



# **Financial Policies and Procedures Scottish Society of Ottawa**

**FINAL**

**As approved at November 10, 2020 BoD Meeting**

# Table of Contents

<b>1.0</b>	3
<b>2.0</b>	3
<b>3.0</b>	4
<b>4.0</b>	5
<b>5.0</b>	5
<b>6.0</b>	6
<b>7.0</b>	6
<b>7.1</b>	6
<b>7.2</b>	7
<b>7.3</b>	7
<b>7.4</b>	7
<b>7.5</b>	7
<b>7.6</b>	<b>Error! Bookmark not defined.</b>
<b>7.7</b>	7
<b>7.8</b>	8
<b>7.9</b>	<b>Error! Bookmark not defined.</b>
<b>8.0</b>	8
<b>8.1</b>	8
<b>8.2</b>	8
<b>9.0</b>	8
<b>9.1</b>	8
<b>9.2</b>	<b>Error! Bookmark not defined.</b>
<b>9.3</b>	<b>Error! Bookmark not defined.</b>
<b>9.4</b>	8
<b>9.5</b>	<b>Error! Bookmark not defined.</b>
<b>9.6</b>	<b>Error! Bookmark not defined.</b>
<b>10.0</b>	9

**APPENDIX A: PREPARING FOR AN EXTERNAL AUDIT**

**12**

## 1.0 Introduction

The Scottish Society of Ottawa (SSO) wants to ensure that adequate financial resources are available, assets are safeguarded, financial data is reliable, and financial operations are monitored and controlled.

SSO has established a control framework that provides a stable environment and ensures that control practices are repeatable and sustainable. The control framework includes financial, operational and management controls. When these basic controls are operating as intended, they will help SSO to control or minimize financial risks and to produce complete and accurate financial and operational data.

With sound financial and operational data, the organization can carry out its basic financial responsibilities and meet its reporting obligations. The integrity of the data supports operational planning decisions and monitoring activities. It ensures that sufficient funds have been obtained to meet budget and cash-flow requirements, and it satisfies operational reporting requirements.

The primary activities of the financial group involve the traditional accounting functions - processing transactions, bookkeeping and general accounting functions. Finance focuses on ensuring that controls over the financial systems are adequate to produce complete, accurate and timely financial data and to provide functional guidance to operational groups.

The Treasurer along with other members of the Board of Directors will play a role in achieving basic financial management capabilities. This involves establishing realistic financial plans based on expected results, and estimating the resources required to achieve those results. Budgets and financial plans and the data on which these plans are based are typically historical in nature, drawn from past experience. The Treasurer will also track actual progress and resource use against planned results.

## 2.0 Responsibility of Finance Function

The Finance Committee of the SSO is responsible for carrying out the following functions:

- instituting financial controls
- ensuring the integrity of financial and non-financial data
- reporting in accordance with Management and Board requirements
- preparing operational and financial plans and budgets
- monitoring cash flow, and
- monitoring and controlling operations

## 3.0 Internal Controls Management

The purpose of the Internal Controls Management is to establish an internal control framework that will provide management with reasonable assurance that all transactions are completely and accurately recorded on a timely basis, that assets are safeguarded and protected from fraud and losses of all kinds and that resources are received and used in accordance with Board of Directors direction, and applicable SSO General Operating Policy.

Essential activities include:

- establishing, maintaining and communicating internal control policies
- developing cost-effective controls - that is, balancing the need for controls against the costs of developing and maintaining them
- implementing and monitoring internal control activities and procedures and
- correcting any errors that may occur

The output of Internal Controls Management is a control framework that serves the entire organization, and includes such things as:

- policies and guidelines on control
- control-related activities - system edits, physical safeguards, approvals
- reports, for example, exception reports such as receivables past due and
- functional advice and support from the Finance Group

Ultimately, the Internal Controls Management provides a framework that assures senior management that controls inside the organization are operating as intended. More specifically, as the outcome of this, management will have confidence that:

- data is reliable
- organization is in compliance with applicable legislative and regulatory requirements, and
- assets are safeguarded and protected against losses

## 4.0 General Accounting

The purpose of General Accounting is to ensure that the organization maintains proper books that record its financial transactions accurately, completely and promptly. This area is designed to ensure that complete accounting information for financial decision making is available when it is needed.

Essential activities include:

- establishing and communicating accounting policies
- establishing procedures and assigning responsibility for processing general accounting transactions (revenues, receivables and receipts, purchases, payables and payments, reconciliations)
- meeting financial processing and reporting requirements, and
- providing functional guidance and advice throughout the organization

Activities include ensuring that all transactions are authorized, and monitoring and controlling general accounting processes.

Outputs of General Accounting include accurate, complete, timely and reliable financial records and financial reports.

## 5.0 Planning and Budgeting

The purpose of Planning and Budgeting is to support strategic planning and decision making and to serve accountability by enabling managers to plan for the resources needed to deliver a product or service. In the organization as a whole, this area provides a basis for allocating financial resources based on operational plans and objectives.

The essential activities in this area involve establishing operational goals and objectives, which includes:

- determining the activities, schedules and resources needed to achieve established objectives
- developing action plans to meet those objectives, and
- establishing a realistic budget for the activities and resources

These activities typically are based on historical data and past experience. Key activities also include monitoring the organization's progress toward goals and objectives and revising its operational and financial plans and budgets as necessary.

The outputs of Planning and Budgeting include approved operational and financial plans, operating budgets for individual projects and for the organization as a whole, and results that reflect operational goals and objectives.

The outcomes are that the organization can allocate approved resources according to the needs identified in its financial and operational plans and objectives. In addition, the plans provide a basis for controlling operations and holding managers to account for their use of resources to achieve the organization's objectives. The ultimate outcomes of this area are strengthened accountability within the organization, support for strategic decisions, and assurance that the organization's assets are safeguarded.

## **6.0 Operations Control**

The purpose of Operations Control is to enable the organization to ensure that adequate resources are available to achieve its planned results.

The essential activities in Operations Control include tracking and monitoring progress and use of resources against operational and financial plans, analyzing variances or departures from planned accomplishments and correcting any problems.

The outputs include:

- control of budget and resource commitments
- monitoring of resources consumed
- tracking of products or schedules
- management reports that compare actual progress with planned accomplishments and
- analysis of any variances

The immediate outcome is that management is always aware of whether the organization can deliver products or services as planned, and that the resources required to achieve established objectives are available. The ultimate outcome is that planned products or services are delivered on time and within budget.

## **7.0 Specific Internal Management Controls**

### **7.1 Segregation of duties**

A segregation of duties in key financial management functions is necessary to ensure adequate control over disbursements. The Chair should approve invoices and expense statements (except for disbursements to the Chair). EFT transactions should be set up on the bank system by someone other than the person approving the disbursements.

## **7.2 Disbursement authority**

All disbursements require two approvals. Any two of the following people may approve a disbursement:

- Chair
- Vice-Chair
- Corporate Secretary
- Treasurer

The recipient of the disbursement must not be one of the approvers.

## **7.3 New vendors (including contractors)**

There should be controls over additions of new vendors to the vendor database. Any new vendor must be approved by the Chair. The vendor list should be reviewed by the Board Executive on a regular basis, and any vendors that are no longer used should be deleted.

## **7.4 Bank reconciliations**

The accounting system should be reconciled to the bank on at least a weekly basis. Month-end bank reconciliations should be completed within seven days after the end of each month, and signed off by the Treasurer.

## **7.5 Deferred revenue**

Monthly reconciliations for all project or event revenues with deferred revenue are to be completed. This should be completed by the 10th of each month.

Monies received as restricted grants is to be recorded as deferred revenue, and recognized as revenue during the month of the event. Deferred revenue will be recognized in the liability section on the balance sheet.

## **7.6 Investment of Surplus Funds**

The rate of return on investments should be monitored on a weekly basis to ensure that interest earned on surplus funds is maximized. Chequing account balances should be monitored and managed on a daily basis to ensure that any significant fund balances are transferred to an investment account.

### **7.7 Support for disbursements**

All financial disbursements will have appropriate documentation and be approved by the Chair.

## **Budgeting and Planning**

### **7.8 Annual budgets**

Budgets will be developed by the Treasurer, Chair, and respective program leads on an annual basis. The Finance Committee will oversee the development and recommendation to the Board an annual budget for Board approval. Interim budgets may be prepared, as necessary. Interim budgets will also require the Finance Committee recommendation and Board approval.

The Treasurer will provide monthly results with comparatives to budget with explanations for all significant variances. This report will be provided to the Board on a monthly basis.

### **7.9 Financial review**

The Finance Committee should include in its regular meetings a review of the financial results.

## **8.0 Operations**

### **8.1 Accessible, up-to-date financial records**

Financial records shall be maintained in financial database and updated on a daily basis. The general ledger shall be reconciled to the bank accounts on at least a weekly basis, providing the ability to run up-to-date financial reports as required.

### **8.2 Policies & procedures manual**

A policy and procedures manual should be established. This manual should be updated as the SSO grows and changes are made in the management of the organization.

## **9.0 Code of Ethics**

SSO should develop a Code of Ethics, and all employees should be asked to sign a statement acknowledging that they have read the Code of Ethics, and agree to abide by it. Codes of Ethics often address the following areas:

- Confidentiality of customer information
- Protection of business records, property and funds
- Conflicts of interest
- Personal and professional integrity
- Internet use

## Appendix A: Preparing for an External Audit

An external audit can take between half a day and several days, depending on the complexity of the project, how many projects are being monitored, and how organized an organization is. Organizations should prepare for an external audit by ensuring that:

- the appropriate people will be there, such as the Chair and Treasurer
- all records are collected ahead of time (see below)
- any documentation is easily accessible and made available in an efficient manner
- adequate time is scheduled for the visit

An audit can be beneficial to the organization, as well as to the public at large. Use this opportunity to ask any questions, and ensure that staff is aware of the rules governing spending SSO funds.

Required for external audit:

- Employee contracts and payroll records
- Bank statements, deposit books, cancelled cheques, and invoices
- Up-to-date general ledger
- Lease, contracts for rental equipment, 3<sup>rd</sup> party agreements (includes contractors and consultants)
- Up to date inventory list (if applicable)
- Capital assets sub-ledger (if applicable)
- On-site access to the bookkeeper or some other person who knows computer and filing systems

All cancelled cheques, original receipts and invoices should remain on record under the stewardship of the Treasurer. All records must be kept on site for a period of at least six years following the termination date of the Agreements.