the Finance and Audit Committee.

If trustees, employees or volunteers occasionally use their own vehicles for the purposes of the charity or on the business of the charity, they must ensure that the insurance held by the owner of the vehicle covers such use.

In the event of regular usage of such vehicles (3 times or more per week), the Director of Finance and Resources should be notified to agree the best way to limit the exposure of both the staff member and the charity to the risks inherent in such usage. Any additional premiums necessary may be met by the charity.

The charity will not cover any extra costs incurred as a result of oversights or omissions by staff, for example fines, parking tickets etc.

All staff have an obligation to give prompt notification to management of any new risks they are aware of, including property, vehicles or other equipment, which are required to be insured or may cause alteration to existing policies.

12. Reserves

The charity needs to hold an adequate level of financial reserves to provide financial stability and in order to maintain and continue principal activities. Primarily:

- a. The nature of the operations of the charity requires an adequate amount of working capital. The nature of the charity's cashflows are subject to a variety of factors that result in short-term fluctuations. An adequate level of reserves will ensure the charity has adequate liquidity to continue operations.
- b. The area of operations of the charity has risks. These risks might culminate in a large

variation in income levels or emergency situations that require significant expenditure. In order to ensure continuity in the event of such occurrences, an adequate level of reserves is required.

- c. The charity requires a level of financial resilience (the ability to prevent, sustain, or recover from financial shocks) to ensure it remains a going concern.
- d. In the event of the winding down of the charity, there is sufficient reserves to cover any costs which might arise.

It is thus important that the charity maintains appropriate general and designated reserves (unrestricted funds).

The appropriate level of reserves which the charity will aim to hold shall be determined in a reserves policy, which will be reviewed by the Board of Trustees on an annual basis. The Director of Finance and Resources shall recommend to the Board of Trustees which classes of reserves the charity will hold.

In order to build up and maintain these reserves, the charity will ensure that all contracts and operations will be fully-costed with a contribution to reserves included wherever possible and there will be a fundraising strategy implemented with the generation of unrestricted funds in mind.

The level of reserves will be monitored monthly and reviewed for adequacy twice a year - at the budget setting and when the audited annual accounts are received.

Designated reserves are established after oversight by the Finance and Audit Committee and recommendation to the board.

13. Fundraising

The Board of Trustees has a responsibility not only to set budgets and monitor overall financial performance but also to ensure that fundraising initiatives are pursued, and managed in line with all relevant laws and standards and their responsibilities to the Charity Commission.

The stable, core and long term source of income for the charity will be membership income, and our primary focus will be on protecting and expanding this income source. However, there are some limited additional sources of funding to both supplement our income and to pursue activities, such as research and community outreach, which are in line with our objects.

The charity will thus actively engage in fundraising and seek opportunities to collaborate with individuals and organisations to achieve shared objectives without compromising its independence, reputation or values.

All staff should share collective responsibility to identify and where possible, with the Chief Executive's permission, pursue new sources of funding. The Chief Executive is ultimately responsible for co-ordinating fundraising efforts.

Only the National Chair, Chief Executive or the Director of Finance and Resources can sign fundraising agreements on behalf of The Magistrates' Association.

The Trustees and the Chief Executive shall always act in the best interests of the charity in accepting any donations. They shall ensure that the charitable status of The Magistrates' Association is not in any way compromised by the fundraising activity. They shall also ensure that the charity complies with all relevant legislation including the Bribery Act (2010), Charity Commission guidance and money laundering rules.

Donations to the charity may be monetary or support-in-kind. The charity shall only accept donations where the Chief Executive is satisfied that:

- There are good grounds for believing that the donation will support the stated objectives of the charity.
- Any adverse publicity likely from accepting such support has been properly considered.
- The donor shall not be engaged in any activities or support any interests or causes that are contrary to UK law, detrimental to, or in opposition to the aims of the charity.
- The donor shall not demand initiatives that shall compromise the independence of the charity.
- The donor shall not, as a condition of the donation, attempt to influence either explicitly or implicitly, the policy or actions of The Magistrates' Association.
- The acceptance of the donation shall not jeopardise future funding opportunities.

Where it is unclear if a donation contravenes any of the above conditions, the express permission of the Board shall be sought.

14. External borrowings

The Chief Executive and Director of Finance and Resources shall prepare any necessary proposals and documentation should external financing be sought.

External borrowing for cash flow purposes will be restricted to short term borrowings not exceeding 6 months duration. Overdraft/loan for these purposes at must not exceed £250,000. The ability to pay back the loan and interest must be ascertained before entering into any borrowing and a report submitted by the Director of Finance and Resources to the Chief Executive. Discussions must then be held with the Treasurer and Finance and Audit committee, which will then make a recommendation to a meeting of the Board of Trustees.

Long-term borrowing for capital ventures or investment purposes will be discussed with the National Chair and Honorary Treasurer and recommendations made to the Board of Trustees in the form of a proposal before the process commences. The proposal must be specifically agreed by Board of Trustees, following scrutiny by the Finance and Audit Committee.

Private finance will be considered as an alternative to a bank loan for capital ventures, but the Chief Executive/Director of Finance and Resources must satisfy the Board of Trustees that the use of private finance represents value for money and genuinely addresses all risk factors.

15. Investments policy

The overarching investment objectives of the charity are to achieve income and capital appreciation in real terms at within an acceptable level of risk while ensuring that operational cash requirements to meet the charity's objectives are maintained.

The Board of Trustees shall ensure that due diligence is followed in the management of investments by authorising the Finance and Audit committee to employ the services of investment managers in the management and monitoring of any investments held. The Finance and Audit committee will be required to ensure that all funds are held by reputable custodians, and adequate reports are provided to the Committee; otherwise, the Committee is responsible for setting up custody arrangements.

The charity shall have an investments policy, which shall be reviewed on an annual basis. The Board of Trustees shall ensure that this investment policy follows the charity's values, mission and ethical framework and is informed by best practice within the charity and finance sectors and meets its financial needs.

The aim of this policy will be to preserve the value of the reserves, counter inflation and generate income from interest paid on these balances. The balances of these investments will be monitored quarterly and any changes to the holdings or proposals to modify the investment profile or transfer investments to new financial institutions must be made with the direct involvement of the Finance and Audit committee.

16. Fixed assets and depreciation

The designation of an item as a fixed asset shall be governed primarily by existing financial regulations (SORP, FRS).

Any fixed asset owned by the charity will be depreciated over its expected useful life, with a full year's depreciation being charged in the year of purchase. No depreciation will be charged in the year of disposal.

Rates of depreciation are to be proposed by the Director of Finance and Resources and Chief Executive and approved by the Finance and Audit Committee. For assets in current use this is currently:

- Freehold land – this will not be depreciated unless exceptional circumstances require it.
- Freehold buildings: two per cent per annum on a straight-line basis.

- Leasehold land and buildings: over the term of the lease. Leasehold improvements are depreciated over the length of the relevant lease, on a straight-line basis.
- Equipment, furniture, fixtures and fittings: 10 – 33.3 per cent per annum on a straight-line basis.
- Websites and other intangible assets: 10-33 per cent per annum on a straight-line basis.

Subject to existing financial regulations and function, items of capital expenditure, such as office equipment costing below £500 per item are treated as non-capital equipment and the costs of these are written off in the year of purchase.

The charity shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers must comply with insurance requirements and relevant legislation.

Additions to the fixed asset register valued at over £10,000 must be validated by a special charity label and numbered accordingly in the fixed asset register. Copies of appropriate invoices must be logged.

Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

The Director of Finance and Resources shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.

Professional valuations of any applicable assets held by the charity for example, land, building, plant and equipment shall be undertaken every five years by a qualified professional valuer who will be selected by the Director of Finance and Resources, subject to approval limits for contracts and expenditure.

Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Director of Finance and Resources. This procedure shall make provision for:

- a. recording managerial responsibility for each asset
- b. identification of additions and disposals
- c. identification of all repairs and maintenance expenses; physical security of assets
- d. periodic verification of the existence of, condition of, and title to, assets recorded
- e. identification and reporting of all costs associated with the retention of assets
- f. reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Director of Finance and Resources.

Whilst each employee has a responsibility for the security of property of the charity, it is the responsibility of the SLT to apply such appropriate routine security practices in relation to property as may be determined by the Board of Trustees. Any breach of agreed security practices must be reported in accordance with instructions.

Any damage to the charity's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported to the Director of Finance and Resources in accordance with the procedure for reporting losses.

Where practical, assets should be marked as charity property.

16a Disposals

No capital assets shall be disposed of without the prior approval of the Chief Executive (part-exchange of assets is deemed to be a disposal in this context).

The Director of Finance and Resources shall be authorised to take any necessary steps to safeguard the charity's interests and shall oversee any disposal process, taking account of professional advice where appropriate.

Any employee discovering or suspecting a loss or damage of any kind must immediately inform the Director of Finance and Resources or Chief Executive. Where a criminal offence is suspected, the Director of Finance and Resources must immediately inform the police if theft or arson is involved, but if the case involves suspicion of fraud, then the particular circumstances of the case will determine the stage at which the police are notified.

For losses apparently caused by theft, frauds, arson, neglect of duty or gross carelessness, except if trivial and where fraud is not suspected, the Director of Finance and Resources must immediately notify:

- a. Chief Executive
- b. National Chair
- c. Honorary Treasurer

If the above roles are implicated, notification to the Deputy Chairs is required.

For any other losses, the Director of Finance and Resources should consider whether any insurance claim can be made against insurers.

17. Contracts

Contracts and leases will generally involve either the charity's obtaining or supplying of goods or services.

In addition to contracts or leases involving the purchase or supply of goods or services, other examples may involve the maintenance of capital equipment or affiliation with another organisation.

Contracts or leases can also involve, but are not limited to, the following: licensing arrangements, property leases, research, articulation or exchange agreements involving transfer of credits, contracts involving special services, event-related arrangements or agreements with speakers being brought to the charity, and agreements involving consultants or other 'independent contractors'.

Contracts or leases for goods or services – or combinations thereof as above - totalling over £50,000 must be approved by the Chief Executive in consultation with the Board of Trustees.

No contract – or combination of contracts for the same aspect of work - lasting more than three months or resulting in a cost to the charity exceeding £30,000 shall be entered into on behalf of the charity without the prior consent of the Chief Executive. Once the consent of the Chief Executive is granted, such contracts may be signed off by the Director of Finance and Resources

Where contracts are for total expenditure of more than £15,000 the tender, procedures laid out below shall be followed. These tender procedures are to ensure that no contract is misallocated or let inappropriately.

For all such contracts the following shall apply:

- a. Quotes shall be sought from at least 3 contractors.
- b. The terms shall be specified by the charity and shall be the same for each contractor. These will specify the date a quote is required upon, the detail expected, the level of allowable fixed contract sum and variation or addition, and the contract period.
- c. The quotes will be required to be delivered by a set date.
- d. The quotes will be registered in a tender record and the recommendation for acceptance, duly noted with these figures. This will form a permanent record for trustees or other interested parties to inspect at will.

For contracts under £15,000, these procedures will operate at the discretion of the Trustees.

Where contracts are for total expenditure of between £10,000 and £15,000 quotes shall be sought from at least 3 contractors. Such contracts may be signed off by the Director of Finance and Resources with the approval of the Chief Executive.

Contracts for a total expenditure of £10,000 may be signed off by the Director of Finance and Resources with the approval of the Chief Executive.

No part of this procedure is intended to negate the ability for contracts to be negotiated if in the opinion of the SLT or the Board of Trustees this will lead to the best terms or prices for the charity.

18. Leases

The Board of Trustees shall approve any finance leases over a value of £50,000. Any capitalised leased assets shall be accounted for under existing financial regulations and shall be disclosed within the annual accounts as required. All such arrangements must only be approved by the Board of Trustees.

All such borrowings proposed to the Board of Trustees shall be supported by a business case.

The business case shall present a range of options for consideration. The case will include, as a minimum, a statement detailing the benefits and costs of the proposed borrowing.

Only the Chief Executive shall have authority to sign non-standard contracts or lease agreements as discussed below.

Capital equipment will be preferably acquired by outright purchase. On occasion, circumstances may require a lease on equipment to support the business need for the equipment. In this case, either a lease or a lease/purchase may be used to acquire the capital equipment. The absence of current funding does not constitute a good reason to choose a lease over a purchase option.

The Magistrates' Association may decide to lease equipment when leasing demonstrates the soundest business decision for use of the available financial resources. The Chief Executive and Director of Finance and Resources must follow a process which reflects quantitative analysis and qualitative factors for consideration of the lease versus buy decision. The following advantages of leasing should be considered in this process:

- a. Transfer of the risk of loss and resale/disposal to the lessor
- b. Transfer of the risk of technological obsolescence to the lessor
- c. Preserves capital and avoids large cash outlays
- d. Bundles one-time costs with ease
- e. Matches the cost with the useful life of the equipment
- f. May offer other value-added life of the equipment
- g. May provide operating flexibility to meet changing conditions and demands

The Chief Executive and Director of Finance and Resources will ensure that purchases paid for by lease funds accommodate the intended goals established during lease negotiation. It is the responsibility of the Chief Executive and Director of Finance and Resources to ensure there are adequate funds available to service any leases entered into by the charity.