

ROYAL AIR FORCE MUSEUM

CODE OF FINANCIAL PRACTICE

1. INTRODUCTION

1.1 The purpose of this Code is two-fold. Firstly, it provides help and advice for staff in the Museum who have responsibility for the management of resources or the control of income and expenditure. Secondly, it lays down procedures to assure the Board of Trustees of the Museum that at all times the financial management of the Museum is conducted in accordance with relevant legislation and official guidance issued by HM treasury. It is based upon the principles set out in Managing Public Money and the Financial Framework which sets out the relationship between the Museum and the Ministry of Defence regarding the payment and use of Grant-in –Aid. It should be read in conjunction with these complementary documents.

1.2 This Code supersedes the Financial Codes issued in 2001.

1.3 The Code applies to both the Museum and its trading subsidiary, Royal Air Force Museum Enterprises Limited, suitably amended where necessary.

2. RESPONSIBILITY

2.1 The Director General, as Accounting Officer, is responsible to the Accounting Officer of the MOD and the Trustees for the effective and efficient use of resources, the solvency of the Museum and for safeguarding its assets and collections. The Trustees are appointed with the approval of the Secretary of State for Defence and are ultimately responsible for the affairs of the Museum as an Executive Non-Departmental Public Body and as a charity. This responsibility cannot be relieved through delegation to the Director General or any sub-committee.

2.2 The Board of Trustees appoints sub- committees from within its membership to specifically deal with audit, finance, development, fundraising, education and remuneration. The terms of reference of each sub-committee were reviewed in 2010 but the actions they take are on behalf of the Trustees as a whole. Their terms of reference are appended at Appendix 1.

2.3 The Director General is responsible to the Board for preparing annually budgetary estimates of income and expenditure for consideration by the Board.

2.4 The Director of Corporate Services (supported by the Head of Finance) is responsible

to the Director General for operational matters concerned with the collection of income and the commitment of expenditure. The Head of Finance is responsible for the compilation of all management accounts and end-of-year financial statements of the Museum.

2.5 In the discharge of these responsibilities members of staff will be designated as Budget Managers who shall be responsible for the control and monitoring of expenditure within budgets allocated to them. They are responsible for ensuring that the action they take is in accordance with this Code of Financial Practice.

3. THE BUDGET

3.1 Preparation

The Director General is responsible for the preparation of annual budgetary estimates of income and expenditure. Both a resource and a capital budget should be prepared.

3.2 Approval of Annual Budget

The Trustees may not delegate the approval of this budget which will normally be scrutinised through the Board's Finance Committee which will recommend approval to the Full Board. This process should be completed prior to the start of the financial year in question (by 31st March). The budget for Royal Air Force Museum Enterprises Limited will be submitted by the Commercial Services Director for the approval of the trading company Board at its Spring meeting.

3.3 Expenditure Against the Budget

Once the Board has approved the annual budget, the Director General is authorised to incur any expenditure against the budget, so long as it is in accordance with this Code. The budget underpins the Museum's annual business plan. (The Director General may authorise expenditure against Trustees' funds for any single item up to £2,500 where no more than £5,000 in total is authorised in any single accounting period). The Trustees' Finance Committee may authorise expenditure of Trustees' funds without reference to the Full Board in exceptional circumstances where the expenditure is consistent with the overall strategic direction of the Museum.

3.5 Monitoring

The Director Corporate Services is responsible for presenting to the Board's Finance Committee at each of their meetings a set of management accounts in a format agreed by the Committee. At a lower level the Accounts Section is responsible for the preparation and processing of information in the form of standard ledgers and reports required for accounting purposes.

3.5.1 Designated Budget Managers are responsible for monitoring expenditure against the budgets

allocated to them. All Budget Managers have access to the Museum's core computerised accounting system – SAGE. Access levels and authority levels within the system are determined by the Head of Finance after consultation with the Director of Corporate Services.

3.6 Budget Management

Budget Managers will receive notification of their allocations from the Head of Finance following the approval of the annual budget. The Head of Finance will maintain a list of budget holders and the budget codes which each budget holder has access to or control over. Any virement between budget codes will only be undertaken in consultation with the Head of Finance.

3.6.1 Budget Managers will bring to the attention of the relevant Divisional Director any actual or projected overspend or underspend as soon as it becomes known. The Head of Finance will report any significant variances which become apparent to the Director Corporate Services. Any savings resulting are to the Museum as a whole and may be carried forward in accordance with the provisions of the Financial Framework.

3.7 Audit

All parts of the Museum may be subject to Internal Audit at any time. The Director Corporate Services is the focal point for internal audit and the Trustees' Audit Committee will appoint suitable internal auditors and agree a programme of work to be undertaken annually. The Museum's Annual Financial Statements shall be subject of audit by the National Audit Office. All financial records will be retained by the Accounts Section for a period of at least six years for audit and tax purposes. Particular attention will be paid to the observation of policy in relation to claims for travel and subsistence expenditure and the receipt of gifts or corporate hospitality.

4. BANKING

4.1 The Museum's principal bankers are Barclays Bank Plc., The Head of Finance may open accounts with other financial institutions in consultation with the Director of Corporate Services and the approval of the Director General. The Trustees' Finance Committee will be advised of any changes. The same Committee will advise on investment of Trustee Funds taking account of the Museum's policy on reserves. All funds due to the Museum shall be deposited in an account maintained with these institutions. The Museum has an appropriate policy (expressed in the Annual Financial Statements) setting out its position in relation to the creation of a reserve.

4.2 The signatures for the authorisation of transactions in relation to these accounts shall be as approved by the Director of Corporate Services. Authorisation for the expenditure of funds shall require two signatures from the following group of authorised signatures:-

- Director General
- Director Corporate Services
- Director Commercial Services
- Head of Finance
- Senior Keeper

- The Head of Retail may be a second signature in respect of Trading Company expenditure.

Any single item of expenditure in excess of £50,000 requires the signature of at least one Director or the Director General. Single payments in excess of £100,000 should be reported to the Trustees' Audit Committee annually.

4.3 All administrative arrangements with the Museum's bankers regarding the bank account and the issue of cheques are under the control of the Head of Finance. .

5. BORROWING

5.1 Exceptionally, short- term borrowing for temporary revenue purposes may be authorised by the Director General, but only after consultation with the Chairman of the Board of Trustees. The Director General shall report such short-term borrowing to the Board of Trustees at the earliest opportunity and it must not exceed £100,000.

5.2 Borrowing for sums of any amount for periods in excess of 12 months requires the prior authorisation of the Board of Trustees.

6. INCOME

6.1 General

6.1.1 The Head of Finance is responsible for the collection of all monies due to the Museum and for the form of all receipt forms, books, tickets or other official acknowledgements of monies received. Any monies due to the Museum which are considered doubtful debts can only be written off in accordance with the provisions of this Financial Code.

6.1.2 Monies due to the Museum from external organisations or persons shall be requested on Museum invoices unless otherwise agreed with the Head of Finance. All specific unsolicited donations will be recorded on the appropriate form which should record whether the donation represents Trustee funds and the nature of any restriction imposed.

6.2 MOD Grant-in-Aid

The arrangements covering the payment and receipt of Grant –in-Aid are set out in the Financial Framework.

6.3 Collection of Money and Banking

6.3.1 All monies received must be paid promptly into the accounts office or where this is not practical, with the agreement of the Head of Finance, paid directly into the Museum's bank account. Such money should be paid over gross (ie, payments may not be made out of receipts) and to be accompanied by supporting documentation for audit purposes.

6.3.2 As a safeguard against misappropriation of income and to ensure that credit control procedures are applied, Budget Managers and others concerned with the generation of income should ensure that notification of the need for a sales invoice is rendered to the Accounts Department for all income due to the Museum as soon as the service has been agreed. The approval of the Head of Finance is required for any departure from the Museum's invoicing system.

6.4. Credit Notes

6.4.1 Requests for credit notes should be submitted to the Head of Finance and should be approved before they are raised.

6.4.2 Requests for credit notes in respect of the Trading Company may be dealt with by the Head of Retail who may authorise credit notes to the value of goods accepted as "returned" in accordance with standard procedures.

6.5 Bad Debts

The authority for writing-off bad debts rests with the Head of Finance, but those for amounts in excess of £500 require the approval of the Director General.

6.6 Disposal of Items on the Asset Register

6.6.1 This paragraph covers the disposal of any asset belonging to the Museum (excluding items which form part of the Museum's collections) which is included on the Asset Register – most commonly equipment and furniture

6.6.2 In cases where it becomes apparent that an item needs to be disposed of, the case should be referred to the Director of Corporate Services who shall determine the most appropriate means of disposal, where applicable.

6.6.3 The Asset Register should be amended accordingly and the Head of Finance will determine

where the income should be shown.

7. EXPENDITURE

7.1 General

The Director General is ultimately responsible for all payments made by or on behalf of the Museum.

7.2 Salaries and Wages

The Personnel Manager, under the supervision of the Director of Corporate Services, shall be responsible for the maintenance of personnel records and for the provision of relevant information to enable all salaries, wages, pensions and other emoluments to be paid. The Head of Finance is responsible for ensuring such payments are made and for the maintenance of the related records, including those of a statutory nature.

7.2.1 All payments for salaries, wages, expenses and subsistence must be made by or arranged by the Accounts Section. All remuneration payments must be made through either the 'Bath' payroll or the Museum's own payroll system, unless an alternative arrangement has been agreed in writing by the Head of Finance.

7.2.2 Payments are made in accordance with pay levels determined through the Museum's Pay Negotiating Committee or the Trustees' Remuneration Committee.

7.3 Orders and Contracts for Goods and Services

7.3.1 It is a requirement that goods and services purchased by the Museum satisfy operational requirements and are obtained expeditiously and economically. Budget Managers are responsible for all purchase orders issued by them.

7.3.2 Budget Managers shall ensure that purchases are made at the most favourable rate by obtaining quotations or through a tender process. Where the lowest price is not accepted, details of the circumstances shall be recorded in writing.

7.3.3 The procedures shall be as follows:-

Value of Order

Up to £2,000

Requirements

The Budget Manager shall use good sense as to the need to obtain information in addition to an estimated price from a supplier.

£2,000 to £30,000	Three written quotations are required.
Over £30,000	Three competitive tenders are generally required.

Except where the goods are only obtainable from a single supplier and there is no genuine price competition.

Except where repairs for existing plant and machinery are required or the product needs to be compatible with existing installations and the budget holder considers that this work should be carried out or provided for by the original supplier.

7.3.4 The levels for authorisation of purchase orders shall be laid down by the Head of Finance after consultation with the Director of Corporate Services and notified to budget holders. The levels will be incorporated in the Museum's SAGE system.

7.3.5 The arrangements for authorisation of orders to be paid for by the Museum's Purchase Grant shall be as follows:-

<u>Value of Order</u>	<u>Authorisation</u>
Up to £5,000	Head of Collections
Over £5,000	Director General - Countersigned by Chairman of Trustees

7.4 SPECIAL AUTHORISATIONS

7.4.1 The principle stated in the preceding paragraphs (authorisation of orders) shall apply to any contracts entered into in relation to building works or the maintenance and service of building equipment. The Buildings & Services Manager shall be authorised to enter into contracts for the provision of building services. Contracts in excess of £30,000 shall require the approval of the Director of Corporate Services.

7.4.2 The Buildings & Services Manager shall use his best endeavours to ensure that a wide variety of contractors employed in building work are used at the Museum, by using an approved list of contractors which shall be maintained by the Museum. This approved list of contractors will take into account the financial viability, size and experience of the contractor and include systems to ensure security of contractors' staff working on Museum premises.

7.4.3 The Head of Retail shall be authorised to enter into contracts not exceeding £10,000 on purchase of stock for sale in the shop or by mail-order. Contracts or orders exceeding £10,000 shall require the approval of the Director Commercial Services.

7.5 PURCHASING PROCEDURES

7.5.1 Orders may only be placed by Budget Managers. All purchase orders will be placed through the Museum SAGE system.

7.5.2 The current price, or an estimate of it, must be obtained before an order is placed and the details must be entered on the order. The person placing the order must ensure that the expenditure is a valid charge on the Museum and that adequate funds are available to meet the expenditure.

7.5.3 Budget Managers should be aware that occasionally firms offer gifts and inducements which overreach the acceptable limits of general available promotional handouts, eg, diaries and pens or routine hospitality. Such offers must not be accepted and must be reported in accordance with Museum policy. Budget Managers are advised that the acceptance of gifts or inducements to influence purchasing decisions is a disciplinary offence. Orders must not be given to a firm which transacts business in this way.

7.5.4 Official Museum purchase order forms must not, in any circumstances, be used for making personal purchases.

7.5.5 The policy of the Museum is not to pay for goods or services until deliveries have been made and found to be satisfactory for the intended purpose. However, under certain circumstances the supplier may be justified in requiring part or full payment in advance.

7.5.6 Orders must not be placed by telephone unless the circumstances are a matter of urgency. The verbal order must include the number of the purchase order which must be used and issued on the same day and must be clearly marked as a confirmatory order.

7.6 CONTRACTS

7.6.1 This paragraph applies to the contracts for services, works or supply of goods which provide for payment to be made in instalments against a certificate including partial staged or final performance against a specification. All contracts must be signed-off by a Director of the Museum unless entered into by the Buildings & Services Manager or Head of Retail as set out above.

7.6.2 The Head of Finance shall ensure that a register is kept recording amounts due and payments made under such contracts.

7.6.3 All payments to contractors on account of contracts shall be made in accordance with

such contracts and the appropriate Budget Manager shall supply the Head of Finance with details of the total amount of the contract, the estimated total value of the work and details of monies held by way of retention, VAT, liquidated and ascertained damages in respect of unsatisfactory work, the amounts previously paid and the amount now due for payment.

7.7 AUTHORISATION OF INVOICES FOR PAYMENT

7.7.1 Budget Managers shall be responsible for the validity and accuracy of invoices passed to the Accounts Section for payment. The museum policy is to settle invoices within 30 days from the end of month of receipt. Authorisation of an invoice for payment by a Budget Manager or authorised signature shall be taken to mean:-

- a) That the goods and services have been received.
- b) That prices are correct.
- c) That the coding is correct and that adequate funds exist to meet the expenditure from the budget.
- d) That the expenditure was a valid and approved charge on the Museum.
- e) That calculations are correct.

7.7.2 Budget Managers must supply the Head of Finance Officer with specimen signatures of persons whom they authorise to approve invoices for payment.

8. EXPENSES

8.1 Staff shall be reimbursed for actual expenses incurred whilst on Museum business within and subject to the current rates and regulations approved by the Museum. Details of expenses payable for travel and subsistence are contained in the Travel & Subsistence Policy which forms part of the Staff Handbook.

9. PETTY CASH

9.1 Some Budget Managers may have a cash imprest, to enable them to make minor purchases and to meet small expense claims. The Head of Finance will determine the amounts held in these circumstances.

9.2 Security of the imprest and the authority for purchases of a minor nature should be the responsibility of one person delegated by the Budget Manager. When responsibility for holding the

petty cash is transferred, it must be balanced before transfer.

9.3 Petty Cash boxes must be kept locked and stored with an appropriate record in a secure place when not in use. Vouchers for petty cash disbursements must be obtained and forwarded to the Accounts Department when making claims for reimbursement.

10. ASSETS REGISTER

10.1 An asset register shall be maintained by the Head of Finance.

10.2 Each Budget Manager shall be responsible for all items within his/her area and shall arrange for them to be checked annually. All assets should carry an identification mark.

10.3 Disposal of any of items shall be in accordance with paragraph 6 of this code.

11. VALUE ADDED TAX

11.1 The Head of Finance shall maintain the VAT records for the Museum and shall make all VAT payments and receive all VAT credits as appropriate.

12.2 The Accounts Section provides VAT advice to Budget Managers in the Museum as requested. Budget Managers are advised in writing when specific changes take place which affect the Museum in general.

12.3 In general, most of the supplies made by the Museum may be regarded as falling within the scope of VAT. If Budget Managers are in any doubt they should consult the Head of Finance.

