

BOOKKEEPING GUIDELINES

For Organisations in Receipt of Grants from Falkirk Council

INTRODUCTION

These guidelines are designed to help your organisation to follow good bookkeeping practice and to help Falkirk Council ensure that public money given to your organisation is spent wisely and is properly accounted for. We have tried to keep them as simple as possible.

As each organisation operates in a different manner the individual details of these guidelines are not mandatory. However absence of good bookkeeping practice will be taken into account when considering grant applications.

CONSTITUTION

Each organisation should have a constitution which states your objectives, sets out the responsibilities of each person and details the workings of your committee. A constitution helps your organisation to operate more effectively and opens your work to public scrutiny.

THE ROLE OF THE TREASURER

Each organisation should elect a Treasurer. The Treasurer may delegate some day to day issues but still has overall responsibility for the recording and reporting of all income and expenditure.

The Treasurer will be one of the cheque signatories who can sign cheques and other financial documents and:

- Ensure the organisation operates within its budget.
- Ensure all income is accounted for and all expenditure is properly authorised.
- Prepare bank reconciliations with the cash book on a monthly basis.
- Arrange for the Annual Accounts to be prepared and audited.

PROVISION OF INFORMATION TO THE COUNCIL

Organisations must supply Falkirk Council with information regarding the use of grants provided by the Council. The information required is detailed in the 'Conditions of Grant' which should have been sent to you with your grant application form.

BANKING PROCEDURES

Bank Account

All organisations should open a bank or building society account. There are several accounts, or combinations of accounts, which may suit your needs.

Interest Bearing Current Account

These accounts are operated by certain banks only, and are intended for clubs or societies. They are sometimes referred to as a Treasurers Account or a Cheque Plus Account.

Deposit Account plus Current Account

Money is transferred from the deposit account to the current account by the Treasurer, (along with any other authorised signatory) to ensure that there is always enough money in the current account to cover the value of the cheques that have been written.

The main advantage of this arrangement is that higher interest is earned on money held in deposit accounts. The main disadvantage is the extra administrative and bookkeeping work.

Opening an Account

Banks will require a copy of the minute establishing the organisation's committee and election of office bearers.

All accounts should be in the name of the organisation. All accounts should have at least three signatories. The signatories will normally be the Treasurer and two other members of the Committee.

The mandate given to the bank should specify that all financial transactions (cheques, withdraw cash, transfer funds) must be signed by two of the three authorised signatories.

It is a useful safeguard for organisations to place an expenditure limit on any items beyond which committee approval is required.

Operating the Account

The Treasurer should obtain a book of pay-in slips, a cheque book and a deposit account pass book if applicable.

The following matters should be borne in mind when operating a current account.

- Where possible, make payments by cheque rather than cash, even for small amounts. This provides evidence of individual transactions on the bank statement. Write details of amount and payee on the cheque book stub.
- Never sign a blank cheque. Ensure the cheque is fully completed with the date, the payee and the amount in words and figures. If it is a payment to a supplier for goods you should ask to see the invoice at the time you sign the cheque.
- Both cheque signatories are jointly responsible for the cheques that they sign.
- All banking records should be kept for six years.
- If you have to cancel a cheque (e.g. because of a mistake when writing it out) you should draw two diagonal lines across it and write the word "CANCELLED" on it in large letters. Cancelled cheques
- Should be held within the cheque book.
- All income should be banked without delay. It is helpful to record a brief analysis of the income being paid in on the pay-in slip stub.

Bank Statement

A bank statement should be sent on a fixed date each month. To simplify record keeping you should ask for this fixed day to be the last day of the month.

Scrutinise the bank statement for the following:

- Bank Charges
- Interest received
- Direct debits and standing orders - check that these are valid

These items should be written into the cash book.

Bank Reconciliation

Each month the Treasurer should compare the bank statement with the cash book to make sure that the figures agree (*see Appendix 1*). This reconciliation should be completed after examining the bank statement and ensuring that all items on the bank statement appear in the cash book.

You should be aware that deposits may take a day or two to appear on the bank statement whilst cheque payments may not appear on bank statements for several weeks.

BOOKKEEPING PROCEDURES

The Cash Book

The cash book is the basic financial record for all organisations. It records all income received and expenditure paid.

Cash books can be purchased from any stationers. *Appendix 2* details an example of a cash book.

Both the left hand and right hand pages of a cash book are read together, the left page is used for income and the right for expenditure. A new page should be started each month.

There are columns across the page for each major category of income and expenditure. Transactions are entered in date order down the page. The next column should detail a reference number to enable supporting documents to be cross referenced to the cash book. For income the reference number is likely to be a receipt number, for expenditure it will be the cheque number.

Every month each column in the cash book should be added up and a cash book total calculated.

If a cash book is well maintained, producing an income and expenditure account at the year end should be little more than adding the column totals from the cash book for each month.

Income

A receipt should be given for all income collected or received. Two part receipt books can be purchased from stationery shops. Issuing a receipt avoids any subsequent dispute as to whether the income has been received. The transaction should be entered in the cash book immediately and the cash should be banked without delay.

It is important that money received should be banked intact. This means that expenses should not be paid out of income received. This results in the cash book reflecting more accurately the transactions that have actually taken place.

Receipts should be sequentially numbered and this number should be entered in the appropriate column of the cash book.

Expenditure

The way in which expenditure is recorded will depend on whether it is regarded as standard expenditure payable by cheque, or whether it is of a very minor nature and is paid in cash.

Standard Expenditure

The following rules should apply to all standard expenditure:

- Payments for goods and services must be supported by a supplier's invoice
- The invoice should be in the name of the Organisation
- The invoice should be retained and filed in date order with the cheque number written on it to cross reference each invoice to the cash book.
- Where no invoice is available, such as the payment of tutor fees, a supporting expenditure voucher should be prepared. This should be signed by the person receiving the cheque along with a cheque signatory. (See appendix 3).

All such expenditure should be paid for by cheque.

Imprest /Petty Cash

Some organisations may find it helpful to maintain a small cash float. There are various methods of operating small cash payment systems. The imprest method, described here, is the preferred method as it easily allows all transactions to be transferred from the petty cash book to the main cash book.

The aim is to keep a small, but adequate, sum of money on the premises to avoid staff continually going to the bank. Cash should be kept in a locked location, such as a cash box, at all times. The cash box should be kept in a safe place such as a lockable filing cabinet, desk or cupboard and the keys should always be held securely.

Payments should only be made out of imprest cash where it is not possible or practical to obtain a supplier's invoice and for cheque payments to be made in the normal manner.

Any other cash on the premises should be kept separate from petty cash/ imprest cash.

Cash is sometimes handed over to another person to make a purchase. No entry is made in the books when the cash is handed over but a record should be kept of such advances. When the person returns with change and a receipt, the amount of the receipt should be written in the imprest claim form. (see Appendix 4)

Imprest

An imprest is a fixed sum of money eg £30, which is given to a named member of the organisations staff. The named imprest holder is personally responsible for the cash.

An imprest claim form (*appendix 4*) should be completed for each reimbursement of the imprest balance.

Payments should be supported by invoices or receipts (eg till receipts) and these should be stapled to the imprest claim form. In a small number of cases it may not be possible to obtain a receipt. In these cases a petty cash voucher (*appendix 3*) should be completed (obtainable from stationery shops) and signed by the organisation's staff.

At all times the expenditure incurred when added together with any unspent cash should agree with the amount of the imprest.

Imprest Reimbursement

Claims should be made in sufficient time for the reimbursement of funds to be available to meet future expenses. The claim form should be signed by the Treasurer.

The Treasurer should check:

- the claim is arithmetically correct
- the claim reconciles with the imprest cash balance
- there is a receipt for every transaction
- that the claim is signed and dated by the imprest holder

The amount spent on the claim form is the amount to be withdrawn from the bank.

At this stage the imprest claim can be analysed through the cash book thus ensuring that all expenditure is analysed through the one cash book.

ANNUAL ACCOUNTS

Your organisation should produce a statement of accounts which should be audited. The 'Conditions of Grant' which should have been sent to you with your grant application, gives further details on the audit arrangements. In summary this states that the auditor should be appointed by the committee and:

Individual or specific grants Send in receipts.
Grant £2,500 or less Audited by someone independent of the committee
Grant over £2,500 Audited by a qualified accountant

The statement of accounts should show the organisation's total income and expenditure regardless of its source.

Accounts must be prepared and sent to Corporate & Commercial Services (Grants), Falkirk Council, Municipal Buildings, West Bridge Street, FK1 5RS. Failure to do so may jeopardise any future grant applications.

Grant may not be spent on:

Bank interest on overdrafts
Expenditure on social events (unless specifically authorised)
Any other item which the Council considers to be outwith the scope of its approval.

ROLE OF THE AUDITOR

It is the role of the appointed auditor to:

- Satisfy him/herself that the money raised and spent by the Organisation is within the terms of the Organisation's constitution, or aims and objectives.
- Ensure that adequate bookkeeping arrangements are in place.
- Check that all money received has been banked.
- Check that all payments are recorded with vouchers to support these records.
- Check that all income and expenditure is correctly analysed in the cash books.
- Sign the annual accounts.
- Report any findings to the Committee and make recommendations for improving the organisation's bookkeeping.

Any financial discrepancies or reservations should be clearly shown in the annual accounts and a report should be made to the organisation's Committee.

Any queries regarding these guidelines should be addressed to:

Corporate & Commercial Services (Grants)
Falkirk Council
Municipal Buildings
West Bridge Street
Falkirk.
FK1 5RS

Tel: 01324 506065

Appendix 2

Cash Book

INCOME (left hand page)

Date	Description	Ref	Total	Council Grant	Donations	Other
Brought Forward			569.84			
01/04/97	Council grant	1	5000.00	5000.00		
08/04/97	Donation	2	200.00		200.00	
15/04/97	Candy Stall	3	57.97			57.97
Total			5287.81	5000.0	200.00	57.97

Cash Book Balance

Total income	5827.81
Total expense	<u>-1628.86</u>
Carried forward	4198.95

This cash book carried forward figure is the figure that should be reconciled to the bank statement.

Expenditure (right hand page)

Date	Description	Chq No.	Salaries	Travel	Property	Postage	Stationery	Materials	Sundry	Total
02/04/97	Salaries	1	546.00							546.00
02/04/97	Tax	2	125.00							125.00
04/04/97	Coach hire	3							50.00	50.00
06/04/97	Rent	4			500.00					500.00
07/04/97	Rates	5			200.00					200.00
07/04/97	Electricity	6			69.87					69.87
18/04/97	Stamps	7					12.00			12.00
20/04/97	Paper	8						47.89		47.89
22/04/97	Binders	9						12.89		12.89
24/04/97	Imprest claim	10		2.36		5.56	1.26	2.45	5.69	17.32
25/04/97	Gas	11			47.89					47.89
			671.00	2.36	817.76	17.56	62.04	2.45	55.69	1628.86

Note the treatment of the imprest claim.
All imprest expenditure is brought into the main cash book and analysed.

Choose your own expenditure column headings to suit your organisation and leave the sundry column as free as possible.

Example Expenditure Voucher

Organisation's Name.....

Voucher Number Date.....

Paid to (name and address)
.....
.....
.....

Amount £..... Cheque No.

Details
.....

Signed (by the Organisation)

Signed (by the recipient)

Example Petty Cash Voucher

Organisation's Name

Voucher Number Date.....

Paid to (name and address)
.....
.....
.....

Amount £..... Cheque No.

Details
.....

Signed (by the Organisation)

Signed (by the recipient)

Appendix 4

Imprest Claim

Imprest Claim dated 24/4/97

Date	Description	Ref.	Income	Travel	Postage	Stationery	Material s	Sundry	Balance
04/03/97	Brought Forward		30.00						30.00
06/03/97	Postage	1			2.37				27.63
08/03/97	Batteries	2					2.45		25.18
16/03/97	Bus fare – Joe Brown	3		2.36					22.82
18/03/97	Plasters	4						0.79	22.03
01/04/97	Postage	5			3.19				18.84
16/04/97	Pens	6				0.26			18.58
16/04/97	Keys cut	7						4.53	14.05
18/04/97	Stationery	8				1.00			13.05
22/04/97	Milk	9						0.37	12.68
	Totals		30.00	2.36	5.56	1.26	2.45	5.69	17.32 imprest claim

Total expenditure for this claim 17.32
Plus cash in hand 12.68
Total imprest 30.00

I certify that the above expenditure has been properly and necessarily incurred.

Signed (impres holder)

Signed (treasurer)