

# Financial Regulations

## Compass Disability Services

Units 11 – 12 Belvedere Trading Estate  
Taunton, TA1 1BH

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# 1 Introduction

## 1.1 Financial Responsibilities

Compass Disability Services has a responsibility to conduct its business efficiently. A Job Description has been approved which specifies the decision-making responsibilities of the Board of Trustees and employees.

All trustees and staff have a general responsibility for the assets under their control, and for ensuring that the use of these resources is legal, properly authorised and good value for money.

The establishment of, and the strict adherence to, sound financial management policies is an integral part of the organisation. Part of this process is the establishment of financial regulations, which set out the financial policies of the organisation. A series of key controls must also be established to ensure that the regulations are followed. In exceptional circumstances, approval may be sought for the temporary waiver of these requirements.

These Financial Regulations identify the financial responsibilities of the Trustees, the Chief Executive Officer (CEO) and the Management Team. They provide the framework for managing Compass Disability Services' financial affairs and must be approved by Compass Disability Services itself. They apply to every member and officer of Compass Disability Services, and anyone acting on behalf of Compass Disability Services.

## 1.2 Financial Procedures

In addition to the Regulations, the organisation has approved financial procedures; these are attached as Appendices. Each section of these Appendices follows this format:

- **Importance**  
Sets the context for the financial procedures
- **Controls**  
Outlines controls that ensure effective operation of financial regulations
- **Responsibilities of the Trustees**
- **Responsibilities of the CEO**
- **Responsibilities of other staff**

# 2 Background

Compass Disability Services' main objective is to support disabled citizens and enable them to secure unrestricted access to services and facilities within the South West.

Compass Disability Services works with Local Authorities including Somerset County Council, Wiltshire County Council, Local Councils, the Health Service and other relevant bodies.

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As an independent organisation, Compass Disability Services seeks to include members in consultation projects. Feedback from members on a wide range of topics is passed to the various bodies wishing to develop or improve services and facilities in the area.

Compass Disability Services has representatives sitting on many boards and panels; by bringing its specific perspective to the decision-making and policy-formation stage it has a positive impact on service provision around the South West.

Compass Disability Services is also able to carry out research projects and has already completed research on wheelchair services in Somerset and adult education services.

### **3 Financial Regulations**

Financial regulations govern all aspects of finance; in planning, management and audit, and in the way that financial resources are assessed and controlled. This section sets out the financial regulations for Compass Disability Services.

#### **3.1 Regulation 1: Financial Management**

This regulation covers all financial responsibilities relating to the running of the charity.

##### **3.1.1 Responsibilities of the Board of Trustees**

The Trustees are responsible for internal organisation and codes of conduct for Trustees and staff and for determining the policy framework and budget within which the Trustees operate. They are also responsible for setting and monitoring compliance with Compass Disability Services' overall framework of accountability and control.

The Trustees are responsible for setting policy and for delivering services in accordance with the policy framework and budget. They may delegate decisions to sub-committees of Trustees or staff within approved guidelines.

The Trustees and the CEO are responsible for monitoring compliance with policies.

The Board of Trustees is responsible for taking in-year decisions on reallocating resources to deliver the budget policy framework within the financial limits set by Compass Disability Services.

All Trustees and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides value for money.

In exceptional circumstances, Compass Disability Services may approve the temporary waiver of any of the Financial Regulations or Procedures.

##### **3.1.2 Responsibilities of the Chief Executive Officer (CEO)**

The CEO is the head of the service and is responsible for the overall management of Compass Disability Services. He or she must report to the Trustees on a regular basis and is responsible for:

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- Establishing a framework for management direction
- Setting management style and standards
- Monitoring the performance of the organisation
- Maintaining a continuous review of the financial regulations and advising the Trustees of any changes to be made and reporting, where appropriate, breaches of the financial regulations to the Trustees
- Issuing advice on financial matters which the Trustees, staff and others acting on behalf of Compass Disability Services are required to follow, ensuring that they carry out these responsibilities
- Ensuring the proper administration of Compass Disability Services' financial affairs
- Advising on controls necessary to secure sound financial management
- Advising the Trustees on the requirements to be observed in the setting of the revenue budget
- Ensuring the financial viability of all new proposals for spending, and advising the Trustees of all the implications. He or she is also responsible for advising the Trustees of any financial implications once a decision has already been undertaken; for example, a commitment to future expenditure or resources in excess of the approved level
- Providing appropriate financial information to enable delegated staff to monitor their budgets effectively
- Agreeing procedures for the transfer of approved amounts between budgets
- Determining the accounting procedures to be followed and accounting records to be maintained within Compass Disability Services
- Ensuring that the annual statement of accounts is prepared in accordance with statutory requirements

In addition, he or she, together with the Company Secretary, is also responsible for the system of recording the Trustees' decisions.

## **3.2 Regulation 2: Financial Planning**

### **3.2.1 The Board of Trustees' Responsibilities**

The Trustees are responsible for approving the following:

- The financial budget
- The Medium Term Financial Plan (MTFP), including the annual budget
- The capital investment plan

The Trustees are responsible for approving procedures for agreeing variations to approved budgets, plans and strategies which form the financial plan.

The Trustees are also responsible for setting the level at which the CEO may re-allocate funds within the current year.

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### 3.2.2 The CEO's Responsibilities

The CEO is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Trustees.

The CEO is also responsible for preparing the draft medium term financial plan, which incorporates the annual revenue budget and any capital investment programme.

The CEO, in consultation with the Trustees, is responsible for ensuring that the financial plan is prepared and approved and that it is consistently applied.

### 3.2.3 Budgeting

The Board of Trustees and the CEO will determine the general content of the MTFP and the annual budget.

The CEO is responsible for contracts, ensuring that the MTFP reflects agreed service. He or she must also provide information to the Trustees where, in his or her opinion, the service plan does not meet statutory requirements of the contract.

The Trustees, following consultation with the CEO, are responsible for issuing guidelines on the preparation of the MTFP and the capital investment plan. The guidelines will take account of:

- Legal requirements
- The approved policy framework
- Medium term financial prospects
- Available resources (including estimates of incoming funds)
- Trustees' agreed objectives and targets
- Spending pressures
- Service performance measures
- Best value

### 3.2.4 Budget Monitoring and Control

The CEO is responsible for providing appropriate financial information to the Trustees. He or she must monitor and control expenditure against budget allocations.

### 3.2.5 Maintenance of Reserves

The CEO is responsible for advising the Trustees on the level of reserves to be maintained (i.e. three months' total expenditure).

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### 3.3 Regulation 3: Risk Management and Control of Resources

#### 3.3.1 Control of Operational Risks

It is essential that Compass Disability Services develop and control all operational risks. This should include the participation of all those involved directly or indirectly with the planning and delivering of contracts.

#### 3.3.2 Risk Management

The Trustees are responsible for approving, on the recommendation of the CEO, Compass Disability Services' risk management strategy and policy statement; and for ensuring that proper insurance arrangements are effected where appropriate.

The Trustees are responsible for preparing Compass Disability Services' risk management policy.

The CEO is responsible for advising the Trustees on any non-compliance by a member of staff. He or she is also responsible for providing advice on and effecting the appropriate insurance arrangements.

#### 3.3.3 Internal Controls

The Board of Trustees should devise a system of controls to help ensure Compass Disability Services' objectives are achieved in a manner which promotes effective use of resources and protects Compass Disability Services' assets and interests.

The Trustees are responsible for advising the CEO to use an effective system of internal financial controls, to ensure that all statutory and corporate requirements are met. They should ensure that funds are properly safeguarded and used efficiently and in accordance with these controls and statutory regulations.

#### 3.3.4 Audit Requirements

Compass Disability Services is a company limited by guarantee. The company must comply with both the Companies Act 1985 and the Charities Act 1993.

A regular programme of internal audits is to be carried out by a designated Trustee. This must be done in accordance with statutory regulations.

#### 3.3.5 Preventing Fraud and Corruption

The Trustees are responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

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### **3.3.6 Assets**

The Trustees are responsible for ensuring that all financial records, physical assets and supporting documentation are properly maintained and that they are securely held and, in respect of physical assets, suitably recorded.

The Trustees must have contingency plans in the event of a disaster or major systems failure for the security of those assets and for the continuity of service provision. These arrangements should be regularly tested.

### **3.3.7 Staffing**

The CEO is responsible for exercising the overall management of staff.

The CEO and Office Manager are responsible for determining the remuneration of a job; further details are to be shown in each person's contract and job description.

## **3.4 Regulation 4: Controls and Procedures**

This section sets out the controls and procedures that are the responsibility of the CEO. He or she is in charge of the overall operation and maintenance of Compass Disability Services' accounts and for the proper operation of approved financial procedures.

### **3.4.1 General**

The CEO must seek the prior approval of the Trustees for any proposed changes to existing financial or contractual procedures.

The CEO must ensure that staff receive appropriate financial training, as detailed in guidelines issued by the Trustees.

The CEO must ensure that, where appropriate, computer and other systems are registered in accordance with Data Protection legislation and that staff are aware of their responsibilities under the freedom of information legislation.

### **3.4.2 Expenditure and Income**

The CEO is responsible for the control of expenditure and income.

### **3.4.3 Payments to Staff and Trustees**

The CEO is responsible for making payments of salaries and wages to all staff, for pension and other benefit payments to former employees where relevant, and for the payment of expenses to Trustees as appropriate.

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### 3.4.4 Taxation

The CEO is responsible for advising the Trustees on all taxation issues that affect Compass Disability Services in the light of statutory requirements and relevant guidance issued by the appropriate bodies.

The CEO is responsible to the Trustees for maintaining Compass Disability Services' tax records. He or she is responsible for all tax payments, receiving tax credits or refunds and submitting tax returns by their due date as appropriate.

### 3.5 Regulation 5: External Arrangements

Compass Disability Services provides a distinctive leadership role within the community. It is able to bring to account the contributions of various organisations, so external arrangements are frequently necessary. This section sets out the responsibilities of the Trustees and the CEO when working with other organisations.

#### 3.5.1 Partnerships

The Board of Trustees is responsible for approving Compass Disability Services' participation in all joint working partnerships. This includes delegating to the CEO the detailed arrangements for these partnerships.

The Trustees are responsible for:

- Advising the CEO of any risks associated with the proposal before any commitment is made
- Specifying the accounting and auditing arrangements to be adopted

The CEO is responsible for:

- Preparing a risk assessment of any proposal before committing to Compass Disability Services' participation in a scheme, or before seeking the approval of the Trustees for such participation
- Obtaining the approval of the Trustees before any negotiations are concluded where Compass Disability Services' participation is of a material nature
- Ensuring that all agreements and arrangements are properly documented, including details of Compass Disability Services' financial and material commitment to the arrangements, in accordance with procedures specified by the Trustees
- Observing Compass Disability Services' standard of conduct when participating in any partnership arrangement
- Ensuring – where Compass Disability Services is not to be the lead authority, but its participation is of a material nature – that the body or person maintaining the accounting and auditing arrangements does so to a standard acceptable to the Trustees
- Providing appropriate information to the Trustees to enable them to include relevant details in Compass Disability Services' Statement of Accounts and other financial statements and returns

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### 3.5.2 External Funding

The CEO is responsible for providing specific guidance to the Trustees which will enable them to account properly for funding receivable from external sources.

### 3.5.3 Work for Third Parties

The Trustees are responsible for providing specific guidance to the CEO on contractual arrangements for the provision of services to third parties.

## Appendix A: Financial Management

### A.1 Financial Management Standards

#### *Why is this important?*

All staff and trustees have a duty to observe the highest standards of probity in dealing with financial matters, as set out in this document.

#### *Key controls*

The key controls for financial management standards must:

- Be in line with those approved and issued by the statutory regulations set by both the Companies Act 1985 and the Charities Act 1993
- Be promoted throughout Compass Disability Services
- Monitor Trustees' and staff's compliance with them

#### *Responsibilities of the Trustees*

Responsibilities of the Trustees are:

- To ensure the proper financial administration of Compass Disability Services
- To set the financial management standards and to monitor their compliance
- To ensure proper professional practices are carried out
- To advise on the strategic controls necessary to secure sound financial management
- To ensure that financial information is available to the CEO

#### *Responsibilities of the CEO*

Responsibilities of the CEO are:

- To implement and monitor the financial management standards set by the Trustees

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- To implement and monitor proper financial practices of the staff

## **A.2 Managing and Controlling Expenditure**

### **A.2.1 Annual Revenue Budget**

#### *Why is this important?*

Compass Disability Services approves, and operates within, an annual cash budget. It must manage its own expenditure within that budget; this entails using allocated resources for their intended purposes and properly accounting for these resources.

Budgetary control is a continuous process enabling Compass Disability Services to review and adjust its budget targets during the financial year. The CEO may delegate day-to-day responsibility for budgetary controls where appropriate.

#### *Key controls*

The key controls for managing and controlling the revenue budget are:

- All elements of income and expenditure must be allocated to a specific budget holder (who must be a senior member of staff)
- The budget holder is responsible only for the income and expenditure which he or she controls
- The budget holder must accept accountability for his or her budget allocation and for the level of service to be delivered
- The budget holder must adhere to the approved procedures for all budgetary activities
- The budget holder must account for income and expenditure and must ensure that details are complete, accurate and promptly recorded

#### *Responsibilities of the Trustees*

The Board of Trustees is responsible for establishing an appropriate framework of budget management which ensures that the CEO:

- Must exercise budgetary controls within the annual budget unless changes are agreed by the Trustees
- Can determine a named holder for each budget area, to be responsible for the income and expenditure of his or her budget
- Must comply with relevant guidelines, including financial regulations
- Must administer Compass Disability Services' scheme of virements (transfers of monies from one budget to another)

#### *Responsibilities of the CEO*

The CEO has the following responsibilities:

- To maintain budgetary controls within Compass Disability Services and to ensure that all income and expenditure is complete, accurate and promptly recorded

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- To identify a budget holder for each project. Each budget holder is to control all income and expenditure for his or her budget
- To implement a monitoring process that reviews services delivered in conjunction with financial performance; and to ensure that services remain within budget
- To ensure that spending remains within his or her overall control by monitoring the budgets regularly, and, where it appears that areas of the budget are likely to be over-spent, to take appropriate action to contain spending within that budget
- To prepare and submit regular reports on projected expenditure compared with budget and, where he or she is unable to contain spending within that
- allocation, to seek an additional allocation or to seek approval of a proposed virement in excess of that which can be approved under delegated authority
- To seek and obtain prior approval by the Trustees to any spending proposal, of whatever amount, which:
  - Initiates new policy for service delivery, or discontinues existing policies
  - Creates additional financial commitments for future years
  - Materially extends or reduces Compass Disability Services' service delivery unless the proposal is agreed by the Trustees to be technical in nature

**Note: A report on new proposals for service spending must explain the full financial implications, and must be prepared after consultation with the Trustees. Unless the Trustees have agreed otherwise, the CEO must plan to contain the financial implications of such proposals within the existing and projected cash-limited budget allocations.**

- To ensure that the Trustees approve virements (see below)
- To prepare and submit reports to the Trustees on Compass Disability Services' overall projected income and expenditure compared with the annual budget
- To prepare and submit reports to the Trustees on issues of finance with policy implications

## A.2.2 Scheme of Virement

### *Why is this important?*

Virement is the transfer of funds between different budgets. For the purpose of this scheme, a budget holder is considered to be responsible for the budget of a defined area.

The scheme of virement is intended to enable the CEO to manage budget allocations with a degree of flexibility within the overall policy framework approved by the Trustees and thereby use resources effectively.

Compass Disability Services' scheme of virement is administered by the CEO within the guidelines set by the Trustees. However, there is a presumption that virements will be approved where the effect is to maintain an efficient level of service.

The Trustees must approve any variations to the scheme.

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Compass Disability Services sets annual budget allocations; the CEO and the budget holders are authorised to incur expenditure within those limits, providing that this is in accordance with Compass Disability Services' approved policy framework.

In applying the scheme of delegation, the CEO is expected to exercise discretion in managing the budgets in a responsible and prudent manner. He or she must avoid, for example, either supporting recurring expenditure from one-off savings or additional income; or creating future commitments, including the full-year impact of decisions made part way through a financial year for which appropriate resources in subsequent years have not been identified or obtained. The CEO must plan to fund such commitments from within the approved budgets. The CEO is not permitted, without the approval of the Trustees, to transfer funds.

No virements relating to a specific financial year are permitted after the 31st March of that financial year.

Where Compass Disability Services has approved a 'lump sum' budget intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- The amount is used in accordance with the purposes for which it was approved
- The Trustees have approved the basis and the terms (including financial limits) on which it will be allocated. The CEO must therefore seek the Trustees' approval to individual allocations in excess of those financial limits

#### *Responsibilities of the Trustees*

The Trustees are responsible for proposing guidelines on the scheme of virement, and administering the approved scheme; in particular, it will identify jointly with the CEO a virement in excess of the permitted limits if it is in line with the approved policy framework, and those virements are of a material nature and are ongoing.

#### *Responsibilities of the CEO*

The CEO will exercise virement within his or her budget allocation, subject to:

- The virement being in accordance with the approved policy framework, i.e. the proposal does not involve a new policy, or a change of an existing policy
- The virement, if ongoing, not incurring any increasing financial commitment in future years

### **A.2.3 Scheme of Virement – Year End Balances**

#### ***Why is this important?***

The provision for carrying forward to the following accounting year any under-spend or over-spend of budget within a service block is part of Compass Disability Services' scheme of virement. It is also intended to enable the CEO to manage budget allocations with a degree of flexibility.

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*General*

The scheme is administered by the CEO within guidelines set by the Trustees; the Trustees must approve any variations to the scheme.

*Key controls*

Appropriate accounting procedures must be in operation to:

- Exercise proper budgetary control during the year so as to minimise the over-spend or under-spend at the year end of budgetary approvals
- Ensure that totals carried forward are correctly identified
- Allow the CEO and the Trustees to examine the reasons for any over-spend or under-spend and the impact on the level of planned services

*Responsibilities of the Trustees*

The Trustees should set guidelines for the CEO to administer (see Key controls above)

*Responsibilities of the CEO*

The responsibilities of the CEO are to:

- Exercise proper budgetary control during the year so as to minimise the over-spend or under-spend at the year end
- Carry forward at the year end any over-spend or under-spend on his or her budget allocation to the succeeding financial year, and to meet any over-spend as the first call on the budget allocation for the succeeding year
- Provide details to the Trustees of all over-spends and under-spends carried forward and of his or her proposals for either meeting the over-spend or using the under-spend in the succeeding year, together with the impact of these variations in both years on the planned level of service

**A.3 Accounting Practices***Why is this important?*

Accounting practices underpin the preparation of the statement of accounts.

The CEO is responsible for the preparation of Compass Disability Services' statement of accounts for each financial year, ending 31 March. This statement of accounts presents a true picture of the financial position of Compass Disability Services at the year end.

*Key controls*

The key controls for satisfactory accounting policies and the completion of the statement of accounts allow Compass Disability Services to:

- Determine suitable accounting policies and monitor their consistent application

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- Ensure that all estimates of outstanding debtors and creditors are documented, and can be shown to be reasonable and prudent
- Ensure that statutory requirements are observed
- Ensure that all reasonable steps are taken for the prevention and detection of fraud and other irregularities
- Make available the draft statement for examination by the external auditors in accordance with a previously agreed timetable

### *Responsibilities of the Trustees*

The Trustees are responsible for suitable accounting policies and ensuring that they are applied consistently.

The Trustees are responsible for preparing the annual statement of accounts in accordance with policies which cover such items as:

- The inclusion of debtors and creditors in the accounts at the year end
- Maintenance of substantial provisions and reserves
- Records of fixed assets, investments and deferred charges in the balance sheet
- Provision for depreciation
- Capital charges to services for the use of assets in the provision of services
- Assessing work in progress, and stocks in hand at the year end
- Value Added Tax where appropriate
- Government grants
- Charges for leasing and pension costs

### *Responsibilities of the CEO*

The CEO must adhere to the accounting policies determined by the Trustees.

## **A.4 Accounting Records and Returns**

### *Why is this important?*

Maintaining proper accounting records is one of the ways in which Compass Disability Services discharges its responsibility for the stewardship of public resources. These records form the basis on which Compass Disability Services is able to satisfy its statutory responsibility to prepare and publish by the required date its annual statement of accounts, which must set out details of its operations during the year and its position at the year end.

The annual accounts are subject to the approval of external auditors and provide assurance that the accounts are prepared in accordance with proper accounting practices.

### *Key controls*

The key controls for the maintenance of accounting records and returns are to ensure that:

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the Trustees, the CEO and all budget holders operate within the required accounting standards of Compass Disability Services

- All Compass Disability Services' transactions, material commitments and contracts and other essential accounting information are recorded accurately and promptly
- Reconciliation procedures are in place
- Accounting records are safeguarded so that in the event of loss or failure of the underlying computer or other systems there is a backup. This entails regularly updating files; paper records must be kept in a fireproof safe

### *Responsibilities of the Trustees*

The Trustees are responsible for:

- Determining the accounting procedures and format of the financial records for Compass Disability Services
- Ensuring that all accounts are compiled completely, accurately and on time
- Ensuring that the CEO has procedures in place, and that these are regularly tested, to reconstitute accounting records in the event of failure of the underlying computer or other systems
- Ensuring that all grant claims and external financial returns are maintained completely, accurately and on time
- Preparing and publishing the audited accounts of Compass Disability Services for each financial year, in accordance with the statutory timetable, including the requirement for Compass Disability Services to approve the Statement of Accounts before the 30th September of the following financial year
- Making proper arrangements for the audit of Compass Disability Services' accounts in accordance with the Accounts and Audit Regulations or other statutory requirements
- Determining and communicating the policy for the proper retention of financial and related documents

### *Responsibilities of the CEO*

The CEO is responsible for recording income and expenditure from external sources within the Compass Disability Services account. He should separate these duties from the duty of examining or checking the accounting entries for cash transactions.

The CEO must also:

- Compile all accounts and maintain all accounting records under his or her control completely, accurately and on time, and to make them available for inspection
- Maintain adequate supporting records to provide a complete trail for all transactions leading from the source through to the entries in the centralised accounting records
- Determine, and test regularly, procedures to reconstitute accounting records under his or her system control in the event of failure of the underlying computer based or other system

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- Complete all grant claims or external financial returns accurately and on time
- Provide information or explanation to the external auditor in accordance with his or her timetable
- Comply with the statutory requirements for the retention of financial and related documents

## **A.5 Annual Statement of Accounts**

### *Why is this important?*

Compass Disability Services has a statutory duty to prepare accounts on its operations during the year and its financial position at the year end.

### *General*

The Charity Commission has prescribed the format and content of the accounts for consistency. Expenditure areas are closely defined, as is the treatment of various items of expenditure and income.

### *Key controls*

The CEO prepares the statement of accounts as part of his or her duties for the proper administration of Compass Disability Services' financial affairs. These accounts must:

- Comply with all legal requirements
- Comply with the Charity Commission guide lines

### *Responsibilities of the Trustees*

The Trustees must comply with all statutory and other requirements for the completion of the annual statement of accounts, including signing and dating the statement of accounts so that it accurately presents the position of Compass Disability Services at the year end, and its income and expenditure for the year concerned.

The Trustees must determine the detailed timetable for the preparation and completion of the final accounts so as to meet the statutory deadlines, and to communicate their respective responsibilities to the CEO and to the external auditors.

### *Responsibilities of the CEO*

The CEO must comply with the accounting guidance provided by the Trustees and supply the requisite information when required.

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## Appendix B: Financial Planning

### B.1 Budgeting

#### B.1.1 Annual Revenue Budget

##### *Why is this important?*

The annual revenue budget details the amount of income brought into the organisation from various sources.

##### *Key controls*

The key controls for the budget are the processes to demonstrate clear responsibilities for service delivery, in a format that conforms to statutory or legal requirements.

##### *Responsibilities of the Trustees*

The responsibility of the Trustees is to monitor the budget and its expenditure.

##### *Responsibilities of the CEO*

The CEO is to comply with the accounting guidance issued by the Trustees.

#### B.1.2 Medium Term Financial Planning and Preparing Revenue Budgets

##### *Why is this important?*

Compass Disability Services is responsible for delivering a wide variety of services. It needs to plan effectively and to develop processes to enable scarce resources to be allocated in accordance with carefully weighed priorities.

Medium term financial planning (covering a 3 - 5 year period, or such other period as Compass Disability Services may determine) is an ongoing process and is subject to continuous review; as each year passes, the initial year of the Medium Term Financial Plan (MTFP) becomes the basis of the Annual Revenue Budget (ARB).

The MTFP assesses the likely expenditure over the period that will be required to meet the Trustees' agreed objectives and current levels of service, as well as new commitments arising either directly or from performance review reports. These commitments are compared with the resources likely to be available. The MTFP therefore ensures that Compass Disability Services is always preparing for events in advance.

The ARB is the financial expression of Compass Disability Services' plans and policies for one year. It must be constructed so as to ensure that resource allocation properly reflects the spending plans and priorities of Compass Disability Services. Budgets are needed so

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that Compass Disability Services can plan, authorise, monitor and control the way money is allocated and spent to achieve the performance which meets the organisation's objectives.

### *Key controls*

The key controls for MTFP and ARB ensure that the following procedures are in place:

- Trustees must agree both the MTFP and ARB budgets for the coming financial year. They must consider their priorities in the light of predicted resources, then determine the allocation of resources to services
- Budget holders must accept accountability for their budgets and the level of service to be delivered
- A monitoring process must regularly review the effectiveness of the MTFP and ARB setting procedures

### *Responsibilities of the Trustees*

The Trustees' responsibilities are to:

- Provide guidance to the CEO on setting the MTFP and the ARB
- Ensure that the CEO sets an ARB within the required spending limits
- Identify opportunities to improve efficiency and effectiveness in the delivery of their services
- Encourage good practice in conducting financial appraisals of development or savings options

### *Responsibilities of the CEO*

The CEO is responsible for providing information on the current levels of service, particularly details of:

- The cost of existing services for the next 3 - 5 years, indicating any planned savings
- Capital investment proposals, together with the consequences to the revenue budget for both financing and ongoing running costs
- Assessment of the impact of new service developments or commitments arising directly from performance review reports, from Trustees' objectives, or from statutory requirements

The CEO is to prepare detailed annual estimates of expenditure and income within the resources allocated and in the format required within the appropriate time limits.

## **B.1.3 Capital Investment Plan**

### *Why is this important?*

Capital expenditure involves the acquisition by outright purchase or leasing; or the enhancement of assets which have a long-term value. It normally creates financial commitments for the future in the form of long term running costs.

### *General*

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Compass Disability Services uses its premises directly to deliver some of its services. It currently uses its assets: the three conference rooms and equipment are hired out; and surplus electricity from its solar panels is sold back to the National Grid.

The Capital Investment Plan (CIP) sets Compass Disability Services' capital investment priorities in the light of the resources available to fund both initial expenditure and continuing costs.

The CIP normally covers a three-year period, but may be for a longer period as otherwise specified by Compass Disability Services; however, it is subject to review and revision on a continuous basis throughout that period.

### *Key controls*

The key controls for the Capital Strategy Statement (CSS) and the CIP are:

- The CSS must have specific approval by the Trustees
- Each capital project exceeding a specific amount is subject to a financial appraisal, including an assessment of the associated revenue expenditure, before its inclusion in a CIP
- Schemes are given priority according to their effectiveness in achieving the aims of Compass Disability Services and improving current levels of performance as well as consistency of investment
- Expenditure may only be incurred on schemes included in the approved CIP
- Where provisional approval to a scheme has been given, the CEO may only proceed once the conditions specified in the provisional Plan are met
- The CEO plans the progress of schemes so that, where appropriate, preparatory work is carried out before construction begins
- Guidelines are determined for the transfer of funds between schemes included in the CIP

### *Responsibilities of the Trustees*

The responsibilities of the Trustees are to:

- Determine a process for the preparation, consideration and approval of the CSS and the CIP, specifying that before inclusion of a proposal in a CIP each proposal is assessed against Compass Disability Services' policies and objectives
- Prepare and review the draft three-year CIP on an annual basis
- Include in the CIP details of how schemes contribute to meeting Compass Disability Services' approved policy and objectives
- Include details of resource limits to be considered; for example, cash resources including reserve funds, grants, use of revenue budgets; credit arrangements permitted by charity controls; and funds for running costs

### *Responsibilities of the CEO*

The responsibilities of the CEO are:

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- To comply with Trustees' guidance for the preparation of the CIP
- To identify ways in which proposals for capital investment meet approved policies and objectives for service delivery, and to assess the relative priority of each proposal
- To prepare, before submitting the draft CIP, a financial appraisal where a proposal exceeds the specified threshold
- Not to proceed with individually identified projects, including those under credit arrangements and other leasing arrangements, until they have been approved within a CIP
- Not to proceed with projects approved on a provisional basis until the conditions of that approval have been met
- To ensure that records are maintained for all spending on capital projects
- To monitor the progress on all approved schemes on a regular basis and to supply such information to the Trustees
- To exercise virements between approved schemes, subject to identifying jointly with the Trustees a virement in excess of the permitted limits
- To identify projected over-spend on approved schemes which cannot be met by virement; and to prepare jointly with the Trustees plans for consideration of additional funds

**Over-spends on approved schemes which can be financed from additional resources do not require further formal approval from the Trustees.**

#### **B.1.4 Resource Allocation**

##### *Why is this important?*

Resources are often insufficient to meet services' needs or desires. It is therefore imperative that resources are carefully and fairly allocated. Resources may include staff, money, equipment, goods and materials.

##### *Key controls*

The key controls ensure that procedures are in place for budget managers to:

- Obtain appropriate resources for the specified level of service delivery measured in terms of objectives achieved
- Acquire resources using an approved authorisation process
- Use resources only for the purpose intended by Compass Disability Services, to meet the approved policies and objectives and to ensure accountability
- Have resources available for use when required
- Use resources to maximum effect, minimising waste, inefficiency and loss

##### *Responsibilities of the Trustees*

The Trustees are responsible for determining a process for approval; they must advise on the timely allocation of resources to services in line with Compass Disability Services'

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approved policies and objectives. They should also advise on the method and limits of resources available for spending.

### *Responsibilities of the CEO*

The CEO is responsible for using the approved processes to seek resources at the appropriate time to provide services in line with Compass Disability Services' policies and objectives.

He or she should:

- Manage the delivery of services within the resources allocated
- Minimise resource use where feasible
- Regularly provide resource information to the Trustees
- Monitor the use of resources

## **B.2 Maintenance of the Reserve Fund**

### *Why is this important?*

The Trustees must determine the level of the Reserve Fund. It should be maintained as a matter of prudence to provide working capital; to meet unforeseen items of expenditure, and to meet specifically approved objectives.

### *Key controls*

The key controls for the maintenance of reserves are:

- Reserves are held at a prudent level (currently this must be sufficient to cover three months' expenditure)
- Reserves earmarked for specific objectives are applied solely for the purpose intended

### *Responsibilities of the Trustees*

The Trustees should advise on the level of reserves to be held for specified purposes, having regard to relevant external guidance; and to advise the CEO of the use of those reserves.

### *Responsibilities of the CEO*

The CEO is to ensure that allocations from the earmarked reserves are used only for the purposes for which they were intended.

## **Appendix C: Risk Management and Control of Resources**

### **C.1 Risk Management**

#### *Why is this important?*

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Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. The risk management process identifies, measures and contains risk.

Insurance has been the traditional means of protecting against loss, but by reducing, or even preventing, the incidence of losses (whether they result from accident or crime) Compass Disability Services can benefit both from the reduced costs of providing insurance cover and from the continuity of service provision.

### *Key controls*

The key controls for risk management set procedures in place to:

- Determine a risk management strategy and policy statement
- Review the effectiveness of the risk management strategy and seek approval for any amendments
- Identify and assess, prevent or contain known risks promptly, completely and accurately and ensure that these procedures are operating effectively
- Determine the acceptable levels of risk and seek insurance cover where appropriate
- Ensure that the procedures are followed throughout the organisation
- Make provision to safeguard against losses that might result from risks that remain
- Identify potential insurance claims promptly, accurately and completely
- Investigate incidents resulting in insurance claims accurately, completely and within required timescales
- Set out contingency arrangements for the continuation of service arising from an incident that results in significant loss or damage to resources

### *Responsibilities of the Trustees*

The Trustees are responsible for:

- Preparing Compass Disability Services' risk management strategy
- Reviewing the effectiveness of the risk management strategy
- Developing risk management control measures in conjunction with the CEO
- Determining the need for the most appropriate insurance cover, whether by external or internal arrangements, and obtaining this cover
- Negotiating all claims in consultation with the CEO

### *Responsibilities of the CEO*

The CEO is responsible for:

- Ensuring that regular reviews of risk are undertaken and documented
- Applying the approved risk management procedures and controls; obtaining advice from other specialists (eg Crime Prevention, Fire Prevention, Health and Safety); and taking all reasonable action to minimise risks
- Notifying the Trustees immediately of all new or anticipated risks, including additional property or equipment requiring insurance, and of any alterations which may affect existing insurances

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- Notifying the Trustees immediately of any loss, liability or damage which may lead to a claim against Compass Disability Services, and providing any information or explanation relating to that incident which is required by the Trustees or Compass Disability Services' insurers
- Consulting the Trustees and the Company Secretary on the terms of any indemnity which Compass Disability Services may be requested to provide before such an indemnity is given
- Ensuring that any person covered by Compass Disability Services' insurances does not admit liability or make any offer to pay compensation which may prejudice the assessment of a liability in respect of any insurance claim, or potential claim

## C.2 Prevention of Fraud and Corruption

### *Why is this important?*

Compass Disability Services' expectation of propriety and accountability is that Trustees and staff at all levels will undertake their duties with honesty and integrity and will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

Compass Disability Services also expects that all individuals and organisations that it deals with (such as suppliers, contractors, service providers) will act towards Compass Disability Services with similar honesty and integrity and without any thought of acting in a fraudulent or corrupt manner.

### *Key controls*

The key controls regarding the prevention of fraud or financial irregularities are that:

- Policies and procedures setting out the standards of conduct to be followed by Trustees, staff and service providers operate effectively. These procedures should include:
  - Anti-fraud policy
  - Whistle-blowing policy
  - Fraud response policy
  - Risk management strategy
  - Standards of conduct
- Policies and procedures are applied by all Trustees, staff and service providers
- Procedures and practices are reviewed on a regular basis to identify any suspected weaknesses, and that these are revised as necessary
- A register of interests is maintained in which details of any hospitality or gifts received by Trustees or staff are recorded
- Identified or suspected frauds or financial irregularities are examined swiftly and offenders are dealt with firmly and appropriately

### *Responsibilities of the Trustees*

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The responsibility of the Trustees is to determine suitable policies and procedures to minimise the risk of fraud or financial irregularities occurring. They will advise the CEO of his or her responsibilities under these policies and procedures, and require him or her to communicate these requirements to all staff.

### *Responsibilities of the CEO*

The CEO is responsible for ensuring that all staff apply approved policies and procedures concerning the prevention or minimisation of fraud or financial irregularities. He or she must:

- Take immediate action to minimise the risk of loss arising from actual or suspected fraud or financial irregularity
- Instigate Compass Disability Services' disciplinary procedures against a member of staff where the outcome of an investigation indicates improper behaviour, and to advise the Trustees accordingly
- Ensure that where financial impropriety is discovered, and sufficient evidence exists to believe that a criminal offence may have been committed, details are provided to the police to determine, in conjunction with the Crown Prosecution Service, the need for a criminal prosecution
- Maintain a register of the details of any gifts or hospitality received by any member of staff; monitor the reasonableness of the frequency and level of amounts received by an individual and, if deemed unreasonable, take action to avoid a further recurrence; and make the register of details available for public inspection

### *Responsibility of the Company Secretary*

The Company Secretary is required to maintain a register of details of any gifts or hospitality received by any member of Compass Disability Services, and to make such record available for public inspection.

## **C.3 Safeguarding Assets**

### **C.3.1 Security**

All assets should be safeguarded against loss, damage or misuse, so that they continue to provide efficient service delivery. Similarly, information must also be safeguarded.

Capital assets also require up-to-date details to assist fixed asset accounting and sound asset management.

#### *Key controls*

The key controls for the security of resources such as land, buildings and other assets are procedures ensuring that:

- Items are used only for the purposes of Compass Disability Services business and are properly accounted for
- Items are available for official use as and when required

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- When items are no longer of use, they are disposed of in an appropriate manner so as to maximise the sale proceeds, unless there has been prior approval to allow the item(s) to be donated to a charity, voluntary organisation or similar body
- Details of all items are recorded at the time of purchase, covering the item's location, value and condition, and these are maintained
- Staff are aware of their responsibilities with regard to the safeguarding of Compass Disability Services' assets

**Staff must also be made aware of their responsibilities in accordance with the requirements of the Data Protection Act and software copyright legislation. Staff must observe the computer and internet security policies besides maintaining restricted access to information held on computer systems.**

### *Responsibilities of the Trustees*

The Trustees are to ensure that:

- An asset register is maintained in accordance with good practice for all fixed assets with a material value
- The CEO maintains and provides all information that is required for accounting, costing and financial records
- Relevant assets are regularly revalued

### *Responsibilities of the CEO*

The CEO must:

Maintain, in a form approved by the Trustees, details of all assets currently owned or used by Compass Disability Services; and, where an item is not used for service delivery directly but by others on Compass Disability

- Services' behalf, to ensure that details are held of the terms, responsibilities and duration of use of that asset by those others
- Ensure that relevant assets are recorded and valued on a regular basis for accounting purposes in accordance with the requirements of the Trustees
- Ensure the proper security of all assets to protect against loss, damage, or misuse by ensuring that their location is recorded, they are identified and appropriately marked as belonging to Compass Disability Services, and that insurance cover arrangements have been made, in consultation with the Trustees, as appropriate
- Ensure that all title deeds for land or buildings are passed to and held securely by the Company Secretary
- Identify assets which become surplus to requirements and to arrange for their disposal in accordance with approved policies and procedures
- Ensure cash holdings on premises are kept to a minimum in line with normal requirements
- Ensure all staff take reasonable action to provide for the security of the assets under their control so that the use of those resources is legal, is properly authorised and provides value for money

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- Ensure that all staff take due care over the custody of keys to safes and similar security facilities for which they are responsible, to take steps to minimise any potential loss which may arise from the loss of such keys, and to notify the CEO promptly of such loss
- Ensure that all staff take personal responsibility with regard to the protection and confidentiality of information they use in the course of their work, whether held in manual or computerised records

### C.3.2 Property

#### *Responsibilities of the CEO*

The CEO is responsible for:

- Maintaining up-to-date and accurate records of all items under his or her control
- Ensuring that all items, especially those which are attractive and portable (such as computers, cameras and video recorders) are identified with security markings as belonging to Compass Disability Services
- Ensuring that equipment is used only in the course of Compass Disability Services' business unless he or she has given permission otherwise
- Ensuring that appropriate records are maintained of items in the control of specific staff
- Carrying out a check at least annually of the existence and continued suitability for use of all items recorded in the inventory and to take appropriate action in respect of any discrepancies, annotating the inventory accordingly

### C.3.3 Stocks and Stores

#### *Responsibilities of the CEO*

The CEO must:

- Make arrangements for the safe care and custody of all stocks
- Ensure that quantities of stocks are maintained at reasonable levels for normal operational requirements unless there are sound financial or other reasons for doing otherwise and in such cases to notify the Trustees
- Make every effort to dispose of surplus or redundant stocks in consultation with the Trustees
- Ensure that any disposal of surplus or redundant stocks to Trustees or staff is under the same arrangements as to any other party
- Maintain a record of all disposals, including details of the proceeds and purchasers
- Write off surplus or redundant stocks not otherwise disposed of, or seek the approval of the Trustees to such write off where the value of the stock item exceeds £250

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- Provide to the Trustees such information concerning stocks or other assets as required for financial accounting purposes

### C.3.4 Intellectual Property

#### *Why is this important?*

Intellectual property is a generic term that includes inventions and written works; certain creations, particularly computer software, may have a commercial value and be marketable outside Compass Disability Services.

As a general rule, items of intellectual property which are created by an employee during the normal course of his or her employment is the property of the employer, not the employee.

Various Acts of Parliament detail the treatment of different types of intellectual property and provide for the patenting of the development work to safeguard it against exploitation.

#### *Key controls*

The key controls must ensure that procedures are in place to protect against the external exploitation of intellectual property vested in Compass Disability Services and developed by staff during the normal course of their work.

#### *Responsibilities of the Trustees*

The Trustees are responsible for approving policies and procedures which safeguard Compass Disability Services' interest in intellectual property.

The Trustees are also responsible for advising the CEO of the requirements of these policies and procedures and for monitoring and reporting any instances of staff failure to comply with the requirements.

#### *Responsibilities of the CEO*

The CEO is responsible for:

- Implementing the approved policies and procedures for safeguarding intellectual property
- Ensuring that staff do not conduct private work in Compass Disability Services' time, or use information obtained during the course of their work for personal gain
- Reporting any instances of staff failing to comply with the requirements of the policies or procedures to the Trustees

### C.4 Staffing

#### *Why is this important?*

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In order to provide the highest level of service, it is crucial for Compass Disability Services to recruit and retain competent and knowledgeable staff, qualified to an appropriate level.

### *Key controls*

The key controls for staffing are procedures that ensure:

- Staff are employed in accordance with the approved procedures
- Staffing requirements are forecast and budgets allocated accordingly
- Staffing expenditure is monitored against budget approvals
- Staff time is used efficiently and effectively

### *Responsibilities of the Trustees*

The Trustees are responsible for ensuring that procedures are in place to enable the CEO to obtain appropriate budget provision for all existing and new employees. They are also responsible for advising the CEO on areas such as liabilities for National Insurance, pension contributions, Income Tax, etc as appropriate.

### *Responsibilities of the CEO*

The CEO is responsible for:

- Ensuring that adequate funds are obtained at the appropriate time to support existing and proposed staffing levels to meet the required level of service provision
- Seeking prior approval of the Trustees for any adjustment to existing staffing levels to meet changing operational needs where funds cannot be wholly met from additional external income, or where the staffing implications are significant
- Managing the spend on staff costs within the approved budget, including such costs as sickness, overtime, training and the employment of temporary staff

## **Appendix D: Accounting Procedures**

### **D.1 General Procedures**

#### *Why is this important?*

The CEO must ensure that Compass Disability Services' financial systems are sound and operate efficiently, as part of his or her statutory responsibility to ensure the proper administration of Compass Disability Services' financial affairs. The Trustees must advise him or her of any new developments or changes to existing practices which may affect the existing financial systems or procedures before their introduction.

### *Key controls*

The key controls in the provision of financial procedures will ensure that:

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- Operating systems and procedures are secure
- Financial data is available to facilitate approval of Compass Disability Services' objectives, plans and budgets
- Financial management information is provided to enable performance monitoring against approved funds and financial plans and, when relevant, to enable appropriate corrective action
- Financial Regulations are reviewed on a regular basis

### *Responsibilities of the Trustees*

The Trustees must make arrangements for the proper administration of Compass Disability Services' financial affairs, including:

- Determining the accounting systems, form of accounts, supporting financial records and procedures to be maintained or prepared
- Providing the CEO with advice and guidance in implementing and applying the accounting systems and procedures
- Considering the impact on, and amending as necessary, the accounting procedures for new developments or changes in working practices arising from external or internal factors
- Determining arrangements for the audit of Compass Disability Services' financial affairs

### *Responsibilities of the CEO*

The CEO is responsible for applying the requirements of the Trustees to the maintenance, preparation and operation of accounting procedures. He or she should ensure that his or her staff apply these requirements. The CEO must:

- Ensure that relevant accounting records are properly maintained and kept secure
- Ensure that processes are documented and staff are trained to use them
- Ensure that the organisational structure provides adequate internal controls to minimise the risk of fraud or other financial irregularities
- Apply a system to identify staff authorised to act upon his or her behalf in placing orders, making payments, or collecting income; and identifying the limits of each individual's authority
- Keep the Trustees up-to-date with details of staff authorised to act on his or her behalf, including the purpose and limits of their authority together with their specimen signatures
- Monitor the effectiveness of appropriate controls to ensure that, where relevant, all accounting records are complete and accurate
- Ensure a complete management trail to allow financial transactions to be traced from the original document to the accounting records, and vice versa, including supporting financial documents
- Discuss and agree with the Trustees any proposals for the provision of new or replacement processes, or the amendment of currently approved processes for maintaining financial records, or records of assets
- Ensure that effective contingency arrangements, including back-up procedures, exist for all financial procedures, particularly those which are computer based

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- Ensure that computer back-up information is taken on a regular basis and, wherever possible, that it is securely retained in a fireproof facility in a different location within the building
- Ensure that computer equipment and software are safeguarded against loss, damage or other misuse through theft, vandalism etc
- Ensure that all relevant standards and guidelines for computer systems detailed in the approved IT Security Handbook are observed
- Comply with relevant copyright, designs and patents legislation and, in particular, to ensure that:
  - Software installed must meet IT standards, must be legally acquired and properly licensed for Compass Disability Services' work
  - Staff comply with relevant legislative provisions and locally approved guidance measures
  - Due regard is given to the protection or issue of intellectual property rights
- Ensure that, where appropriate, computer based and other operational systems containing relevant information are registered in accordance with the Data Protection Act and related legislation, and that staff are aware of their responsibilities under the legislation
- Ensure that there is a documented and tested disaster recovery plan available which, in the event of a major failure or unavailability of the financial system, will provide continuity of service and prompt resumption of financial and accounting input into records, including the input of arrears of information
- Consult with the Trustees on the need to seek approval for the temporary waiver of a Financial Regulation or the permanent amendment of a Regulation where the requirements do not seem appropriate in the particular circumstance, or generally no longer applicable or appropriate

## D.2 Expenditure and Income

### D.2.1 Payments to Staff

#### *Why is this important?*

Staff costs are Compass Disability Services' largest single item of expenditure. It is therefore important that payments to staff are made completely, accurately, on the due date and in accordance with the individual's conditions of service. These transactions must be accounted for in accordance with statutory requirements.

#### *Key controls*

The key controls for payments exist to ensure that:

- Payments are made at the appropriate time under secure, sound and reliable arrangements
- Payment arrangements provide for the appropriate segregation of duties and authorisation procedures
- Payments are in accordance with all statutory requirements as well as Compass Disability Services regulations
- Payments are accounted for completely, accurately and promptly
- Payments are monitored regularly against approved budgets

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- All appropriate payroll records and supporting documentation are retained for the defined period in accordance with Compass Disability Services' legal responsibility.

### *Responsibilities of the Trustees*

The Trustee's responsibilities are to:

- Determine and control arrangements for the secure, accurate and complete payment of salaries, benefits, reimbursements of travel and other expenses, redundancy, compensation or other emoluments to all staff and Trustees in accordance with procedures prescribed, on the due date; and to account for those transactions completely, accurately and promptly
- Record and control statutory and voluntary deductions from employees; to make payments and to account completely and accurately to those bodies at the appropriate time in accordance with statutory and other requirements
- Ensure that there are adequate and appropriate arrangements for administering the Local Government Pension Scheme matters on a day to day basis, specifically to include the payment of all pension benefits
- Ensure that schemes of remuneration to employees, and any changes thereto, are approved by the Trustees and Compass Disability Services prior to their implementation

**The Trustees are responsible for submitting claims for travel and other expenses on a regular (monthly) basis and, in any event, within one month of the year-end.**

### *Responsibilities of the CEO*

The CEO's responsibilities are to:

- Ensure appointments are made only in accordance with the approved policies and procedures of Compass Disability Services, in particular for grading and rates of pay, and that adequate funds are available
- Notify the Trustees of all appointments, terminations, or variations to the employment of staff which may affect the pay or pension of an employee
- Ensure that adequate and effective procedures operate within his or her department for personnel and payroll processes, so that:
  - Payments are only authorised to bona fide employees
  - Payments are only made where there is a valid entitlement
  - Conditions and contracts of employment are correctly applied
  - There is an effective system of checking and certifying payroll forms and other notifications sent to the CEO
  - Details of employees' names listed on the payroll and currently in payment are checked promptly at regular intervals to verify their accuracy and completeness, and that any irregularities identified are
- Certify and submit to the Trustees all expense claims and other allowances; such certification is taken to mean that journeys had been authorised prior to being undertaken, that expenses had been properly and necessarily incurred, and that the allowances are properly payable by Compass

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Disability Services, whilst ensuring that the most cost-effective use of travel arrangements is achieved

- Determine the appropriate employment status of individuals, having regard to Inland Revenue and other relevant guidance, particularly in respect of those who may be employed on a 'self employed or sub contract' basis; and, should there be any cause for doubt, to seek appropriate advice from the Trustees
- Ensure that transactions are processed as appropriate and in accordance with advice provided by the Trustees
- Maintain an up-to-date list of the names of staff authorised to sign payroll notification forms and other related records on his or her behalf and to send it, together with specimen signatories, and changes thereto, to the Trustees
- Ensure that transactions are processed as appropriate and in accordance with advice provided by the Trustees
- Take prompt and appropriate action to recover and account for any overpayments to employees or former employees arising from the inaccurate or delayed submission of information to the Trustees
- Ensure that all appropriate payroll documents are retained for the defined period in accordance with the approved statement on the 'Accounting Records and Returns - Retention of Documents'

## D.2.2 Ordering and Paying for Work, Goods and Services

### *Why is this important?*

Compass Disability Services has a duty to achieve best value in the delivery of services, in part through economy and efficiency. Compass Disability Services' procedures should help to ensure that services receive value for money in their purchasing arrangements.

Official orders for the purchase of goods or services must be in a form approved by the CEO, and must be issued for all purchases other than for supplies of utilities (gas, electricity, water, etc); periodic payments (such as rent or rates); petty cash purchases; or other exceptions as specified.

Official orders must not be raised for any personal or private purchases.

Apart from payments from petty cash, the normal method of payment due from Compass Disability Services shall be by cheque, drawn on Compass Disability Services' bank account by the Trustees. The use of the BACS payment facility or direct debit arrangements shall require the prior agreement of the Trustees.

The use of e-business, e-commerce, credit/debit cards, or other electronic means of purchasing goods or services must be in accordance with the arrangements approved by the Trustees.

### *Key controls*

The key controls for ordering and paying for the purchase of work, goods and services are to ensure that:

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- Goods and services are ordered only by staff authorised to do so and that the details of each order are completely, accurately and promptly recorded in an appropriate form
- Goods and services received are checked to ensure they are in accordance with the order as recorded, by a person other than the one who had placed the order, wherever practicable
- No invoices are authorised for payment, unless the goods or services have been received to the correct price, quantity and standard
- Invoices are signed by two Trustees when authorising payment by cheque
- All payments are made to the correct person, for the correct amount, on the due date; are properly recorded and are accurately accounted for, irrespective of the method of payment; and any errors promptly identified and corrected
- All appropriate payment records and supporting documentation are retained for the defined period in accordance with 'Accounting Records and Returns - Retention of Documents'
- The progressive impact on existing systems and procedures of the effect of e-business, e-commerce and electronic purchasing arrangements is monitored to ensure that the security and integrity of data is maintained

#### *Responsibilities of the Trustees*

Trustees are responsible for ensuring that all Compass Disability Services' financial procedures for the ordering, purchasing and payment of suppliers for goods and services are sound and properly administered. They must:

- Approve any changes to existing relevant financial systems and procedures before they are introduced
- Approve the form of official orders, their computerised equivalents, and associated terms and conditions
- Provide advice and encouragement to suppliers and the CEO on making payments by the most economical means
- Advise the CEO on the availability and suitability of the central financial accounting system, so as to maximise the usefulness of management information to them to assist them in monitoring and controlling spending against their budget allocations

#### *Responsibilities of the CEO*

The CEO's responsibilities are to:

- Operate the system for the ordering, purchasing or payment of suppliers for goods or services
- To discuss and agree with the Trustees beforehand any proposals for the provision of new or replacement processes for the ordering, purchasing or payment of suppliers for goods or services; or the amendment of currently approved processes
- To ensure that orders are used only for the supply of goods and services for Compass Disability Services; on no account must the CEO allow Trustees or staff to use official orders to obtain goods or services for their private use
- To ensure that only authorised staff sign or raise orders; and to maintain an up-to-date record of such authorised staff, including specimen signatures

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and identifying in each case the limit of their authority; and to make the record available upon request to the Trustees

- To ensure that, before placing any order, staff are satisfied that the goods or services ordered are appropriate and required; that the amount is not excessive for normal use; that there is adequate budgetary provision; that quotations or tenders have been obtained if necessary; and that value for money has been taken into consideration
- To ensure that Compass Disability Services obtains best value for money from purchases by taking appropriate steps to obtain competitive prices for goods and services
- To ensure that staff do not place orders or make payments for any loans, or enter into any leasing or rental arrangements without the prior agreement of the Trustees, who must consider the potential impact on Compass Disability Services' borrowing powers and protect Compass Disability Services from entering into unapproved credit arrangements and must also ensure value for money
- To ensure that a budgetary control system is maintained which enables commitments incurred by placing orders are shown against the appropriate budget allocation
- To ensure that goods or services are checked on receipt to ensure they accord with the order as recorded. Wherever this is practicable, this should be a person other than the one who had authorised the order. Appropriate entries should be made in the relevant asset register or stores record if necessary
- To ensure that no invoice is paid unless a proper VAT invoice has been received, checked, coded and certified for payment, such certification confirming:
  - The receipt of the goods or services
  - That the invoice has not previously been paid
  - That expenditure has been properly incurred and is within budget provision
  - That prices and arithmetic are correct and agree with quotations, tenders, contracts or catalogue prices
  - Discounts have been taken where available
  - The invoice is correctly coded, including the correct treatment of VAT
  - That appropriate entries are made in accounting records
- To ensure that payments, or requests for payment, are made only on an original invoice and not made on a photocopied or faxed invoice, statement or other document, unless with the agreement of the CEO
- To ensure that payments are made to the supplier on the due date
- To encourage suppliers of goods and services to receive payment by the most economical means for Compass Disability Services, but not to offer suppliers the facility of payment by direct debit without the prior approval of the CEO
- To ensure that Trustees and staff are aware of their responsibilities under the local code of conduct for employees, particularly with regard to declaring any links or personal interests which they have with regard to purchasers, suppliers and or contractors; and to maintain, in a suitable form, a record of the details of those Trustees or staff who declare any links or personal interests

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- To identify as soon as possible after the 31<sup>st</sup> March any outstanding creditors for goods or services received but not paid for in the previous year, and to bring to book in that year's final accounts in accordance with the requirements of the Corporate Director's (Finance) timetable for the closure of the accounts
- To ensure that all appropriate payment records and supporting documentation are retained for the defined period in accordance with the approved statement on the 'Accounting Records and Returns - Retention of Documents'

### D.2.3 Income

#### *Why is this important?*

Income is derived both from the provision of services and from contributions, grants, taxes and other revenues to finance services generally.

#### *Key controls*

The key control for collecting and processing income and other amounts due must ensure policies and procedures that enable the following:

- All income and other amounts due to Compass Disability Services must be identified and credited completely, accurately and promptly, in accordance with an approved incomes policy which is regularly reviewed, at least on an annual basis
- All income and other amounts due must be collected from the appropriate person or persons, using the appropriate procedures and the relevant stationery
- All monies received by an employee on behalf of Compass Disability Services must be banked promptly into an account specified by the CEO, and accurately accounted for
- Effective action must be taken to pursue non-payment of debts within defined timescales
- Debts and other losses can only be written off in accordance with the CEO's approval; within defined timescales; and properly accounted for
- All appropriate income records and supporting documentation must be retained for the defined period in accordance with the approved statement on the 'Accounting Records and Returns - Retention of Documents'

#### *Responsibilities of the Trustees*

The Trustees are responsible for:

- Determining the Code of Practice on Income and monitoring its application and reviewing it on a regular basis
- Determining the arrangements for the collection of all amounts due to Compass Disability Services and the procedures and documentation for collection of amounts
- Ensuring that the CEO follows the approved procedure for writing off uncollected debts or losses

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- Determining, in agreement with the CEO, the arrangements for the prompt collection of all income or other amounts due to Compass Disability Services
- Ensuring that these arrangements are applied by the staff involved in the income process
- Ensuring that no personal cheques are cashed from Compass Disability Services monies
- Keeping a record of every transfer of funds between sub-accounts, to be signed by a member of Compass Disability Services staff
- Ensuring that money collected and banked is reconciled to the bank statement promptly and on a regular basis not less than monthly

### *Responsibilities of the CEO*

The CEO is responsible for:

- Issuing credit notes or making other adjustments, subject to appropriate segregation of authority, to correct a factual inaccuracy or an administrative error
- Establishing appropriate recovery procedures for debts not paid within the defined time limit
- Writing off any debts from a single debtor to a total of £100 in any financial year after advice from the Company Secretary, and making appropriate accounting adjustments
- Agreeing with the Trustees the format and ordering procedures of stationery for invoices and receipts
- Ensuring secure arrangements for safe storage of supporting documentation for the defined time in accordance with the approved statement on the 'Accounting Records and Returns - Retention of Documents'
- Identifying as soon as possible after 31<sup>st</sup> March all outstanding income for the previous financial year and making up that year's final accounts in accordance with the requirements of the Corporate Director's (Finance) timetable for the closure of the accounts

## **D. 3 Taxation**

### *Why is this important?*

Like all organisations, Compass Disability Services is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe; all staff must therefore be aware of their roles and responsibilities.

### *Key controls*

The key controls on taxation mean that procedures must be in place to ensure that:

- All taxable transactions are identified, the tax liability properly assessed, and accounted for within specified timescales
- All returns are made to the appropriate authorities within the specified time

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- All other statutory requirements are met

#### *Responsibilities of the Trustees*

Trustees must ensure that all staff receive guidance on taxation issues, follow the proper processes and maintain records. In particular:

- Details of all staff employed by Compass Disability Services are maintained on the payroll system in accordance with the Financial Regulations, so that their tax liabilities are accurately and properly accounted for
- The correct VAT liability is identified and promptly accounted for in respect of all income and expenditure transactions, and specifically in respect of output tax on all income due or received by the correct body

#### *Responsibilities of the CEO*

The CEO must:

- Maintain and provide relevant and up-to-date guidance for employees on taxation issues
- Provide guidance on processes to be followed and records to be maintained
- Complete all Inland Revenue returns in respect of PAYE or Income Tax in accordance with the relevant timescales and requirements
- Complete all HM Customs & Excise returns relating to input and output tax in accordance with the relevant timescales and requirements
- Complete all other statutory and other returns in accordance with the relevant timescales and requirements

### **D.4 Pensions**

#### *Key controls*

The key controls for the operation of the pensions schemes must provide procedures which ensure that:

- All statutory and corporate requirements are met
- All contributions from employees and employers are collected completely, accurately and promptly

#### *Responsibilities of the Trustees*

Trustees must determine arrangements for the proper administration of a Pension Scheme, to include the maintenance of proper and up-to-date records, and the taking of reasonable steps for the prevention and detection of fraud and irregularities.

#### *Responsibilities of the CEO*

The CEO must, at the appropriate time, provide the Trustees with information on relevant staff regarding their participation in, liability to contribute to, and entitlement to benefits from the respective schemes

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## Appendix E: External Arrangements

### E.1 Partnerships

#### *Why is this important?*

Partnerships now play a key role in delivering community strategies. Compass Disability Services can work in partnership with others: local authorities, public agencies, private companies, community groups and voluntary organisations.

#### *General*

The main reasons for entering into a partnership are:

- To provide new and better ways of delivering services
- To forge new relationships
- To reach new resources
- To find new ways to share risk

A partner is defined as either:

- An organisation (private or public) undertaking partial funding or participating in a project as a beneficiary
- A body whose nature or status gives it a right or duty to support the project

Partners participate in projects by:

- Acting as a project deliverer or sponsor, solely or in concert with others
- Acting as a project funder or part funder
- Being the beneficiary of the activity undertaken in a project

Partners have common responsibilities:

- To be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation
- To act in good faith at all times and in the best interests of the partnership's aims and objectives
- To be open about any conflict of interest that might arise
- To encourage joint working and to promote the sharing of information, resources and skills between the public, private and community sectors

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- To hold confidentially any information received, as a result of partnership activities or duties, that is of a confidential or commercially sensitive nature
- To act wherever possible as ambassadors for the project
- A financial appraisal of the feasibility of the proposed arrangement throughout its duration
- A risk appraisal for the project
- The nature, level and timing of Compass Disability Services' contribution and commitment
- The responsibility for undertaking the project's accounting and financial reporting arrangements
- Arrangements for any underspend or overspend at year end
- Arrangements for accommodating the inability of any partner to meet their financial or other obligations of the partnership
- Arrangements for dealing with any remaining assets or liabilities at the end of the partnership
- The audit, security and other controls which should be in line with the requirements of Compass Disability Services' own Financial Regulations
- That the partnership will not adversely affect the services provided by Compass Disability Services

**The CEO must also obtain the approval of the Trustees before any negotiations are concluded on entering into partnership arrangements; and that all agreements are properly documented. He or she must participate in the partnership in accordance with the terms of the agreement and monitor its progress to meet the stated objectives.**

## **E.2 External Funding**

### *Why is this important?*

External funding is potentially a significant source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of Compass Disability Services.

Compass Disability Services is increasingly encouraged to provide a 'seamless' service through working closely with other agencies and private service providers, such as voluntary and community services. Funds from external agencies, such as the National Lottery, provide additional resources to enable Compass Disability Services to deliver services to the community.

However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be sufficiently flexible to link into Compass Disability Services' overall plans.

### *Key controls*

The key controls for the use of external funding are:

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- To ensure that any match-funding requirements are carefully considered before Compass Disability Services enters into any long term arrangements
- To ensure that the impact of any reduction in external contributions is reflected at the appropriate time in the MTFP
- To ensure that funds are only acquired to meet the commitments that have been approved in the policy framework
- To ensure that key conditions of funding and any statutory requirements are complied with, and that Compass Disability Services' responsibilities are clearly understood

### *Responsibilities of the Trustees*

The Trustees must provide specific guidance to the CEO to enable him or her to account for income from external funding. They must also ensure that the audit requirements of the external body are met.

### *Responsibilities of the CEO*

The CEO must ensure that:

- Arrangements for dealing with income from external funding agencies, together with the relevant general requirements of the Financial Regulations, are applied by all staff concerned in the process
- Funds are acquired only to meet the priorities that have been approved in the policy framework
- Any match-funding requirements are considered before entering into any long term arrangements and that the impact of any reducing external contributions or other liabilities are reflected at the appropriate time in the MTFP
- The project progresses in accordance with the agreed project plan and that all expenditure is properly accounted for
- All claims for funds due from external funding bodies are accurate, complete and sent in accordance with the project timetable
- All funding notified by external funding bodies is received and properly recorded in the accounts
- Details of the spend and funding for the project are available for audit in accordance with the requirements of the external funding body

## **E.3 Work for Third Parties**

### *Why is this important?*

Current policy enables Compass Disability Services to provide a range of services to other bodies. Arrangements should be in place to ensure that any risks associated with this work is minimised, and that such work is kept within the local community.

### *Key controls*

The key controls for working with third parties or external bodies are to ensure that:

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- Guidance is available for the financial aspects of the contracts or other arrangements, and that it is followed
- A risk appraisal and a risk management strategy is prepared before entering into any arrangement
- Proposals are properly costed
- Contracts or arrangements are drawn up using the guidance provided

### *Responsibilities of the Trustees*

The Trustees must issue specific guidance to the CEO on the financial aspects of the arrangements for providing services to third parties and must ensure that this is followed.

### *Responsibilities of the CEO*

The CEO must communicate the guidance issued by the Trustees to his or her staff, ensure that it is followed, and in particular that:

- Risks are identified and evaluated and appropriate arrangements are made to manage those risks before any arrangements are concluded
- Appropriate approvals are obtained before concluding arrangements with the third party
- Arrangements are properly documented, progress monitored and, where necessary, appropriate action taken
- Provision of the service to the third party does not adversely affect the services provided for Compass Disability Services
- Appropriate information is made available to the CEO at the relevant time to enable him or her to include appropriate details in Compass Disability Services' statement of accounts

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