



# ***POLICY ON FINANCIAL CONTROL***

## KARE POLICY DOCUMENT

*Policy Owner: Finance Manager*

<i>Rev. No.</i>	<i>Approved by OMT</i>	<i>Approved by KARE Board</i>	<i>Launched Heads of Units</i>	<i>Operational Period</i>
Rev.1	June 2013	September 2013	November 2013	Nov 2013 – Jan 2017
Rev. 2	November 2016	January 2017	January 2017	February 2017 -

## **Section A: Policy**

### **1 Background to this Policy**

KARE, promoting Inclusion for People with disabilities (KARE), is a company limited by guarantee. The Directors of the company are required to take measures to ensure compliance with Companies legislation, through keeping proper books of account and the implementation of relevant policies and procedures.

They are responsible for safeguarding the assets of the company and taking reasonable steps for the prevention of fraud or other irregularities. In doing this they prepare financial statements in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising all Companies Acts to date.

### **2 Aim of this Policy**

The aim of this policy is to outline the financial policies employed by KARE in ensuring it meets its responsibilities to produce proper books of account and to ensure that the records of the company give a true and fair view of the company's financial position at any time.

### **3 Scope of this Policy**

This policy relates to the legal entity known as KARE, promoting Inclusion for People with disabilities (KARE) a company limited by guarantee.

The terms "finances" and "funds" relate to all types and sources of income that KARE receives in order to carry out its business of delivering services to people with an Intellectual Disability.

### **4 General Details of this Policy**

#### **4.1 Roles of Staff**

- 4.1.1 Almost every activity can be seen to result in a financial transaction of some description. Staff will ensure they are familiar with policies and procedures related to their work and carry them out correctly and consistently.
- 4.1.2 All Line Managers will ensure that their staff are aware of the relevant financial procedures governing their work.
- 4.1.3 Where training is needed Line Managers will ensure it is delivered in a timely manner.
- 4.1.4 Where a member of staff has a concern about how a procedure is being used they have a responsibility to alert their Line Manager, or higher if they feel this is not the appropriate route.

#### **4.2 Financial recording and coding**

- 4.2.1 We will endeavour to have a system of codes (e.g. Unit codes, Cost codes, Balance Sheet Headings) that best meets the needs of all stakeholders (Auditors will expect to see groupings that differ from the HSE and both are very different from the internal accounts we use ourselves).
- 4.2.2 This will be reviewed periodically to ensure it matches the needs of the organisation and its stakeholders adequately.

### **4.3 Financial Results**

- 4.3.1 **Results Reviews** – The Audit and Risk Committee will review the organisations financial results on a regular basis and advise the Board on appropriate responses or actions.
- 4.3.2 **Breakeven** - KARE will endeavour to breakeven in any given year provided it is satisfied that it has, or will receive, the requisite funding to carry out the services it is required to provide. In the event that it is not being fully funded a decision of the board will be required to run with the expected deficit and seek to secure the funds or to cut back on some services (the latter being a decision KARE will only take in extreme circumstances).
- 4.3.3 **Liquidity** – Bank facilities will be maintained at the highest allowable level to ensure that immediate liabilities can be met in the event of a hold up in funding from the HSE.

### **4.4 Outstanding Costs and Incomes**

- 4.4.1 Deadlines will be set by which all items in the Purchasing and Receiving Funds procedures should be entered to the Accounts system.
- 4.4.2 Staff will forward relevant information for processing by the due dates as laid out in relevant procedures.
- 4.4.3 Accruals of Costs and Incomes will be made for items where timing differences are unavoidable. These accruals will be made based on the information available to the Accounts department at the month end.

### **4.5 Reconcile Trial balance**

- 4.5.1 All items on the Trial Balance will be reconciled at least once per annum plus again at Year End. Certain items will be reconciled monthly (e.g. Bank Accounts/Debtors/Branch Funds Account)
- 4.5.2 The Costs and Incomes will be reviewed by the Accounts department and any obvious omissions will be provided for in the accounts.

### **4.6 Reporting**

- 4.6.1 Numerous reports are required to be produced and in some cases commentary or additional data is required to supplement the financial information. In addition there are numerous efficiency / effectiveness reports applicable to many areas of Income and Expense that are necessary to review the activities associated with them. These are made available to the respective Income or Expense “Owners”.
- 4.6.2 All relevant staff are responsible to ensure that they review the reports generated for them. The information is specific to them and they will ensure that they follow up any errors or omissions and have them corrected in the Accounts where applicable.
- 4.6.3 Line Managers will identify issues that affect the finances of the organisation and report them to their Line Manager / Finance Manager as appropriate.
- 4.6.4 The Strategic Planning Group will decide on changes to Budgets based on any feedback received and report to the Board where significant changes are envisaged to the finances of the organisation.
- 4.6.5 With a wide variety of Funding sources there is also a need to provide Funders with reports to demonstrate how their Funds are used. The person responsible (“owner”) for a source of Income will ensure that Funders receive the requisite reports in a timely manner.
- 4.6.6 The largest items on our Balance Sheet are our Fixed Assets and Capital Grants. These two are intrinsically linked as the Capital Grants usually fund the Fixed Assets (Buses, Buildings etc.). A register of Fixed Assets will be maintained which links with a similar register of Capital grants detailing all the relevant financial and regulatory information required by funders.

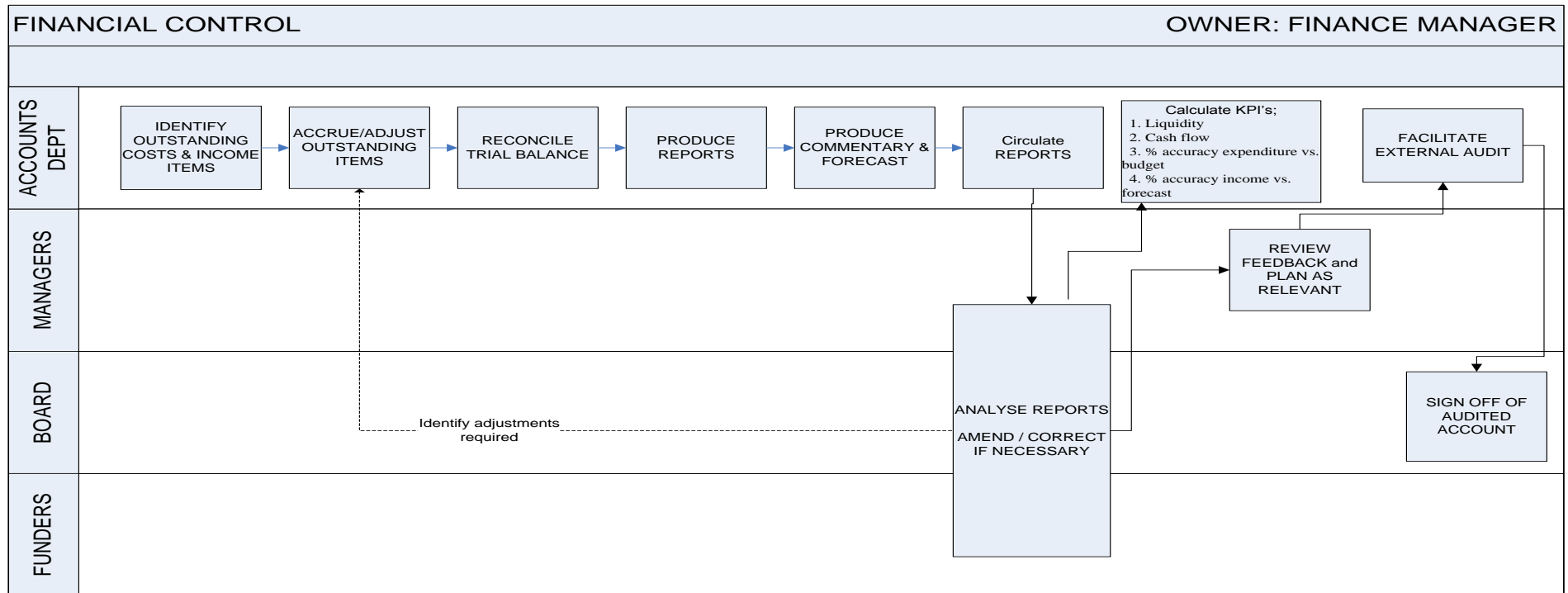
#### **4.7 Reserves**

- 4.7.1 KARE receives the significant majority of its funding from Exchequer sources. Most of the Exchequer funding is provided under a service level arrangement with the Health Service Executive. A timing gap can occur between incurring expenditure and agreeing/receiving these funds. A reserves policy will be in place that outlines how KARE will mitigate the risk of working capital shortfalls. This policy will be reviewed annually.

#### **4.8 External Audit**

- 4.8.1 A Financial Audit will be carried out every year.
- 4.8.2 The External Auditor will be elected by the Board each year at its AGM.
- 4.8.3 The Audited Financial Statements will be reviewed and agreed by The Audit and Risk Committee of the board who will recommend their acceptance to the Board of Directors prior to them being signed at the AGM.

**Section B: Process**



Process Measures:  
 Liquidity  
 Cash flow  
 % accuracy expenditure vs. budget  
 % accuracy income vs. forecast

## Section C: Procedures

### Procedures for Financial Control

	Frequency	Dept.
<b>1. MONTH END</b>		Accounts Dept.
1.1. Set up month end journal files	Monthly	
1.2. Update comprehensive Month end Close Checklist	Monthly	
<b>2. IDENTIFY OUTSTANDING COSTS &amp; INCOME ITEMS</b>		Accounts Dept.
Once all the processing has been completed, outstanding items are to be identified. All GLs are checked to ensure all transactions have been captured.		
<b>3. ACCRUE/ADJUST OUTSTANDING ITEMS</b>		Accounts Dept.
Revenues are recorded when they are earned and costs are recorded when they are incurred, whether or not cash has actually been exchanged between the relevant parties. Accruals should be booked each month for any such outstanding revenues or expenditures expected for the current month.		
<b>4. RECONCILE TRIAL BALANCE</b>		Accounts Dept.
The Trial balance is run and the <u>balance sheet</u> accounts are reconciled at the end of a period (month, quarter, or year-end) as part of the closing process. This will help to identify errors before closing and the necessary adjustments can be made when authorized. Differences caused by the timing of transactions, such as outstanding cheques, are identified as reconciling items.		
<b>5. PRODUCE REPORTS</b>		Accounts Dept.
Run reports for the relevant period and verify their accuracy. Enter adjusting entries as necessary and rerun the reports. Financial Reports will be prepared every month to support Management at all levels of the Organisation to review performance. A balance sheet shows at a particular point in time what resources are owned by a business ("assets") and what it owes to other parties ("liabilities"). It also shows how much has been invested in the business and what the sources of that investment finance were.		
<b>6. PRODUCE COMMENTARY &amp; FORECAST</b>		Accounts Dept.
Where applicable, Accounts provide a commentary on the reports produced each month to allow the reader to fully understand the financial position of the Company. This commentary should highlight any risks or opportunities that have occurred and also any items that were not included within the original planning model. Where commentary is required to be supplied by a staff member outside of Accounts it is their responsibility to ensure they have furnished the required details before Reports are circulated. The designated "Owner" of the Report is responsible for ensuring the Report is accurate and has adequate commentary.		
<b>7. CIRCULATE REPORTS</b>		Accounts Dept.
All the Reports should be circulated to the relevant staff or staff groups in a timely manner. Where possible this should be done electronically to avoid the use of large quantities of paper.		
<b>8. ANALYSE REPORTS</b>		Managers/Board
All reports must be analysed by the recipients. Where an activity "Owner" does not receive the expected Report they must follow up with the Accounts department to ensure it is produced.		
<b>9. MONTH/YEAR CLOSE PROCEDURE</b>		
At this point of the procedure the Accounts systems should be closed to ensure that the results at that point are captured and saved.		
<b>10. REVIEW FEEDBACK AND PLAN AS RELEVANT</b>		Managers

After the Review of Reports has been completed and any changes have been made, Managers of the Organisation should review the final position and use the information gleaned to inform any further current or future planning that is required. If these reviews result in significant alterations to any financial aspect of the company's results (especially Budgets) then Management must decide whether to re-cast the relevant financial area to assist in the ultimate goal of breakeven.

**11. FACILITATE EXTERNAL AUDIT**

Accounts Dept.

In following the above procedures there are several items that are shown with a frequency of "Annually". These items are particularly important for the Year End of the company's Accounts.

Reports produced in the final month will be required for the Auditors to complete their review of the records of the company. Where deemed necessary the Auditors may request additional information and this should be furnished without delay.

The Auditors will finally produce a set of Audited Financial Statements (AFSs) and these should be reviewed and compared to the Reports generated by the Accounts department to ensure they agree.

**12. SIGN OFF OF AUDITED ACCOUNTS**

Board

The AFSs will be passed before The Audit And Risk Committee of the Board for their approval. The Audit and Risk Committee will, when satisfied, recommend the adoption of the AFSs to the Board.

The Executive Committee of the Board will adopt the AFSs at their Annual General Meeting.