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## 1. Introduction

The purpose of this manual is to document the finance related policies and procedures which underpin the financial management system in place at Integrity Action and to ensure that the financial statements conform to generally accepted accounting principles, assets are safeguarded, guidelines of donors are complied with and finances are managed with accuracy, efficiency, completeness and transparency.

All staff with a role in the management/review of finances and procurement are expected to comply with these policies and procedures.

This manual must be reviewed at least annually by the Head of Finance and approved by the Audit Committee periodically.

### Background information

- Integrity Action's year end is 30 September.
- The accounting system used since 1 October 2017 is Aqilla, a cloud based system (see [www.aqilla.com](http://www.aqilla.com)).
- All income and expenditure transactions are allocated to both a nominal ledger code (see Appendix 4) and a grant code.

### Related policies

- Travel and expenses policy and procedures
- Conflicts of interest policy
- Anti-bribery and corruption policy
- Whistleblowing policy
- Related parties declaration for trustees and EMT
- Governance manual
- Risk management policy

### Related forms

- Staff expenses claim form
- Credit card and cash advance form

## **2. Bank accounts**

Integrity Action has 5 bank accounts for various operational reasons.

All bank accounts must be in the name of the organisation, not an individual.

New accounts may only be opened by a decision of the Board.

All bank accounts are reconciled to the accounting system at least monthly and the month-end reconciliation is reviewed by an independent person, typically the Head of Finance.

## **3. Petty cash**

Petty cash is held in a locked box in the office. Keys are held by the Head of Finance and the Finance Assistant. Whenever petty cash is taken from the box a receipt or IoU must be put in the box.

The maximum amount of GBP that is held at any one time is £200.

Petty cash is counted once a month and the reconciliation is reviewed by an independent person.

## **4. Fixed assets**

All assets costing more than £3,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is charged annually at the following rates in order to write off assets over their useful economic life:

- Computer equipment: 50% per annum
- Fixtures and fittings: 50% per annum

An inventory of all assets held is maintained by the finance team. This includes all assets and equipment regardless of whether they are classified as fixed assets for accounting purposes. The inventory is used to monitor the whereabouts of assets (e.g. computers) and for insurance purposes.

Staff are responsible for any physical assets assigned to them. Staff must report loss or damage of any asset to the Head of Finance and/or CEO as soon as possible.

## **5. Debtors, creditors, accruals and prepayments**

Typically the only debtors are donors and customers. Outstanding amounts are monitored at least monthly by the Head of Finance.

The only creditors are trade creditors. They are paid in line with stated payment terms.

Accruals and prepayments are reviewed and posted annually as part of the year-end process.

## 6. Income

Income is recognised when the charity is legally entitled to it, receipt is probable and the amount can be reliably measured.

Investment income is recognised on a receivable basis.

Donations in kind (e.g. pro bono support by professionals) must be recorded by notifying the Head of Finance who will record them in the finance folders.

No income is received in cash or by cheque.

## 7. Procurement policy

Procurement is the purchase of works, assets, goods and services for the organisation. It is one of the most risky areas in NGO financial management as it is often abused by kickbacks, paying too much for sub-standard goods, or buying from related parties.

The objectives of this policy are to ensure that:

- The correct goods or services are purchased, in terms of the correct quality and specification.
- Best possible value for money is achieved.
- The process is safe, i.e. risk of fraud is minimised.
- The process is fast enough to meet programme needs.
- Grant conditions are complied with.

### Principles

As we are a small charity with few procurement needs we don't have an approved supplier list or a formal procurement committee. However, in buying or commissioning goods and services, Integrity Action must conduct itself in a fair, open and transparent manner in accordance with the following principles:

- Value for money is achieved; this takes into account quality, timing, ethics and environmental considerations as well as cost.
- Competition - procurement should be through open competition unless there are exceptional reasons.
- Conflicts of interest - any real or perceived conflict of interest is declared in line with the conflicts of interest policy.
- Payment on time - suppliers must be paid on time in accordance with contractual arrangements.
- Ethical standards - procurement must be undertaken to highest ethical standards, and fairness to suppliers.
- Legal aspects - contracts must be in writing (email is fine) and be fair and non-discriminatory.
- Environmental impact - suppliers must consider environmental impacts and aim to minimise adverse effects.

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- Local – goods and services should be procured from local sources when possible, but without compromising competition.

## Procedures

1. Prepare the specification for the goods/service to be procured.
2. Check the available budget.
3. Obtain authorisation from the appropriate person (see Delegated authority limits) to go ahead with the procurement.
4. Obtain quotes according to the following criteria.

| <b>Value of purchase including VAT</b> | <b>Action required</b>   |
|--|--|
| £1,000 and under                       | Minimum of 1 quote   |
| £1,001 - £5,000                        | Minimum of 2 written quotes  |
| £5,001 - £15,000                       | Minimum of 3 written quotes  |
| Greater than £15,000                   | Formal tender required (i.e. request for tenders published and advertised appropriately) |

5. Ensure donor guidelines are followed as each donor has different requirements in this area. If the limits are lower than above the donor guidelines take precedence.
6. To identify potential suppliers ask colleagues for contacts, search online or advertise as appropriate. If the supplier is related/known to the person running the procurement process, this must be declared and a second opinion must be obtained before committing to the purchase (see conflicts of interest policy).
7. Ensure the quoted cost is within budget (and that the budget is monitored before, during and after the procurement process).
8. Select the supplier based on the principles above. The decision must be made in line with delegated authority limits and the rationale for the decision must be documented.
9. When goods are received ensure that they are of the correct quality and quantity.
10. Send the invoice to [finance@integrityaction.org](mailto:finance@integrityaction.org) in line with normal finance procedures.

## Choice of currency

Where the purchase is not in the UK and there is a choice of currency, the following guidelines should be followed (in order of preference):

1. Use the same currency as the underlying funds are physically received in (i.e. not necessarily the currency per the donor contract) to minimise exchange rate risk.
2. If not possible/practical, use GBP.
3. If not possible/practical use USD.
4. If not possible/practical use currency of country expenditure takes place in.

## 8. Expenditure processing

All payments are made by bank transfer, credit card, cash or on occasion Western Union. Western Union may be used for payments up to £2,000. Western Union is used when bank transfers have failed and the recipient agrees.

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We do not use cheque books.

Policies and procedures in relation to credit cards, staff advances and staff expenses are covered in the Travel and Expenses policy and procedures.

## Approvals process

For all approvals (i.e. payments/expenses/credit cards) the process is as follows:

- The requester emails the approver attaching the supporting documents (e.g. invoice, contract/agreement, bank details) and including the details in the table below:

|                               |  |
|-------------------------------|--|
| Grant                         |  |
| Grant outcome (if applicable) |  |
| Purpose/description           |  |
| Date payment required         |  |

- If the approver is happy to approve it they reply to the requester and copy in [finance@integrityaction.org](mailto:finance@integrityaction.org) stating that this is the case. This email address is monitored by the Finance Assistant and, in their absence, the Head of Finance and Corporate Services.
- If the approver is not happy to approve the document they should reply to the requester giving reasons for their concerns.

The approver must check:

- The amount is correct.
- The amount is within budget.
- The correct grant has been stated (including outcome/activity where applicable).
- The work has been performed/goods delivered satisfactorily and payment is due.
- The expense is a valid expense of the organisation (i.e. wholly, exclusively and necessarily incurred for business purposes).

If bank details are not on the invoice/payment request, please ask the supplier/consultant to provide them to avoid delays in payment.

When booking flights with Diversity Travel they ask for a PO (Purchase Order) number. We use the Grant code for this.

## Payment of invoices

We do one payment run per week – usually on a Wednesday morning. In exceptional circumstances payments can be made at other times but this should be minimised for efficiency reasons.

Staff expenses are included in the weekly payment run.

The steps involved in a payment run are:

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1. Save all invoices, approval emails and other supporting documents which have been sent to the [finance@integrityaction.org](mailto:finance@integrityaction.org) email address on google drive in a folder named with the date of the payment run.
2. Prepare a spreadsheet listing all payments due (using the same format as the previous month). Number the payments and ensure that all supporting documents have the same numerical reference in the payment folder.
3. Set up payments on HSBCnet.
4. A different person approves the payments on HSBCnet.
5. Enter invoices and related bank transactions into Aqilla.
6. Send remittances to staff and suppliers (no remittances are required for payroll as payslips are provided by HaysMcIntyre for this purpose).
7. For foreign payments, monitor when the payment is received by the payee.

## 9. Staff reward

All UK staff (permanent and temporary) must be paid at least the local living wage.

The current salary scale is included in Appendix 2.

Pay is reviewed annually in August/September (as part of the budget process). Any changes are effective from 1 October. Salaries may be reviewed on an ad hoc basis at other times of year.

All changes to staff pay must be approved by the CEO. Changes to the CEO and senior management team's pay must be approved by the Nominations and Remuneration Committee in line with the Governance manual. Appropriate evidence to support all changes is filed on the payroll file.

Payroll processing is outsourced to Buzzacott. Changes are notified to them by the Head of Finance each month. The Head of Finance checks the accuracy of the payroll reports they send and updates the payroll monitoring spreadsheet. This spreadsheet monitors the total amount paid each month for all payroll related costs (i.e. income tax, National Insurance contributions, student loans, pension contributions and childcare vouchers), explains any changes since the previous month, shows how payroll costs are split between donors and reconciles these costs to the accounting system.

Salaries are paid on the 26<sup>th</sup> of the month (or previous working day if the 26<sup>th</sup> is not a working day). Payroll related payments such as payments to HMRC, pension provider and childcare vouchers are set up at the same time.

## 10. Reserves

The reserves policy is disclosed in our financial statements and is reviewed annually as part of the year-end process.

The reserves policy aims to ensure that reserves are sufficient to:

- Cover essential investment for the enabling environment required to deliver the strategy and ensure viability of our technological platforms;

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- Safeguard the charity's grass root community commitments in the event of delays in receipt of income;
- Enable Integrity Action to complete the existing contracts within a planned and orderly reduction of activity should our sources of income cease.

The Trustees maintain the view that reserves should not be set too high as this would tie up funds which could and should be spent on charitable activities.

The organisation aims to hold unrestricted reserves amounting to a minimum of three months' and a maximum of six months' expenditure.

## **11. Budgeting**

### **Organisation budget**

The annual budget approval process is as follows:

1. Draft budget prepared by the Head of Finance in August;
2. Draft budget is reviewed by EMT and approved for submission to the Audit Committee by the CEO;
3. Draft budget is approved by the Audit Committee for submission to the Board;
4. Final budget is approved by the Board before the start of the financial year to which it relates.
5. The original approved budget may be revised during the year. For example, in Q1 after the audit, adjustments may be required in relation to timing differences across the year end (e.g. re receipt of donor disbursements). Budget revisions must be approved by the Audit Committee.

The budget must be broken down by month, by donor, by restricted/unrestricted funds and by fixed/variable costs. It must include a list of the assumptions made and the source of the information used.

The budget is prepared on a cash basis.

Performance against the approved budget is monitored monthly in the management accounts and reported to the Audit Committee quarterly (see reporting section below).

### **Donor budget**

Donor budgets are prepared by the Programme Development team and/or Operations team. The Head of Finance must review all budgets before they are submitted to the donor.

When preparing donor budgets the principals of full cost recovery must be applied (see Appendix 7).

## **12. Reporting**

### **Monthly**



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Monthly management accounts showing income and expenditure against budget will be circulated to all budget holders and the Executive Management Team within 6 working days of the month end.

Budget holders should review them and raise any issues ASAP. Things to look for include:

- Are all payments you expected to see included?
- Is there any expenditure allocated to the grant which you didn't expect to see?
- Has all anticipated income been recorded?
- Are we on track to meet the budget? I.e. are any over/underspends expected?

## Quarterly

Management accounts are prepared for the Board quarterly. These must include:

- the breakdown between restricted and unrestricted funds;
- a breakdown of restricted funds by donor;
- comparison of actual to budget income and expenditure with narrative explanations for significant movements; and
- forecast income and expenditure for the rest of the financial year.

## 13. Cash flow

Cashflow is monitored at a high level by the Head of Finance on a weekly basis and reported on in the monthly management accounts.

Summary level cash flow is reported on in quarterly Audit Committee meetings.

The budget is prepared on a cashflow basis so serves as a high level control mechanism.

More detailed cashflow reports are prepared as required.

## 14. Foreign exchange

### Exchange rate used for accounting

Exchange rates are updated in the accounting system at the start of each month.

In Aqilla see Reference tab/currencies. For previous month: add 'date to' = last date of previous month. For current month: add 'date from' 1<sup>st</sup> current month, leave 'date to' blank

Exchange rates are taken from Oanda: <https://www.oanda.com/currency/converter/>.

At the year-end take a screen shot of Oanda showing the rates used. For other months this is not necessary.

We don't use the revaluation process in Aqilla on a routine basis as it doesn't post the gain/loss to a grant. To work around this we have to temporarily remove the grant attribute requirement, post the transaction and then re-instate the grant attribute requirement.

## **Obtaining foreign currency cash**

When travelling overseas we do not typically obtain local currency prior to travel. Either cash is withdrawn from an ATM on arrival using a company credit card or US Dollars are withdrawn in the UK and converted to local currency on arrival.

## **Exchange rate risk**

When donor contracts are stipulated in a currency other than our reporting currency (GBP) we do not hedge the exchange rate risk. This is because the costs (financial and staff time) are considered to outweigh the potential benefit given the level of risk is low (i.e. even if exchange rate losses are incurred it is unlikely to jeopardise our future operations, we would simply scale our operations accordingly).

We currently receive funding in GBP, USD, NOK, EUR and SEK.

As we don't have any expenditure in SEK, to spread the exchange rate risk we transfer regular amounts from SEK to GBP.

We hold USD in the USD bank account and use the balance to pay USD expenses.

We don't have a EURO or NOK bank account, therefore EURO and NOK amounts are typically received in GBP.

## **15. Audit**

We have an external audit annually. Our auditors are Buzzacott. They have been in place since the year ended 30 September 2019.

Buzzacott also perform donor specific audits as required. Currently this is only required in relation to the Norad grant.

Due to our small size Integrity Action does not have an internal audit function and has not undertaken any internal audits in recent years. The Audit Committee reviews the controls in place and may request an internal audit be carried out at any time.

## **16. Insurance**

Appropriate insurance policies are in place to cover:

- Travel: renewal date 19 September
- Employer's liability, Professional indemnity, Directors' liability, office contents and legal expenses: renewal date 11 November

An inventory of all physical assets owned by Integrity Action is kept on google drive.

## **17. Timesheets**

Donors are increasingly asking for timesheets to verify time spent. In the future we may need to start routinely recording which grant our time is spent on. However, currently we do this on an ad hoc basis when donors request it.

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A template timesheet is saved in the finance folder on google drive \_IA for when this is required.

## Appendix 1: Delegation limits

### **Internal authorisation of expenditure**

| <b>Who</b>                             | <b>Transactions which are in the budget approved by the Board/confirmed donor budget</b> | <b>Transactions which are NOT in the budget approved by the Board/confirmed donor budget</b><br>i.e. unapproved expenditure from reserves |
|--|--|---|
| Audit Committee on behalf of the Board | n/a  | >£10,000  |
| CEO                                    | >£25,000   | < £10,000   |
| EMT                                    | <£25,000   | £nil  |
| Other staff                            | <£100  | £nil  |

- The limits apply to the total amount committed to, not individual transactions e.g. in the case of a contract, it is the total amount payable over the duration of the contract, regardless of the payment schedule.
- No-one can authorise payments to themselves (except contractual salary payments).

### **Internal authorisation of income**

The CEO must approve all contracts for income.

The CEO has delegated authority to negotiate and enter into contracts and agreements with third parties up to a maximum value of £2 million.

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## Appendix 2: Salary scales

(Reviewed by Nominations and Remuneration Committee in August 2018)

| <b>Role</b>            | <b>From</b> | <b>To</b> |
|------------------------|-------------|-----------|
| CEO                    | 70,000      | 85,000    |
| Head                   | 50,000      | 70,000    |
| Manager                | 30,000      | 45,000    |
| Co-ordinator/assistant | 25,000      | 30,000    |

### **Notes:**

All amounts are in GBP, are gross figures (e.g. before employee's tax, national insurance and pension contribution) and exclude employer pension contribution.

All amounts represent the full time equivalent (FTE) salary. Part time roles will be pro-rated based on the contracted hours and assuming a full time working week has 35 hours.

Amounts awarded to staff are based on years of experience and qualifications.

Integrity Action will always pay at least the local living wage to staff.

Salaries are reviewed at least annually in line with the organisation budget timescales.

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## Appendix 3: Checklist of regular tasks

| Task   | Date   | Who       |
|--|--|-----------|
| <b>Weekly</b>  |  |           |
| Pay suppliers, send remittance advices   | Tuesday  | FA        |
| Review bank accounts on hsbc.net   | Friday   | FA        |
| <b>Monthly</b>   |  |           |
| <b>Credit cards</b>  |  |           |
| Statements circulated to card holders  | 1st  | FA        |
| All receipts received and approved   | 15th   | FA        |
| <b>Payroll</b>   |  |           |
| Review payroll for the month, notify payroll provider of any changes since previous month    | 5th  | HoF       |
| Payroll payment  | Value date 26th (or previous working day)                    | FA        |
| Childcare vouchers   | Value date 26th (or previous working day)                    | FA        |
| NEST payment   | Value date 26th (or previous working day)                    | FA        |
| HMRC payment   | Value date 10th of following month (or previous working day) | FA        |
| <b>Other</b>   |  |           |
| Petty cash rec re current month  | as at last day of month                                      | FA        |
| Exchange rates entered in Aqilla   | as at last day of month                                      | FA        |
| <b>Bank recs</b>   |  |           |
| Main (GBP)   | as at last day of month                                      | FA        |
| Norad (GBP)  | as at last day of month                                      | FA        |
| SIDA (SEK)   | as at last day of month                                      | FA        |
| IEN (USD)  | as at last day of month                                      | FA        |
| Reserves (GBP)   | as at last day of month                                      | FA        |
| Prepare management accounts  | By 6th working day   | HoF       |
| Process bank recs in Aqilla  | By 6th working day   | HoF       |
| Post rough posted documents in Aqilla  | By 6th working day   | HoF       |
| <b>Quarterly</b>   |  |           |
| Update Aquilla reference data spreadsheet and review for accuracy                            |  | HoF       |
| Emergency equipment review   |  | FA        |
| Check first aid kits   |  | FA        |
| Prepare financial report for Audit Committee   |  | HoF       |
| Update forecast income and expenditure for current financial year                            |  | HoF       |
| <b>Annual</b>  |  |           |
| Staff survey   | March/April  | HoF       |
| Office rent review   | March  | HoF       |
| Electricity contract renewal   | March  | HoF       |
| Annual working practices review for contractors (to ensure they are not disguised employees) | May  | HoF       |
| HR manual recertification  | August   | HoF       |
| Prepare organisation budget and cash flow forecast   | August   | HoF       |
| Review staff salaries and send letters   | August, effective 1 October                                  | HoF/CEO   |
| Renew travel insurance   | September  | HoF       |
| Send trustees and senior management team annual declaration of interests                     | September  | HoF       |
| Revaluation of foreign currency accounts   | October  | HoF       |
| Review accruals and prepayments  | October  | HoF       |
| Renew office and liability insurance   | November   | HoF       |
| Organisation audit   | Late November/early December                                 | HoF       |
| <b>Long term</b>   |  |           |
| Fix rate trademark renewal   |  | 29-Apr-26 |
| US Equivalency Determination expires   |  | 30-Sep-19 |

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## Appendix 4: Chart of Accounts

| Account Code | Account Name                               | Account Type  | Account Category | Account Disabled | Currency Rate Group | Currency | Currency Variable | Suppress Revaluation |
|--------------|--|---------------|------------------|------------------|---------------------|----------|-------------------|----------------------|
| B5110        | Computer Equipment: Cost                   | Balance Sheet | ASFA             | No               | Default             | GBP      | No                | Yes                  |
| B5210        | Computer Equipment: Depreciation           | Balance Sheet | ASFA             | No               | Default             | GBP      | No                | Yes                  |
| B6100        | Sundry Debtors                             | Balance Sheet | ASCADB           | No               | Default             | GBP      | No                | Yes                  |
| B6300        | Prepayments                                | Balance Sheet | ASCADB           | No               | Default             | GBP      | No                | Yes                  |
| B6310        | Accrued income                             | Balance Sheet | ASCADB           | No               | Default             | GBP      | Yes               | Yes                  |
| B6710        | HSBC MAIN GBP                              | Balance Sheet | ASCACS           | No               | Default             | GBP      | No                | Yes                  |
| B6711        | HSBC NORAD GBP                             | Balance Sheet | ASCACS           | No               | Default             | GBP      | No                | Yes                  |
| B6712        | HSBC CIB GBP                               | Balance Sheet | ASCACS           | Yes              | Default             | GBP      | No                | Yes                  |
| B6713        | HSBC CR GBP                                | Balance Sheet | ASCACS           | Yes              | Default             | GBP      | No                | Yes                  |
| B6714        | HSBC Reserves GBP                          | Balance Sheet | ASCACS           | No               | Default             | GBP      | No                | Yes                  |
| B6720        | HSBC SIDA SEK                              | Balance Sheet | ASCACS           | No               | Default             | SEK      | No                | No                   |
| B6725        | HSBC IEN USD                               | Balance Sheet | ASCACS           | No               | Default             | USD      | No                | No                   |
| B6726        | HSBC WB USD                                | Balance Sheet | ASCACS           | Yes              | Default             | USD      | No                | yes                  |
| B6727        | Hapoalim Bank                              | Balance Sheet | ASCACS           | yes              | Default             | ILS      | Yes               | Yes                  |
| B6730        | Petty Cash US\$                            | Balance Sheet | ASCAPC           | No               | Default             | GBP      | No                | Yes                  |
| B6731        | Petty Cash US\$                            | Balance Sheet | ASCAPC           | No               | Default             | USD      | No                | No                   |
| B6732        | Petty Cash NPR                             | Balance Sheet | ASCAPC           | No               | Default             | NPR      | No                | No                   |
| B6733        | Petty cash AMD Armenian dram               | Balance Sheet | ASCAPC           | No               | Default             | AMD      | No                | No                   |
| B6734        | Petty cash ZMW Zambian Kwacha              | Balance Sheet | ASCAPC           | No               | Default             | ZMW      | No                | No                   |
| B6735        | Petty Cash ILS                             | Balance Sheet | ASCAPC           | No               | Default             | ILS      | No                | No                   |
| B6740        | Currency Control (do not delete)           | Balance Sheet | XS               | No               | Default             | GBP      | No                | Yes                  |
| B7100        | Sundry Creditors                           | Balance Sheet | LBCLCR           | No               | Default             | GBP      | No                | Yes                  |
| B7300        | Credit Card control account                | Balance Sheet | LBCLCR           | No               | Default             | GBP      | No                | Yes                  |
| B7400        | Accruals                                   | Balance Sheet | LBCLCR           | No               | Default             | GBP      | No                | Yes                  |
| B8110        | VAT on Sales (Output) (do not delete)      | Balance Sheet | XS               | No               | Default             | GBP      | No                | Yes                  |
| B8115        | VAT on Purchases (Input) (do not delete)   | Balance Sheet | XS               | Yes              | Default             | GBP      | No                | Yes                  |
| B8130        | Net pay control account                    | Balance Sheet | LBCLCR           | No               | Default             | GBP      | No                | Yes                  |
| B9120        | Reserves                                   | Balance Sheet | CR               | No               | Default             | GBP      | No                | Yes                  |
| P1100        | Grants received                            | Profit & Loss | IN               | No               | Default             | GBP      | No                | Yes                  |
| P1200        | Consultancy income                         | Profit & Loss | IN               | No               | Default             | GBP      | No                | Yes                  |
| P1300        | Other income                               | Profit & Loss | IN               | No               | Default             | GBP      | No                | Yes                  |
| P1400        | Bank interest received                     | Profit & Loss | IN               | No               | Default             | GBP      | No                | Yes                  |
| P1500        | Exchange Gain/Loss (do not delete)         | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3110        | Salaries                                   | Profit & Loss | EXST             | No               | Default             | GBP      | No                | Yes                  |
| P3115        | Employers NIC                              | Profit & Loss | EXST             | No               | Default             | GBP      | No                | Yes                  |
| P3120        | Employers pensions                         | Profit & Loss | EXST             | No               | Default             | GBP      | No                | Yes                  |
| P3130        | Staff training and development             | Profit & Loss | EXTR             | No               | Default             | GBP      | No                | Yes                  |
| P3200        | Travel                                     | Profit & Loss | EXTR             | No               | Default             | GBP      | No                | Yes                  |
| P3210        | Accommodation & subsistence                | Profit & Loss | EXTR             | No               | Default             | GBP      | No                | Yes                  |
| P3220        | Car mileage                                | Profit & Loss | EXTR             | No               | Default             | GBP      | No                | Yes                  |
| P3230        | Other staff costs                          | Profit & Loss | EXTR             | No               | Default             | GBP      | No                | Yes                  |
| P3310        | Rent                                       | Profit & Loss | EXOF             | No               | Default             | GBP      | No                | Yes                  |
| P3315        | Rates                                      | Profit & Loss | EXOF             | No               | Default             | GBP      | No                | Yes                  |
| P3325        | Electricity                                | Profit & Loss | EXOF             | No               | Default             | GBP      | No                | Yes                  |
| P3345        | Office stationery and supplies             | Profit & Loss | EXOF             | No               | Default             | GBP      | No                | Yes                  |
| P3380        | Office Cleaning                            | Profit & Loss | EXOF             | No               | Default             | GBP      | No                | Yes                  |
| P3385        | Equipment                                  | Profit & Loss | EXOC             | No               | Default             |          | No                | Yes                  |
| P3395        | Other office costs                         | Profit & Loss | EXOF             | No               | Default             | GBP      | No                | Yes                  |
| P3440        | Entertainment                              | Profit & Loss | EXTR             | No               | Default             | GBP      | No                | Yes                  |
| P3500        | Telephone and internet                     | Profit & Loss | EXOF             | No               | Default             | GBP      | No                | Yes                  |
| P3510        | Mobile phones                              | Profit & Loss | EXTR             | No               | Default             | GBP      | No                | Yes                  |
| P3520        | Postage & couriers                         | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3530        | Website, publications, videos              | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3710        | Audit and accountancy related fees         | Profit & Loss | EXCO             | No               | Default             | GBP      | No                | Yes                  |
| P3715        | Legal Fees                                 | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3725        | Consultants                                | Profit & Loss | EXCO             | No               | Default             | GBP      | No                | Yes                  |
| P3730        | Recruitment                                | Profit & Loss | EXCO             | No               | Default             | GBP      | No                | Yes                  |
| P3800        | Conference and events attendance           | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3810        | IT Software and subscriptions              | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3815        | Development check development              | Profit & Loss | EXSD             | No               | Default             | GBP      | No                | Yes                  |
| P3820        | Depreciation P&L                           | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3840        | Insurance                                  | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3850        | Professional memberships and subscriptions | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3860        | Bank charges and interest                  | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3870        | Bad Debt Write-Off                         | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3880        | Sundry expenses                            | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3900        | Trustee expenses                           | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P3910        | Trustee meetings                           | Profit & Loss | EXOC             | No               | Default             | GBP      | No                | Yes                  |
| P4000        | Grants to partners                         | Profit & Loss | EXPA             | No               | Default             | GBP      | No                | Yes                  |
| P5000        | Contribution to overheads                  | Profit & Loss | EXOF             | No               | Default             | GBP      | Yes               | Yes                  |
| P5340        | Training materials & other training costs  | Profit & Loss | EXPR             | No               | Default             | GBP      | No                | Yes                  |

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## Appendix 5: Aqilla bespoke procedures

Consult the help tab within Aqilla for detailed instructions in relation to the accounting system.

Below are reminders about Integrity Action specific procedures.

### **New staff**

To set up new staff in Aqilla the following must be created:

1. Look up value/Person, create code in the format E\_XXX01
2. Creditor account for expenses (E\_XXX01)
3. Supplier account for expenses (E\_XXX01)
4. Look up value under PERSON
5. If the staff member has a credit card a second creditor and supplier account is required with the code E\_XXX02
6. Set up workflow permissions in person screen
7. In the person screen allocate the relevant roles for the staff member

NB. To make this simpler copy the details from an existing employee using the excel add in.

### **Other HR procedures for new staff**

- Set up email account
- Add to excel users so can get on internet
- Obtain at least 2 references
- Get copy of passport and ensure they have a right to work in the UK
- Ask them to obtain a DBS check
- Get bank details for paying salary
- Get new starter form filled in for payroll provider

### **New donors/sources of income**

To set up new donors in Aqilla the following must be created:

- Donor and client account (Debtor account)
- Grant and contract account (customer account)
- Look up value under GRANT

### **New suppliers**

To set up new suppliers/partners in Aqilla the following must be created:

- Creditor account  
Use 'BACS'  
  
Ensure Pay? = yes  
  
Ensure remittance advice email address is included



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- Supplier account  
Use same account code and name as for creditor account

Check new accounts are set up correctly by refreshing the Aqilla reference data document and reviewing the new entries to ensure consistency with pre-existing ones.

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## Appendix 6: Dictionary of attributes in Aqilla

Attributes are used in Aqilla to record additional details in relation to a transaction.

| Document                   | Attribute | Name                        | Required | Data Type | Select control type | Look up group | Pass to ledger                                | Group by |
|----------------------------|-----------|-----------------------------|----------|-----------|---------------------|---------------|---|----------|
| Bank transaction line      | Text 4    | Grant                       | Yes      | String    | Combo               | GRANT         | Yes   | yes      |
| Expenses line              | Text 4    | Grant                       | Yes      | String    | Combo               | GRANT         | Yes   | yes      |
| Miscellaneous doc line     | Text 4    | Grant                       | Yes      | String    | Combo               | GRANT         | Yes   | yes      |
| Purchase invoice line base | Text 4    | Grant                       | Yes      | String    | Combo               | GRANT         | Yes   | yes      |
| Sales invoice line         | Text 4    | Grant                       | Yes      | String    | Combo               | GRANT         | Yes   | yes      |
| Budget document            | Text 4    | Grant                       | Yes      | String    | Combo               | GRANT         | Yes   |          |
| Creditor account           | Text 3    | Pay?                        | No       | String    | Combo               | Yes/No        | n/a   |          |
| General ledger account     | Text 1    | VAT Registration            | No       | String    | Input               | none          | doesn't ask - already in ledger by definition | n/a      |
| Purchase invoice           | Text 1    | Person from creditor record | Yes      | String    | Input               | none          | Maps to text 9 in ledger                      |          |

When setting up an attribute don't group by anything but do tick all P&L and BS lines.

## Appendix 7: Full cost recovery policy

### **(1) What is full cost recovery?**

'Full cost recovery' means that all costs of the organisation are covered by the funding received. Any uncovered costs must be met from reserves; therefore in order to be a financially sustainable organisation full cost recovery must be achieved.

### **(2) What are our costs?**

Our costs fall into two broad categories:

- **Direct costs of project implementation**  
E.g. grants to partners, translation of Development Check, travel to monitor the project, in-country coordinator etc.  
These costs must always be fully covered by the grant/project budget.
- **Indirect costs** (also called central, core, fixed or support costs or overheads)  
These are difficult to apportion to a particular project/grant.  
E.g. UK salaries, office rent and other office costs, Development Check maintenance.  
A portion of these costs must be allocated to every grant/project. See the guidelines below.

### **(3) How do we ensure that all our indirect costs are covered?**

#### **Finance team actions**

- As part of the annual budget setting process the achievement of full cost recovery is reviewed and the plan for the forthcoming year is set – this is linked to the reserves policy as any costs which are not recovered must be met from reserves. At the start of the year it is common for a portion of indirect costs to be unmet as we assume that new funding sources will be found throughout the year. The trustees take a view of the degree of risk they are willing to take in this area.
- On a quarterly basis the proportion of costs recovered is monitored against the budgeted position (as part of reserves monitoring).

#### **Non-finance team actions**

When committing to expenditure ensure that it is included in a donor budget. Do not approve unbudgeted expenditure.

When preparing donor budgets we must balance the need to be competitive/fundable and to not exceed the donor's overhead limits with our need to cover all our costs. To do this the following guidelines must be followed:

- Ensure that all project related costs are included in the budget for activities (and not labelled as overheads). This includes:
  - An element of CEO salary costs for oversight and reporting;
  - An element of finance team salaries for financial reporting;
  - Travel costs for negotiations, training and monitoring;
  - A contribution to Development Check maintenance;

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- Ensure salary costs include employers' pension and national insurance contributions.
- In addition, every funding bid must include an element of both office costs and non-project staff costs. An individual judgement must be made for each proposal to ensure we maximise the contribution to core costs but as a guideline we should aim for 10-15% of the total project budget.
- Different donors will have different rules that must be followed so we must make sure we understand the implications of these. We should be consistent in our approach when requesting multiple grants from the same funder.

## **References**

Mind the Gap: A guide and toolkit to full cost recovery – acevo and the Big Lottery Fund, September 2006

Full Cost Recovery: a guide and toolkit on cost allocation – acevo and New Philanthropy Capital, 2004

Know your cost base know your charity CFDG, 2007