

MG ALBA

FINANCIAL REGULATIONS

1 **FORMAT OF FINANCIAL REGULATIONS**

The Financial Regulations cover all aspects of the administration of MG ALBA's financial affairs and have been grouped in accordance with the main elements of financial administration as follows:

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FINANCIAL REGULATIONS

2 INTRODUCTION

- 2.1 MG ALBA (the operating name of Seirbheis nam Meadhanan Gàidhlig or Gaelic Media Service) is committed to delivering a high quality service.

In order to conduct its business efficiently, MG ALBA must have sound financial management policies that are strictly adhered to, which are set out in these Financial Regulations. These are to be read along with the MG ALBA Standing Orders, Members' Code of Conduct and Scheme of Delegation.

- 2.2 MG ALBA has appointed a proper officer to take responsibility for the administration of its financial affairs. MG ALBA has resolved to appoint the Chief Executive as the proper officer to take responsibility for the administration of its financial affairs.
- 2.3 Members of the Board ("**Members**") and MG ALBA staff officers ("**Officers**") have a responsibility for fostering the culture and attitudes that are necessary for good governance. Full details of the relevant roles and responsibilities are set out in MG ALBA's Members' Code of Conduct and Standing Orders.

3 STATUS OF FINANCIAL REGULATIONS

- 3.1 The Financial Regulations provide the framework for the management of MG ALBA's financial affairs. They apply to every Member and Officer of MG ALBA and anyone acting on its behalf. Additionally, all members and officers have a general responsibility for ensuring that the use of MG ALBA's resources is legal, properly authorised and provide value for money.
- 3.2 The Chief Executive is responsible for maintaining a continuous review of the Financial Regulations, including the financial limits contained in the Regulations and submitting any changes, other than of a minor nature, to the Board for approval.
- 3.3 The Chief Executive is also responsible for issuing procedures, guidance and advice to underpin the Financial Regulations, and for investigating any breach of the Regulations.

FINANCIAL REGULATION A – FINANCIAL MANAGEMENT AND PLANNING

A.1 INTRODUCTION

1.1 Financial Management and Planning incorporates the various elements associated with the development, maintenance and monitoring of MG ALBA's financial strategy and financial position. These are:-

- Operational and Corporate Plans
- General Accounting Framework
- Budgets
- Monitoring
- Management Accounts and Annual Statutory Accounts

A.2 OPERATIONAL AND CORPORATE PLANS

2.1 A Corporate Plan will be prepared as instructed by the Board outlining MG ALBA's objectives for a five year period and will be updated annually. It will set out the strategic approach to be adopted by MG ALBA in performing its functions. An annual Operational Plan will set out in detail the objectives for the financial year together with a detailed budget and budget narrative. So far as possible, the annual Operational Plan will also outline the financial consequences of proposals contained in the Corporate Plan that relate to the year in question.

2.2 The Corporate Plan and the annual Operational Plan for the following year will be submitted to the Board and thereafter the Operational Plan will be submitted to Ofcom no later than 31 December of the year preceding the start of those Plans.

A.3 GENERAL ACCOUNTING FRAMEWORK

3.1 The Director of Finance must ensure that adequate systems of accounting control are maintained.

3.2 When considering, agreeing and implementing a capital investment strategy MG ALBA will take account of a variety of factors such as value for money, return on investment, asset management planning, practicality and achievability. The Director of Finance is responsible for reporting to MG ALBA on all relevant matters that are required to be taken into account. The Director of Finance is also responsible for establishing procedures for monitoring the capital investment strategy.

3.3 It is the responsibility of the Director of Finance to ensure appropriate procedures and instructions are issued for:-

- developing, maintaining and reviewing the overall budget strategy.
- producing annual revenue and capital budgets.
- producing annual activity and output budgets.
- budget monitoring.
- storage and disposal of financial records.
- producing financial management information monthly, such as monthly management accounts, reports on actual expenditure vs budget/forecast, and budget holders' reports.

- submission of statistical returns
 - adhering to protocols agreed with Ofcom and the Scottish Government; and
 - completion of the Statutory Abstract of Accounts.
 - ensuring that all MG ALBA assets utilised by third parties are properly recorded and accounted for.
- 3.4 The Chief Executive is ultimately responsible for ensuring the proper completion of claims for government grants and other sources of income. Members are responsible for timeously providing information requested by the Chief Executive for this purpose.
- 3.5 Board reports must contain a statement of financial implications, and confirmation that the Director of Finance has verified the financial content of the report.
- 3.6 Officers must notify the Director of Finance in writing of any proposed variations to budgets.

A.4 BUDGETS

4.1 Capital Planning Process

The Director of Finance is responsible for ensuring that MG ALBA agrees and implements a capital investment and planning strategy that fully complies with all relevant statutory provisions and MG ALBA policies. The strategic approach to capital investment will be integrated with asset management planning and option appraisal.

4.2 Capital Budget

The Director of Finance is responsible for ensuring that a detailed capital budget is prepared annually as part of the agreed capital investment and planning strategy. The Director of Finance is responsible for co-ordinating the budget and submitting it to the Senior Management Team. The Senior Management Team will submit the capital budget to the Board for approval.

4.3 Revenue Budget

The Director of Finance is responsible for presenting, annually, a revenue budget to the Senior Management Team. The Senior Management Team will submit the revenue budget to the Board. The Board will consider and approve the revenue budget including the revenue consequences of the capital programme.

4.4 Submission of Budgets

The capital budget and revenue budget will be submitted as budget proposals to the Board for approval not later than 31 December in the year preceding the financial year to which they relate. In practice, this will form part of the Operational Plan.

4.5 Budget Expenditure and Movement

No expenditure will be incurred unless there is provision for that expenditure in the budget contained in the Operational Plan approved by the Board. There may be movement between budget heads with the approval of the Chief Executive after consultation with the Director of Finance. Any movement of more than 10% or £200k (whichever is lesser) in any budget head will require the approval of the Audit & Assurance Committee and subsequently reported to the Board.

4.6 Financial Year

The financial year of MG ALBA is 1 April to 31 March.

A.5 MONITORING

5.1 General

The Director of Finance is responsible for providing appropriate financial information to enable budgets to be monitored effectively. It is the responsibility of budget holders to control income and expenditure within MG ALBA and to monitor net expenditure against the agreed budget.

5.2 Monitoring Requirements

MG ALBA is responsible for establishing a monitoring and control framework. Under the approved framework the Director of Finance is responsible for monitoring and, where necessary revising, the budget during a financial year.

5.3 Budgetary Control and Reporting

5.3.1 Financial performance will be monitored against budget and reported at least quarterly to the Board. The Director of Finance will be responsible for providing financial performance reports to the Senior Management Team (internal) and to the Scottish Government (external) on a monthly basis. Quarterly Finance Pack including accounts will be issued to the members of the Audit & Assurance Committee for information purposes only. Ofcom and the external auditors will also receive quarterly management accounts and updates.

5.3.2 Systems of budgetary control will be devised and maintained to include regular financial reports as prescribed above containing –

- income and expenditure to date and forecast year end position
- explanations of any material variations
- details of any corrective action necessary
- the issue of timely, accurate and comprehensible advice on financial reports to each budget holder covering the areas for which they are responsible

5.3.3 Each budget holder will be responsible for the management of their budgets within the approved policies of the Board.

5.3.4 Budget holders must prepare a yearly budget projection and submit these to the Director of Finance. The Director of Finance is responsible for monitoring the overall budget and reporting on the financial position on a monthly basis to the Senior Management Team and at least quarterly to the Board meeting following the end of June, September and December each year.

5.3.5 The Director of Finance is also responsible for reporting the final outturn report to the Board.

A.6 MANAGEMENT ACCOUNTS AND ANNUAL STATUTORY ACCOUNTS

6.1 An effective system of internal financial control will be maintained including detailed financial procedures and systems incorporating the principles of separation of duties and internal checks.

6.2 Sufficient records will be maintained to show and explain MG ALBA's transactions in order to disclose, with reasonable accuracy, the financial position of MG ALBA at any time.

6.3 Accounting policies will be set consistent with appropriate guidance and all accounting procedures and records will be consistent with any form of accounts prescribed.

6.4 Annual Statutory Accounts will be prepared, audited and submitted to the Board for approval no later than 31 May in respect of the financial year finishing on the 31 March.

- 6.5 The Director of Finance is responsible for ensuring that the Annual Accounts are produced in compliance with the Members' Code of Conduct, Standing Orders, relevant legislation and accounting requirements.
- 6.6 The Director of Finance shall submit a copy of the Abstract of Accounts to Ofcom in accordance with the agreed timetable and as soon as possible following the end of the relevant financial year.

A.7 ACCOUNTS AND AUDIT

- 7.1 MG ALBA shall keep proper account and proper records in relation to the accounts, and shall prepare in respect of each financial year a statement of accounts in such form as Ofcom may direct.
- 7.2 The accounts of MG ALBA shall be audited by professional auditors to be appointed by MG ALBA with the approval of Ofcom.
- 7.3 MG ALBA shall at all reasonable times upon demand made by Ofcom or by persons authorised by them in the behalf:-
- afford to them full liberty to examine the accounts of MG ALBA; and
 - furnish them with all forecasts, estimates, information and documents which they may require with respect to the financial transactions and commitments of MG ALBA.
- 7.4 With the approval of the Audit & Assurance Committee or if directed by the Board, the Chief Executive shall appoint and direct an internal auditor to examine and report on any aspect of the governance, internal controls and risk management of MG ALBA. The internal audit must maintain objectivity and not assume management responsibility and the internal auditor will have direct access to the Chair of the Audit Committee at all times.

A.8 ANNUAL REPORTS

- 8.1 As soon as possible after the end of each financial year, and not later than 31 July in the financial year following the year in question, MG ALBA shall prepare a general report of their proceedings during that year and transmit it to Ofcom.
- 8.2 The report shall have attached to it the statement of accounts for the year and a copy of any report made by the auditors on that statement.
- 8.3 Ofcom shall be responsible for sending a copy of each annual report received by them in accordance with this paragraph to the Secretary of State who shall lay copies of it before each House of Parliament.

FINANCIAL REGULATION B – RISK MANAGEMENT AND INTERNAL CONTROL

B.1 INTRODUCTION

- 1.1 It is essential that robust systems are developed and maintained for identifying and evaluating on an integrated basis all significant strategic and operational risks to MG ALBA. This involves the proactive participation of all those associated with planning and delivering services.

B.2 APPLICATION OF FUNDING

- 2.1 MG ALBA may make grants out of the Gaelic Broadcasting Fund or otherwise apply it for any of the purposes of carrying out its functions or for any purpose connected with the carrying out of those functions. In carrying out its functions, MG ALBA may apply its funds in or for:-
- financing or engaging in the making of television and radio programmes in Gaelic primarily with a view to the broadcasting or transmission of such programmes so as to be available to persons in Scotland.
 - financing or engaging in the training of persons employed or to be employed in connection with the making of such programmes; and
 - other purposes connected with or related to the making of such programmes and;
 - financing or undertaking research on the types of programmes in Gaelic that ought to be broadcast or otherwise transmitted.

B.3 AUDIT AND ASSURANCE COMMITTEE

- 3.1 MG ALBA is required to operate a sound system of corporate governance covering all aspects of its business
- 3.2 MG ALBA will operate an Audit and Assurance Committee. The Audit and Assurance Committee's role will be to review and monitor MG ALBA's activities in relation to the following areas of corporate governance by:-
- reviewing and promoting MG ALBA's system of internal control, both financial and otherwise, aimed at ensuring that MG ALBA's activities are carried out in an orderly and efficient manner, and that its assets are safeguarded.
 - evaluating MG ALBA's control environment, including measures to prevent and detect fraud.
 - monitoring the independence and effectiveness of internal and external audit.

3.3 Establishment and Composition

- The Audit and Assurance Committee will meet at least twice per year and once per year with the external auditors.
- The Audit and Assurance Committee must have at least 3 MG ALBA Members none of which is the Chairperson of MG ALBA or any other MG ALBA committee.
- The Audit and Assurance Committee must have at least one Member with a financial background or can co-opt an independent financial adviser.
- One Officer of MG ALBA shall be the Secretary of the Committee.

3.4 Role of the Audit and Assurance Committee

3.4.1 The remit of the Audit & Assurance Committee is as follows:

- to review internal controls, risk management and corporate governance arrangements and advise the Board on the scope and conduct of any internal audit;
- to recommend the adoption of suitable accounting policies and approval of the Governance Statement in the Annual Report;
- to advise the Board on selection, appointment, removal and remuneration of external auditors and internal auditors, assessing their effectiveness and the scope of their work;
- to monitor management action to implement agreed audit recommendations on governance, risk management and control;
- to ensure that policies, procedures and systems are appropriate, compliant with legislative requirements and duly implemented;
- to oversee the development of appropriate policies and procedures and gain appropriate assurances that these are operating effectively;
- to assess risks and MG ALBA's own effectiveness, including arrangements put in place by management to secure economy, efficiency and effectiveness or Value for Money (VFM);
- To oversee and provide challenge to Management's risk management arrangements;
- To oversee effective procedures on whistleblowing and antifraud;
- to review remuneration policy and advise the Board annually about the remuneration and benefits of the Chief Executive and staff;
- to review the pension arrangements on at least a 3-yearly basis.
- to periodically monitor the fixed asset and IP register at least every 3 years.

3.4.2 The Audit and Assurance Committee must also ensure:

- that the Committee is updated on legal and regulatory issues.
- that all Members and Officers abide by MG ALBA's declaration of interest policy.

3.4.3 The role of the Audit and Assurance Committee is to assess:

- the external auditor's Letter of Comment.
- the Committee's own effectiveness.

3.4.4 The Audit and Assurance Committee will further:

- Monitor and minimise the risk of potential litigation.
- Instruct the Chief Executive to commission a qualified independent auditor to carry out internal or systems audits if deemed appropriate
- Carry out other duties as determined by the Board from time to time.

3.5 Reporting

- The secretary to the Committee shall circulate the minutes of the Committee to all members of MG ALBA.
 - The Audit and Assurance Committee Secretary reports directly to the Chief Executive.
- 3.6 The Committee is authorised by MG ALBA to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any reasonable request made by the Committee.
- 3.7 Subject to the prior approval or direction the Audit and Assurance Committee have authority to:
- enter at all reasonable times any MG ALBA premises or land.
 - access all records, documents and correspondence relating to any aspect of internal audit .
 - require and receive such explanations as are necessary concerning any matter under examination; and
 - require any employee of MG ALBA to produce cash, stores or any other MG ALBA property under that person's control.
- 3.8 Wherever any matter arises which involves, or is thought to involve, a fraud or irregularity that affects the affairs of MG ALBA, the relevant Members, Officers or Employees must immediately notify the Director of Finance or, if appropriate, make a public interest disclosure in line with MG ALBA's whistleblowing policy. Thereafter an investigation is carried out in line with the procedures issued by the Director of Finance or the procedures in the whistleblowing policy.

B.4 RISK MANAGEMENT AND INSURANCE

- 4.1 MG ALBA has a responsibility to have in place effective risk management systems and a risk management policy.
- 4.2 The Director of Finance is responsible, in consultation with Members and Officers for developing and maintaining a risk management strategy in accordance with the risk management policy. Members, Officers and all Employees must promptly notify the Director of Finance of all new risks as they become apparent or of any alterations or changes in the existing level of risk.
- 4.3 The Director of Finance is responsible for reviewing risks annually and determining the balance between insurance through external cover and self-insurance. The Director of Finance will place insurance cover following that assessment through a tendering process.
- 4.4 Members and Officers must immediately notify the Director of Finance in writing of any loss, liability or damage or any event likely to lead to a claim and must inform the police where appropriate, in accordance with the claim procedures provided by the Director of Finance.
- 4.5 The Director of Finance negotiates all claims in consultation with Members and MG ALBA's insurers, where applicable.
- 4.6 All MG ALBA Officers shall obtain the approval of the Director of Finance prior to giving any indemnity on behalf of MG ALBA.
- 4.7 All MG ALBA Officer should ensure that cash holdings are minimised and do not exceed relevant insurance limits.

B.5 CUSTODY AND SECURITY OF ASSETS, STOCKS AND STORES

- 5.1 All MG ALBA Officers are responsible for maintaining proper security, care and custody of all buildings, stocks, stores, furniture, equipment, cash and other property including that owned by third parties.
- 5.2 The Chief Executive must ensure that proper contingency planning arrangements are in place for all critical services and systems. The Chief Executive must ensure that adequate procedures are in place in order that all computer systems are backed up at appropriate intervals and that back up media are held securely.
- 5.3 Disposal or write-offs of stores, plant, furniture and equipment with a cost of up to £100,000 must be carried out with the prior approval of the Director of Finance and the Chief Executive. Disposals of a value of £100,000 and above must receive the prior approval of the Board.
- 5.4 MG ALBA property must not be removed from MG ALBA premises other than for MG ALBA purposes except in accordance with MG ALBA policy.

B.6 BANKING ARRANGEMENTS

- 6.1 The Director of Finance is responsible for ensuring that arrangements are made for the provision of mainstream banking services and that the contract is renewed periodically by a competitive process.
- 6.2 The Director of Finance makes arrangements regarding the opening and operation of all MG ALBA bank accounts and use of banking services in the name of MG ALBA, Gaelic Media Service or Seirbheis nam Meadhanan Gàidhlig.
- 6.3 Arrangements will be made for the appointment of bankers in accordance with the provisions for the letting of contracts set out in these Regulations.
- 6.4 No MG ALBA monies will be held in any bank accounts outwith those approved by the Board.
- 6.5 Detailed arrangements and instructions on the operation of bank accounts will be prepared and maintained, including:
 - the conditions under which each bank account is to be operated
 - those authorised to sign cheques or other orders drawn on MG ALBA's bank accounts, and the limits of their authority.
- 6.6 Banking arrangements will be reviewed at regular intervals to ensure that they reflect best practice and represent best value for money. MG ALBA is not permitted to enter into overdraft arrangements.

FINANCIAL REGULATION C – SYSTEMS AND PROCEDURES

C.1 INTRODUCTION

- 1.1 Sound systems and procedures are essential for an effective framework of accountability and control.

C.2 INCOME

- 2.1 The recovery and collection of all money due to MG ALBA is undertaken in accordance with guidelines issued by the Director of Finance. The guidelines will include procedures for issuing accounts, recording income, paying in cash, under and over banking, security and insurance of cash, cash transfers, personal cheques and the supply of receipts and tickets.
- 2.2 Accounts should be issued for sums due to MG ALBA, unless alternative arrangements have been agreed with the Director of Finance. All MG ALBA Officers must:
- ensure the prompt rendering of accounts in connection with work done, goods supplied or services rendered.
 - ensure that all money received by MG ALBA is paid directly to the MG ALBA's bank account.
 - Provide such information as is required to establish income due to MG ALBA.
- 2.3 Where accounts have not been issued other appropriate arrangements must be adopted and promptly initiated in line with the guidelines issued by the Director of Finance.
- 2.4 The Director of Finance in consultation with the Chief Executive is authorised to write off any single miscellaneous debt of up to £3,000 where MG ALBA has tried all reasonable means of debt collection.
- 2.5 In addition, the Director of Finance, in consultation with Members and the Chief Executive, is authorised to write off any amount of miscellaneous debt that cannot be recovered where the debtor:-
- is a debtor in bankruptcy or sequestration (and a suitable claim has been made); or
 - is a company in liquidation, receivership, administrative receivership, dissolution, or has been struck off the register of companies (and a suitable claim has been made); or
 - cannot be traced; or
 - is deceased and there are no funds in the estate; or
 - the debt has prescribed (i.e. outwith the legal time limit for collection).
- 2.6 All monies received will be banked promptly.

C.3 SALARIES AND WAGES

- 3.1 The Audit & Assurance Committee is responsible for remuneration policy and for recommending to the Board the annual pay bill as a constituent element of the Operational Plan for the following financial year. The Board is responsible for authorising the pay bill and any variations to the total pay bill, and for ensuring that:
- all documents authorising variations to pay are submitted in accordance with conditions of service, MG ALBA policies and other statutory provisions.

- The Director of Finance is provided with such information as is required to complete MG ALBA's statutory returns.
- 3.2 The Director of Finance is responsible for processing and payment of salaries, wages, compensations and other emoluments to employees or retiring allowances to former employees.
- 3.3 The Director of Finance is responsible for paying employers pension contributions to the relevant pension provider, and tax and National Insurance contributions to HM Revenue and Customs.

C.4 EXPENSES

4.1 The Director of Finance is responsible for issuing guidance on and reimbursement of travelling and subsistence expenses to officers and Members.

4.2 Authorised Signatories

Payment of expenses is only to be made on the authorisation of the appropriate authorised signatory.

The appropriate signatory is set out in the table below

Request for expense made by	Authorised Signatory
Any Officer (excluding those undernoted)	Line Manager
Chief Executive	Chairperson
Chairperson and Members	Chief Executive in capacity as Accounting Officer

4.3 Officers and Members are responsible for ensuring that:

- claims for expenses are submitted in accordance with conditions of service, MG ALBA policies and other statutory provisions.
- the Director of Finance is advised of the Officers authorised to approve claims and applications on their behalf; and that this information is also provided to the Director of Finance for audit purposes.
- the Director of Finance is provided with such information as is required to complete MG ALBA and statutory returns.

C.5 ORDERS FOR WORK, GOODS AND SERVICES (Ex VAT)

5.1 Only Budget Holders shall have the authorisation to place orders for works, goods and services from their budgets.

5.2 The following levels of authorisation shall apply to orders for works, goods and services:

Value of order for works, goods or services	Required level of authorisation for order
Up to £2,000	• Budget Holder
£2,001 – £50,000	• Budget Holder and one of:

	<ul style="list-style-type: none"> • Director of Finance or • Business Affairs Manager
£50,001 - £500,000	<ul style="list-style-type: none"> • Budget Holder and • Director of Finance and • Chief Executive
Over £500,000	<ul style="list-style-type: none"> • Budget Holder and • Director of Finance and • Chief Executive and • Chairperson
Programmes with an estimated cost of over £100,000 per hour	<ul style="list-style-type: none"> • Board

- 5.3 In addition, material amendments to financial commitments already approved in terms of 5.2 above, shall be re-submitted for consideration prior to any amendment taking effect.
- 5.4 A “material amendment” means either (i) any change to the total contract sum in excess of the lower of 10% of contract value or £30k or (ii) any aggregate change to contracted hours of 10% or more. The Authoriser will also be required to consider any significant proposed change to contract specification.
- 5.5 Orders must comply with directions issued by the Director of Finance and with the MG ALBA procurement policy, processes and Scheme of Tender Procedures.
- 5.6 Whenever budget holders delegate responsibility for authorisation of orders they must obtain the approval of the Director of Finance in writing of the Officers with delegated authority.
- 5.7 Orders for items subject to contract should be placed with the contracted supplier. For construction contracts orders shall only be placed with organisations that hold a relevant construction industry registration certificate.
- 5.8 Official order forms will be issued for all work, goods or services to be supplied to MG ALBA except for:
- supplies of public utility services.
 - periodical payments such as rent or rates.
 - petty cash purchases.
 - purchases made using debit cards, credit cards or purchase cards, where this has been agreed with the Director of Finance;
 - TV, Radio and On-line content and training grants; or
 - other exceptions agreed with the Director of Finance.
- 5.9 The procurement of all goods including mobile telephones, IT equipment, office equipment and other moveable assets will be subject to business case and value for money criteria as evidenced in appropriate procurement forms.
- 5.9 All procurement will be undertaken in compliance with the Public Contracts (Scotland) Regulations 2012 and EU regulations unless there is an express provision to the contrary.
- 5.10 Before entering into leasing agreements Officers must consult with the Director of Finance to establish the correct accounting treatment for the lease.

C.6 PAYMENT PROCEDURES

6.1 Certification of Invoices (inc. VAT)

6.1.1 Before an invoice is paid it will require to be certified by the relevant authorised certifying officer(s). The following levels of certification shall apply:

Value of invoice	Required level of certification
Up to £2,500	<ul style="list-style-type: none">• Budget Holder and one of:• Director of Finance or• Director of Operations
£2,500 – £50,000	<ul style="list-style-type: none">• Budget Holder and• Director of Operations and• Director of Finance• Business Affairs Manager to authorise in place of either Director if the Director is also the budget holder
£50,001 - £500,000	<ul style="list-style-type: none">• Budget Holder and• Director of Finance and• Chief Executive
Over £500,000	<ul style="list-style-type: none">• Budget Holder and• Director of Finance and• Chief Executive and• Chairperson

6.1.2 Before an invoice is paid the certifying officers will satisfy themselves that the account has not been previously passed for payment and is a proper liability of MG ALBA and that:

- the works, goods or services to which the account relates have been received or carried out satisfactorily.
- prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct.
- the expenditure has been authorised and is within the relevant estimate provisions, and
- appropriate entries have been made in inventories or stores records as required.

6.1.3 Prior to the execution of payment, all contractual conditions must be satisfied. These are checked by the Head of Operations & Finance, and once satisfied, the invoice is processed fulfilling all authorisation limits.

6.2 Method of Payment

6.2.1 The normal method of payment of money due from MG ALBA is by electronic bank transfer such as BACS and CHAPS, cheque or other order drawn on MG ALBA's bank account. The only exceptions are payments from petty cash and other payments from advance accounts.

- 6.2.2 All cheques or orders excluding those required for authorised imprest accounts are printed only on the authority of the Director of Finance who makes proper arrangements for their ordering, issuing and safe custody.
- 6.2.3 Where manual amendments are required to be made to the payee name or address on a cheque or order these must be authorised by the signature of one of the following officers: Chief Executive or Director of Finance.
- 6.2.4 CHAPS instructions must be authorised as per the payment authorisation levels set out for cheques and orders at 6.3.2.
- 6.2.5 The Director of Finance provides cash advances for service units for the purposes of defraying petty cash and other expenses in accordance with the issued procedures.

6.3 Authorised Signatories (inc. VAT.)

- 6.3.1 The following shall be considered authorised to execute financial transactions, whether by cheque or other order drawn on MG ALBA's bank account:-
- Chief Executive
 - Director of Finance
 - Business Affairs Manager
 - Management Accountant
- 6.3.2 Cheques or other orders may be signed by authorised Signatories in accordance with the table below.

Value of Cheque or Order	Authorisation Level
Up to £5,000	1 Signatory.
£5,001-£20,000	Any 2 Signatories.
£20,001 - £100,000	Chief Executive or Director of Finance plus 1 other Signatory
£100,001-£500,000	Chief Executive plus 1 other Signatory
£500,001+	Chief Executive plus 1 other signatory plus written authorisation by Chairperson in a prescribed form as agreed with the relevant Bank.

6.4 Payments in Excess of £500,000

- 6.4.1 Requests for payments in excess of £500,000 will be made to the Chairperson in the prescribed form below together with any additional documentation.

To: Chairperson

The following signed documents relating to (Production) produced by (Producer) have been inspected by myself and found to be properly signed.

1. *Programme Production Agreement.*
2. *Budget or Fixed Price Schedule*
3. *Cash Drawdown Schedule.*

As all the conditions have been satisfied the funds can now be released in accordance with the cash drawdown schedule.

..... (Chief Executive)

- 6.4.2 Requests for payments in excess of £500,000 will be made by the Chairperson to the appropriate bank in the prescribed form below.

To: *The Royal Bank of Scotland, Stornoway*

I hereby authorise the payment of £..... (amount) towards the production titled (programme name) produced by (producer's name) to account number (a/c no.) at bank (sort code).

This authorisation is on the basis of information supplied to me by the Chief Executive of MG ALBA.

.....(Chairperson)

C.7 VALUE ADDED TAX

- 7.1 The Director of Finance is responsible for issuing guidance to Officers on the application of value added tax rules.
- 7.2 The Director of Finance is responsible for identifying and accounting properly for both input and output valued added tax.
- 7.3 The Director of Finance is responsible for mitigating the VAT and other tax liabilities of MG ALBA where this is commensurate with good business practice.

C.8 FINANCE DEPARTMENT

Internal Controls – Segregation of Duties

- 8.1 When invoices are received they are passed to the relevant Budget Holders for authorisation. The Director of Finance, or his/her delegate, checks the additions, writes out the cheque or order and notes the posting category. Cheques or orders are signed in accordance with the approved authorisation levels.
- 8.2 The Management Accountant, after authorisation, posts each purchase invoice to the purchases ledger. Payment of outstanding invoices is carried out at least once each week. Payments are made in accordance with approved authorisation levels.
- 8.3 Sales:- when the studio, equipment or operational staff of MG ALBA are hired to third parties, this is done on a pre-booking system. The Receptionist logs all studio bookings on a spreadsheet ensuring no double bookings are recorded. This is passed to the Director of Operations for staff planning and availability purposes and to the Director of Finance for information. The Director of Finance reviews the utilisation levels monthly.
- 8.4 The Director of Operations, or his/her delegate, informs the finance department (Management Accountant) weekly of the resources used by clients who, in turn, agrees invoicing charges with the Director of Finance. Invoices are issued by the Management Accountant at least once every fortnight. Outstanding invoices are investigated at the end of each month.
- 8.5 Following each month end the Management Accountant prepares a Trial Balance, Income & Expenditure Account, Balance Sheet, Cash flow and appropriate notes for review and further update by the Director of Finance. Once complete, the management reports are issued to the Senior Management Team and to the members of the Audit & Assurance Committee for

information. The MG ALBA Board, OFCOM, the Scottish Government and the external auditors receive quarterly reports.

C.9 CAPITAL EXPENDITURE / ADMINISTRATION / PROGRAMME PROMOTION / RESEARCH

Capital Expenditure Only

- 9.1 A fixed asset purchase request duly authorised by the relevant budget holder is passed to Finance department who check it to budget and evaluate under value for money criteria. If not approved then a refusal memo is sent to the officer and a copy retained and filed by Finance department. If approved the order is made, goods received and inspected and details recorded in fixed asset register.

Consumables and Services

- 9.2 The order is made by the budget holder with consideration given to budgeting constraints and following consultation with the Finance Department. Invoice is filed by Finance department in payments due file (after authorisation by appropriate officer member) and posted to the nominal ledger.
- 9.3 If not authorised then correspondence with supplier to explain nature of dispute. If dispute is not cleared then, if appropriate, goods are returned and a credit note received from supplier and posted against invoice. If invoice approved or dispute cleared then payment is made.
- 9.4 Finance department pay on-line or write out cheque or order and arrange signatures/authorisations within authorised signing levels. Posting account is detailed on cheque stubs/orders. Invoice is filed in 'payments made' file.
- 9.5 Daily postings are made to the nominal ledger – voucher number and details, recorded. Director of Finance views the transaction via the accounting software system.
- 9.6 Bank reconciliations are performed automatically by the accounting software system and are checked by Management Accountant.
- 9.7 Preparation of year to date summary and monthly account update as well as cash flow updated and variance analysis performed monthly by Finance department.
- 9.8 Variance analysis – if variances are moving outwith accepted levels as per approved procedures a meeting is held between the Director of Finance and the budget holder to discuss any potential problems with a view to avoiding an unfavourable variance or to seek approval at the appropriate level for budget adjustment.

FINANCIAL REGULATION D – EXTERNAL ARRANGEMENTS

D.1 INTRODUCTION

- 1.1 It is essential that appropriate accounting and control arrangements are in place to regulate the operation of all arrangements involving third parties.

D.2 PARTNERSHIPS AND JOINT ARRANGEMENTS

- 2.1 Officers must consider the overall corporate governance arrangements when arranging contracts with external bodies. They must consult with the Director of Finance in respect of financial issues and ensure that financial risks have been fully appraised before agreements are entered into.
- 2.2 Officers are responsible for ensuring that appropriate approvals are obtained in relation to work with external bodies.
- 2.3 The Director of Finance must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory and provide for effective internal control.

D.3 BIDS FOR EXTERNAL FUNDING

- 3.1 To assess the financial implications Officers must consult with the Director of Finance regarding the financial content of all bids and business cases for external funding prior to them being submitted by MG ALBA. This applies, for example, to public private partnerships and lottery funding.
- 3.2 The Director of Finance is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

D.4 GRANTS TO EXTERNAL ORGANISATIONS

- 4.1 Approval of grants to external organisations must be made within the terms of MG ALBA policy and in accordance with procedures agreed by the Board.

FINANCIAL REGULATION E – PRODUCTION CONTRACT PROCESS

E.1 PROCESS STAGES

Board Responsibility

- 1.1 Establishment of policies and desired outcomes.

Officer Responsibility

- 1.2 Agreement in writing to commission a programme by Head of Content or delegate in the form of a Commissioning Specification.
- 1.3 Programme Purchase Agreement between Producer and MG ALBA.
- 1.4 Licence Agreement between MG ALBA and BBC
- 1.5 Stage payments by MG ALBA to a Mandated Production Account on the basis of agreed schedules and cash-flow verified by regular reports and VAT invoices.
- 1.6 Delivery of programme to MG ALBA with copies to screen archive of National Library of Scotland, or in the case of live or near live programmes delivery to the broadcaster, with copies to MG ALBA and screen archive of National Library of Scotland.
- 1.7 Final payment by MG ALBA to Producer on verification of satisfactory delivery, VAT invoice and final audit by MG ALBA.
- 1.8 Transmission.
- 1.9 Audit (interim audit if required between stages 1.7 and 1.8).

An Executive Producer will be appointed from the commissioning team to oversee production, verify reports and liaise on matters of compliance and quality control.

E.2 DEVELOPMENT CONTRACT WORK FLOW

- 2.1 Budget Holder selects project.
- 2.2 Business Affairs Manager reviews project budget.
- 2.3 Budget Holder issues Deal Memo to Business Affairs Manager setting out delivery and content of delivery material.
- 2.4 Business Affairs issues Development contract.
- 2.5 Development contract is signed in accordance with authorisation procedures and cash flow of development phase commences on receipt of invoices.
- 2.6 Delivery of Development Material and final invoice as per contract and final payment released.

E.3 PRODUCTION CONTRACT WORK FLOW

- 3.1 Budget Holder selects project.
- 3.2 Business Affairs Manager reviews project budget.
- 3.3 Budget Holder issues Deal Memo to Business Affairs Manager setting out delivery and content of delivery material.

- 3.4 Business Affairs issues contract.
- 3.5 Contract is signed in accordance with authorisation procedures and cash flow of development phase commences on receipt of invoices.
- 3.6 Delivery of materials and final invoice as per contract and final payment released.
- 3.7 For scheduled production payments ahead of final delivery the Director of Finance or delegate checks with the relevant commissioning editor to ensure that production is running to schedule. Cost reports and production reports may also be required before payment is made. Payment is withheld until all these are in place or satisfying explanation given.
- 3.8 An interim audit may be carried out by the Business Affairs Manager and Management Accountant. If the findings of the audit prove satisfactory then it is recorded on file for reference at next payment date. If findings are unsatisfactory then payments are withheld until situation is rectified.
- 3.9 When final payment is due a final audit may be carried out and the contract checked to ensure conditions are fulfilled. If audit is unsatisfactory then producer is informed and payment withheld. Once audit is satisfied the underspend is split equitably between MG ALBA and the Producer except in cases of fixed price contracts. If it is an overspend then this is borne by the Producer. In the case of fixed price contracts, underspends or overspends are a matter for the Producer, subject always to MG ALBA's right of audit. Once complete, the file is closed.