Local & Community Development Programme

Financial Guidelines

2014

Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

pobal
government supporting communities

INDEX

INTRODUCTION

Pobal manages the Local and Community Development Programme (LCDP) on behalf of the Department of Environment, Community and Local Government.

Groups operating Pobal managed Programmes are responsible for ensuring good financial management of government/public funds. These financial guidelines are designed to give guidance to your management of the funding received under the Local and Community Development Programme, to ensure that all public funds are spent and reported correctly in the process of achieving its objectives and targets. This gives reassurance to all stakeholders that the financial resources are being used effectively, prudently and for the intended purposes.

These guidelines are based on best accounting practice, combined with practical experience and lessons learnt by Pobal in the management of a number of programmes.

Good financial management is a shared responsibility. It is much wider than the work of the financial administrator at local level. It involves Boards, managers, and all staff. To achieve this, it is vital that Boards plan ahead, agree and adopt systems and procedures, document these and keep records. It is equally important that these systems and procedures are monitored in an ongoing way and revised when appropriate.

Information in these financial guidelines is based on regulations and legislation in effect at the time of publication.

These guidelines encapsulate the key financial points which are required from a financial management perspective in implementing the Local and Community Development programme. The rules and amounts/thresholds stated in the LCDP financial guidelines are the most up to date rules and amounts/thresholds and must be used by LDC's in the financial management of the LCDP. *(References are made in these guidelines to the Manual of Accounting Procedures and Practices (Second Edition – November 2004) which has previously been issued to all companies. These references are made where further background/detail to key points outlined in these guidelines can be found and is considered to be helpful and informative in ensuring effective financial management of the programme as many financial practices that occurred in the LDSIP continue to be relevant to the LCDP. In cases where a reference is made in these guidelines to a section in the Manual of Accounting Procedures and Practices and there is a difference in amounts/thresholds between that manual and the LCDP financial guidelines, the amounts/thresholds stated in the LCDP financial guidelines are the most up to date amounts/thresholds and must be used in the financial management of the Local and Community Development Programme)*.

Pobal's Mission Statement

Pobal's mission is to promote social inclusion, reconciliation and equality through integrated social and economic development within communities. Pobal is a not-for-profit company with charitable status that manages Programmes on behalf of the Irish Government and the EU.

Further details with regard to Pobal, the Programmes managed by Pobal, and specific programme requirements are available on our website at www.pobal.ie

OUTLINE OF PROCESS

	Timeline each year:
First Payment	January
• Submission of the annual budget (including the staffing sheet as per the Pobal template) • Documented basis and rationale for all apportionment costs • Documented Reserves Policy • Information regarding Related Parties to LDC's (See Page 21)	• All documentation to be submitted by 31st January.
Return Quarter 1	Within 10 working days of Quarter 1 end (31st March)
Return Quarter 2	Within 10 working days of Quarter 2 end (30th June)
Return Quarter 3	Within 10 working days of Quarter 3 end (30th September)
Annual Budget Revisions and Final Staffing Sheet	By 30th November
Return Quarter 4	Within 10 working days of Quarter 4 end (31st December)

- Annual allocations will be advised each year.
- Ad-hoc reports may be requested throughout the year.
- All groups are required by contract to have a valid TCC before payment is issued.

ANNUAL BUDGET / PLAN

Annual Budgets

Each Local Development Company (LDC) is required to compile an annual budget/plan, which sets out the planned programme of work showing how their Actions will be implemented for that year.

An online system called IRIS (Integrated Reporting Information System) will be used by each LDC to complete and submit the budget, annual plan for programme goals and information on individual actions each year. The staffing sheet template will also be required to be submitted along with the information completed on IRIS. (Appendix 1)

Training has been and will continue to be provided by Pobal to representatives of each LDC on the use and maintenance of IRIS. Quick Reference Guides on IRIS are updated as applicable and are available on the Pobal website.

Timely submission of the Budget / Annual Plan reflects the group's ability to manage its finances and plan ahead.

Approval of Annual Budget/Plan by the Board

The annual Budget/Plan (as well as any adjustments to the Budget that are subsequently found to be necessary) must be approved by the LDCs Board.

LDCs should keep an up to date copy of the finalised Budget/Plan on their files.

Approval of Annual Budget/Plan by City/County Development Board

The 2014 LDCs annual budget/plan does not have to be approved by the relevant City/County Development Board.

Approval of Annual Budget by Pobal

To ensure that Pobal is in a position to approve the Budget**,** it is essential that LDCs review their Budgets before submitting them to ensure that they provide all of the information required in the guideline notes. In particular, groups should ensure that all sections have been completed, descriptions are detailed enough, and match funding has been provided for (where relevant)**.** Ensuring that these items are addressed in advance will minimise queries and delays in finalising the Annual Plan once it has been submitted to Pobal.

Key issues in compiling Annual Budget

- It should be noted that irrespective of transfers:
  - The overall agreed Annual budget cannot be increased.
  - The overall agreed Administration budget cannot be increased.
  - The overall salary budget cannot be increased from the salary cap set by Pobal in 2010. However as the salary costs of former CDP staff are not included in this figure, where applicable the salary cap can be increased by the salary costs of these former CDP staff (where these staff have since transferred to the LDC).Please note that this is the only reason why the salary cap of an LDC set in 2010 can be exceeded.
  - Where former CDP staff, (which have previously transferred to the LDC), leave the LDC (excluding a redundancy situation), these staff can be replaced (at no greater than the same cost) by the LDC as long as it is demonstrated to Pobal that the work of the former CDP staff continues and that the LDC has followed an open and transparent recruitment process.

- The agreed salaries for the year for individuals cannot be increased by the LDC without prior approval from Pobal *(exemption annual increments)*. Annual Increments are allowed providing that the overall salary budget for the year has not increased. For any changes to salaries a revised staffing sheet must be submitted.

- Where LCDP staff time is apportioned, the Budget should show all of the Programmes that impact on the apportionment, and <u>name</u> these Programmes.

- If an employee of the LDC is wholly or partly assigned to and funded by the LCDP, their full salary should be shown on the Staffing details section. The salary should be apportioned among Programmes, or among administration/goals, or both, as appropriate, so that 100% of the employment cost is accounted for on the Staffing section of the Programme.

- All salaries of LDC employees who are funded either fully or party by the LCDP **<u>must</u>** be shown on the staffing details section and should not be included as a specific action cost.

- Costs paid to 3rd Parties (which includes service level agreements with CDPs) – Any programme costs paid to 3rd parties should be recorded under the Goals section of the Annual Plan/Budget, any administration costs paid to 3rd parties should be recorded under the 3rd Party Administration Costs Budget Line Item as part of the Administration budget of the Annual Plan/Budget.

  All salaries of **non**-LDC employees where contributions are funded wholly or partly by the LCDP should be included in the goal section of the Annual Plan/Budget if relating to front-line service delivery and under the 3rd Party Administration Costs Budget line item if relating wholly and exclusively to administrative duties and not on the staffing sheet required to be submitted with the Annual Plan/Budget.

  The above regulations in relation to 3rd party costs apply only where total costs paid to the same 3rd party by an LDC in any one calendar year amount to more than €5,000. Where small grants are made to an amount less than this, all of the funding can be classified as programme costs and should be recorded under the Goals Section of the Annual Plan/Budget.

- Where staff time and central overheads are apportioned over two or more Programmes, each of which provides funding for management/administration, the group must adopt a fair and logical basis for apportioning the time/overheads. This basis should be formally agreed in writing with Pobal.

- Staff salaries must be within the salary guidelines issued by Pobal. Where core staff time (i.e. Manager, Administrator, and Secretary) is apportioned over two or more Programmes, the overall salaries should be within the indicative salary guidelines regardless of the proportions of salaries that are charged to each Programme.

- LCDP funding must be allocated either to specific goals/actions that are funded exclusively by LCDP, or to elements of bigger actions where the LCDP-funded element is separately identifiable and clearly defined. LDCs must be able to show that the LCDP funding makes a meaningful impact on the overall action. In addition, the LDCs must be able to show that proposed actions do not represent a duplication of the work of other bodies or agencies.

- Once approved, the Budget represents the agreed budget for the year and should be adhered to as closely as possible. LDCs should monitor their spending against the agreed budget on a continuous basis.

- If it becomes apparent throughout the year that spending on any of the Administration or Action budget headings is likely to be materially at variance with the agreed budget for that particular heading, the LDCs must notify Pobal immediately. Overspends in excess of **€3,000** of the agreed budget for the particular budget heading are considered to be material and require **advance** approval by Pobal, even if the transfer is within a particular budget category (e.g. a transfer from one Administration budget heading to another). It should be noted that irrespective of transfers, the overall Administration budget must not be increased and the overall annual budget cannot be increased. In requesting permission to overspend LDCs must indicate the budget heading to be correspondingly reduced, to accommodate the over spend. Equally, if the LDCs expects an underspend in excess of **€3,000** in any of the Administration or Action budget headings and proposes to transfer this into one of the other budget headings, they must advise Pobal in writing of the details and obtain **advance** agreement for the amendment. Overspends or under spends of €3,000 or less from the agreed budget for the particular budget heading must also be entered on IRIS but do not require prior approval from Pobal.

- Budgets are agreed in principle by Pobal; however, the responsibility for the eligibility of the actions under specific goals within the Programme rests with the LDC itself.

- The final submission date for budget changes r is the 30th November – all requests for change must be entered on IRIS by the LDC and a request submitted to their Pobal Case Officer (where applicable) together with a final Staffing Sheet.

- Companies must maintain the proportion of their 2014 allocation used on Administration Costs to a % rate not higher than that set in 2013.

  The above statement means that that the 2014 Administration Budget as a % of the overall 2014 LCDP budget, cannot exceed the rate of the LDC's final 2013 LCDP Administration budget as a proportion of the overall 2013 LCDP budget. Therefore if the LDC's final LCDP Administration budget is 30% of the overall 2013 LCDP budget, then this rate must be at the very least maintained in 2014.

  The only exception to this rule is for those LDCs operating at 2013 Administration rates of less than 25%. Those LDCs may increase the rate of Administration costs to a level not exceeding 25% of their overall LCDP budget in 2014.

  LDCs are reminded that the optimum administration threshold as advised by the Department is 25% and companies should continue to ensure that they are working towards that target.

- For the purpose of the annual plan/budget Levered Funding (Complementary and Private Match Funding) refers to funding which the LDC attracts to implement actions included in the LCDP annual plan/budget. It is funding that is directly received from a collaborator and is always channelled through the bank a/c of the LDC. This funding is recorded under the Budget line items of relevant actions in IRIS and can be classified as either Complementary Match Funding or Private Match Funding.
  - Complementary Match funding in the context of the definition of levered funding above refers to funding that has been levered from various government bodies and state agencies and is used to implement actions included in the LCDP annual plan. The spending of this funding should also be reported in the quarterly financial returns in IRIS under the complementary match funding heading of the relevant action budget line item.
  - Private Match Funding in the context of the definition of levered funding above refers to funding that has been levered from various private sources

such as private donations etc and is used to implement actions included in the LCDP annual plan. The spending of this funding should be reported in the quarterly financial returns in IRIS under the Private match funding heading of the relevant action budget line item.

EXPENDITURE RETURNS & PAYMENTS PROCESS

Expenditure returns give a detailed breakdown of the expenditure for each quarter under the agreed budget headings together with the Complementary and Private Matching Funding, if applicable. Payments under the Local and Community Development Programme will be made on foot of submitted expenditure returns if the required spend threshold and monitoring requirements are met and achieved by LDCs.

Quarterly Expenditure returns must be submitted via IRIS along with supporting documentation as outlined below. Information on complementary/private match funding expenditure must also be submitted on a quarterly basis via IRIS. LDCs must also update their monitoring indicators for each action on a quarterly basis via IRIS. These will be linked to the individual action budgets, to enable Pobal to assess value for money and each action's progression. Milestones to be achieved by certain dates during the year will be inputted by LDCs for individual actions at the annual plan stage and the achievement of these milestones along with meeting the financial reporting requirements will determine the issuing of payments by Pobal.

Payments

The total amount available to be drawn down by LDCs will be their annual allocation which will be reduced by the remaining programme budget cash on hand at the beginning of each year. Payments will be made on monthly equal instalments as follows:

<u>Quarter 1</u>:

- January monthly payment will facilitate cash flow at the beginning of the year and will be an automatic payment of 8.33% of the total amount available to drawdown.
- February monthly payment will be an automatic payment up to 16.67% of the total amount available to drawdown.
- March monthly payment will be up to 25% of the total amount available to draw down, to be paid on foot of receipt and approval of the previous Q4 Financial and Monitoring Requirements (due within 10 working days of the quarter end).

<u>Quarter 2</u>:

- April monthly payment is an automatic payment of up to 33.33% of the total amount available to draw down (assuming March payment has been made and all reporting requirements have been met for Q4 of the previous year).
- May monthly payment is an automatic payment of up to 41.67% of the total amount available to draw down (assuming April payment has been made and all reporting requirements have been met for Q4 of the previous year).
- June monthly payment will be up to 50% of the total amount available to draw down to be paid on foot of receipt and approval of the Q1 Financial and Monitoring requirements (due within 10 working days of quarter end).

<u>Quarter 3</u>**:**

- July monthly payment is an automatic payment of up to 58.33% of the total amount available to draw down (assuming June payment has been made and all reporting requirements have been met for Q1).
- August monthly payment is an automatic payment of up to 66.67% of the total amount to draw down (assuming July payment has been made and all reporting requirements have been met for Q1).

- September monthly payment will be up to 75% of the total amount available to draw down to be paid on foot of receipt and approval of the Q2 Financial and Monitoring requirements (due within 10 working days of quarter end).

Quarter 4:

- October monthly payment is an automatic payment of up to 83.33% of the total amount available to draw down (assuming September payment has been made and all reporting requirements have been met for Q2).
- November monthly payment is an automatic payment of up to 91.67% of the total amount available to draw down (assuming October payment has been made and all reporting requirements have been met for Q2).
- December monthly payment will be up to 100% of the total amount available to draw down to be paid on foot of receipt and approval of the Q3 Financial and Monitoring requirements (due within 10 working days of the quarter end).

Finance documents to be submitted

Quarterly:

- Completed and submitted expenditure return via IRIS, which details spend under the different budget headings.
- Signed Quarterly Expenditure Report
- Supporting bank statements for the full quarter.
- Bank reconciliation(s) for the quarter (Template to be supplied)
- List of cheques outstanding at end of period.
- List of reconciling items - non-LCDP receipts (income) and non-LCDP reimbursements (expenditure) (Template to be supplied)

A facility for interim draw-downs will be made in **exceptional circumstances only**. This facility will be considered on a case by case basis and only when an LDC has spent 85% of their last instalment and 100% of all previous instalments and requires emergency funding. Please note that there is a link between the issuing of payments and reaching your milestones.

Documents to be submitted for interim (exceptional) drawdowns:

- Request for funding in writing detailing the reason(s) for the high level of spend during the period in question.
- Bank reconciliation from date of last expenditure return to date of drawdown (Template as per expenditure return).
- Supporting bank statement from the end of the last quarter to the date of the drawdown request.
- List of cheques outstanding at end of period
- List of reconciling items - non-LCDP receipts (income) and non-LCDP reimbursements (expenditure).

ELIGIBILITY

ELIGIBLE EXPENDITURE

There are two categories of expenditure under the LCDP, which have been previously agreed in the Budget. These are:

- Administration costs
- Specific costs under the four programme goals

Administration costs

Administration costs will comprise of all overhead costs and salary costs for the CEO/Manager (whichever is applicable) of the Company, Financial Controller/Administrator and other Administrative support salary costs relating to the management, implementation and co-ordination of the LCDP.

Specific costs under the four programme goals

These are the costs of eligible activities and Action worker salary costs in respect of the four goals as outlined in the eligibility guidelines issued by the Department and Pobal.

Change of Goal Apportionments

The Department have agreed the following percentage goal apportionments:

Goal 1	10% of the total goals budget – with a 5% leeway either side of the 10%
Goal 2	40% of the total goals budget – with a 5% leeway either side of the 40%
Goal 3	40% of the total goals budget – with a 5% leeway either side of the 40%
Goal 4	10% of the total goals budget – with a 5% leeway either side of the 10%

LDC's must remain within the above goal percentages for the duration of the annual plan.

Community Development Projects

LDCs in existing relationships with CDPs (where no integration has taken place) must have Service Level Agreements in place with the CDP and this arrangement should be reflected as a Third party arrangement in IRIS from a budget and reporting perspective.
Please refer to page 6 for more information on this (3rd Party Costs)

EXPENDITURE CURRENTLY NOT ALLOWABLE

As noted above all expenditure must comply with Department Guidelines and must not include costs such as consultancy, launches, publications, research etc, which contravene current Departmental Guidance.

MANAGEMENT OF FUNDS

Expenditure returns submitted to Pobal must be prepared on the following basis:

General Principles

- All expenditure must be paid on foot of supporting documentation i.e. an original invoice/receipt, a payroll record (e.g. payslip), or an expenses claim.
- All payments must be based on **real identifiable costs**, in particular all internal payments and all payments to related parties. Replacement costs and opportunity costs are not evidence/justification for real costs.
- There must be a transparent audit trail from the LDCs supporting documentation and books and records to the expenditure returns submitted to Pobal.
- All notional costs are ineligible.
- Expenditure returns must be prepared on cash receipts basis i.e. no accruals or prepayments.
- **The basis and rationale for all apportionments relating to shared administration and salaries costs must be documented and submitted for pre-approval to the relevant Pobal Regional Team Leader/ Pobal Regional Case Officers on an annual basis.** LDCs must have supporting documentation in place to vouch the rationale for all apportioned LCDP salary costs.
- The LDCs must never report expenditure in a prior month or year to when it is actually incurred or issued to payees e.g. January expenditure reported as December.
- The LDC must never report, in the current year, frontloaded/advanced payments to suppliers/grantees, which actually relate to work/expenditure that will take place in the following year.
- The practice of transacting LCDP business out of more than one current account is not allowed unless agreed in advance with Pobal.
- The LDCs must inform Pobal of the full salaries paid to all employees who are fully or partially funded from LCDP funding, which must be within any agreed programme salary scales/guidelines.
- It is fully expected that all LCDP funding regulations will be adhered to at all times. Groups who are in breach of these regulations should expect to see this result in restrictions in the flows of funds to their company, until the breaches are rectified.
- Payments by LDCs including bank transfers to internally administered bank accounts must not be reported as expenditure on returns submitted to Pobal. Only actual expenditure incurred from internal administered bank accounts can be reported as eligible expenditure.

LES (FAS Local Employment Services)

- Goal 3 Budget
  Contributions must be entered as direct funding under Goal 3 and the action must be called "LES Contribution". Objectives and timeframes for the funding should be identified in the same way as for other actions and expected outcomes should also be specified.

Volunteers and Volunteering

- The amount to be ring fenced in the current year budget should be the same amount as the amount ring fenced in the previous year less the % rate reduction applied to the LDC's overall annual allocation for the current year e.g. If the LDC % rate reduction to the overall annual allocation is 2.5% then the amount to be ring fenced is the previous year volunteering budget less 2.5%. If the ring fenced budget for Volunteering is not fully spent in the actual calendar year, then the LDC must meet the next year's requirement plus the balance outstanding from the previous year in the following year. The same requirement holds for all subsequent years.

- Please note in cases where a Volunteering Centre is based within the LDC area then the ring fenced amount of funding must be directed, by the LDC, to the Centre, for appropriate volunteering actions/deliverables which should be reported on. The transfer of funding must be completed no later than the end of March to allow for the efficient use of the funding within a reasonable time frame. It should be noted that there are existing guidelines and accountability procedures in place for the use of exchequer funds by the Volunteer Centres and the centres are required to meet reporting requirements for the Department and Volunteer Centres Ireland. LDCs are asked to bear existing reporting arrangements in mind to ensure that we streamline funding and administration as much as possible. In other LDC Areas (with no Volunteering Centre) funding for Volunteering activity will be expended in line with agreed deliverables under the Local and Community Development Programme (LCDP).
- The Volunteers and Volunteering costs must be charged to actions only, they cannot be charged to the salary costs on the staffing sheet or to administration costs.
- For the budget / Annual Plan submission, LDCs must isolate the action which involves the Volunteers and Volunteering Cost element. They must tick the "Volunteering Action" box on IRIS to indicate that the budget for this action is the amount ring-fenced for Volunteering.

Reserves/Income

- Income generated directly as a result of the LCDP funding must be netted off the relevant programme costs (pro rata, as appropriate).
- **The LDCs must prepare a documented reserves policy on an annual basis and submit to Pobal for their consideration.**

Payment Authorisation/Bank

- All payments must be signed/approved by at least two signatories. At least one Director must be a signatory for specified amounts agreed by the Board of Directors and in accordance with their approved payment authorisation documented financial procedure. Signatories must not sign/approve payments to themselves.
- Where electronic banking is operated, the same general principles apply in relation to the authorisation of transactions, including separate authorisation codes. Approval of individuals, and authorisation limits must be approved by the Board and clearly minuted. The LDCs must ensure the principles outlined in Pobal's best practice letter issued in late 2008 in respect of electronic banking are strictly adhered too.
- Under no circumstances should cheque signatory pre-sign blank cheques.
- LDCs must manage their finances so that there are no borrowings and overdrafts required e.g. they must closely monitoring cash flow so that draw-down requests are made well before funds run out and ensure that reimbursable amounts are followed up and recovered promptly.
- Bank interest payable and referral charges are not eligible.
- LDCs should minimise the use of credit card expenditure. Where utilised, the credit card statement along with the relevant original supporting documentation for all related expenditure must be presented to the Board of Directors for retrospective

approval and authorisation on a regular basis. There must also be comprehensive documented financial limits for all credit card transactions in place.

Books & Records

- The books and records must be readily identifiable to the expenditure returns submitted to Pobal.
- All books and records must be reviewed and monitored on a regular basis at the appropriate senior level and this must be clearly evidenced by the signing and dating of the records, including the cheques journal, lodgement records, bank reconciliations, wages records, etc.
- A single Cash Book/Receipts Book must be used for all income, rather than maintaining separate Cash Books for each bank account. This is essential in order to demonstrate for audit purposes that all items of income have been correctly treated and reported.
- The LDCs LCDP cheques journal must be analysed, with columns corresponding to the expenditure headings in their agreed budget and the expenditure returns. All cheque journals should be sub totalled both monthly and quarterly to agree to the expenditure returns.

General Payments

- LDCs must date-stamp all invoices when they are received, and monitor them carefully to ensure that all are paid within 30 days - in accordance with the European Communities (Late Payment in Commercial Transactions) Regulations.
- All paid invoices must be clearly stamped / marked paid to avoid the possibility of duplication of payments.

Public Procurement Procedures

- LDCs must obtain three written alternative quotations when making substantial purchases in excess of €5,000.
- The LDCs policies and procedures must document the personnel that have been approved to carry out ordering goods and services on behalf of the company. Any limits on their authority must also be specified.
- When commissioning a supplier to provide services in excess of €5,000, (e.g. training, mentoring, computer maintenance, cleaning, etc.) the LDCs must enter into a written agreement that clearly defines the work to be performed, the timescale for commencement and completion, the related fee, agreed in advance, etc.
- LDCs must obtain Tax Clearance Certificates from suppliers of goods or services for cumulative payments in excess of €10,000, in any 12 month period.

Action Files

- An action file must be maintained for each action reported in the expenditure returns to Pobal, irrespective of whether the activity is contracted out to a third party or managed internally by the LDCs. The LDCs must ensure the action file is a single comprehensive documented record of all stages of the action, from its initiation through to its completion.
  Please refer to the Manual of Accounting Procedures and Practices (Second Edition – November 2004) – Section 8.
- In particular LDCs must clearly document the estimated quantitative targets from each activity funded under the LCDP, which must be submitted on IRIS at the start of each year. The LDCs must monitor and record the actual quantitative targets achieved and this must also be reported on IRIS.
- All action files including revenue generating and revolving loan activities must be prepared in strict accordance with the guidelines previously issued to all LDCs.

- The Board must formally approve each individual action.
- The LDCs must carry out detailed checking/verification procedures on a sample of actions. The procedure consists of independently checking the accuracy and back-up of expenditure figures presented to the LDCs by grantees in support of their reported spending. These checks must be documented and appropriate follow up action should be carried out where necessary. The LDCs are required to audit a minimum of 5% of the funding allocated to third party actions, i.e. actions not administered directly by the LDC itself.
- LDCs may reimburse training course participants for childcare costs if they are supported by a signed receipt from a registered childminder or crèche.

Grants

Revenue Generating Enterprises

- LDC funding must never exceed 80% of the total projected project expenditure as outlined in the grantees application.
- Match funding must be in cash or assets whose value can be independently vouched.
- Core costs of enterprise set up must not be core funded. These costs are only eligible in exceptional circumstances in start up situation on a once off basis.
- At least half of 20% match funding requirement must be paid in cash.

Revolving Loan Fund

A revolving loan scheme is eligible as an LCDP action only if all of the following criteria are met:

- All clients of the fund must be priority targets of the LCDP. The aim of the loan fund is to support business enterprise and build up the credit worthiness of the clients of the LDC with a regulated financial institution and thereby increase their likelihood of receiving further loans from similar institutions in the future.
- The LDC must enter into an agreement with a regulated financial institution who will administer the loan on behalf of the LDC. The loan applications will be formalized by the financial institution that will account for and manage the charging of interest and repayments of the loan.
- The interest rate charged should be at reduced rates below the normal market rates.
- The loan must be issued to clients of the LDC (defined above), who have applied to the LDC in the first instance and are screened for suitability by the LDC who will make the decision on whether an individual is approved a loan or not (with the exception of an individual who already owes money to the financial institution).
- The financial institution loans out to the client the equivalent value of the amount lodged by the LDC. The LCDP funds are used as security only for the loan and will only be called in if a loan is deemed to have failed.
- There is no matching funding required from the clients of the LDC.
- The financial institution should provide reports to the LDC on an intermittent basis on the operation of the fund (including summary details on the repayment schedules etc) and whether any of the security was required to be drawn down.
- A contract/letter of agreement must be entered into between the LDC and the financial institution taking all of the above conditions into account.
- A defined timescale for how long the funds will be held as security and a completion date/wind up of the loan fund must be agreed by Pobal in advance of the commencement of the loan fund.
- Once the funds have been transferred to the financial institution, the transfer can be recorded as expenditure on the quarterly returns to Pobal.

- At the cessation of the revolving loan fund scheme, the funds are to be transferred by the LDC back to Pobal unless otherwise agreed in writing by Pobal.

Property/Lease Agreements

- There must be a formal written lease agreement in place in every situation where LDCs are renting premises.
  Please refer to the Manual of Accounting Procedures and Practices (Second Edition – November 2004) – Section 20.

Fixed Assets

- The LDCs must prepare and maintain a fixed asset register including the date of purchase, an asset description and cost, the source of funding, the applicable depreciation rate, etc. It must also be updated regularly but at least annually. They must ensure the fixed asset register is reconciled to the fixed asset details in the audited annual financial statements.

Travel & Subsistence

- Travel and subsistence paid to staff and Board members for travel expenses incurred in the course of necessary absence from their base in carrying out their duties, must not exceed the Department of Finance rates and must be in complete accordance with the relevant rules and regulations.
- All claims for travel and subsistence must be made on an official claim form that record the full details on which the claim is based.
- Claim forms must be signed by the claimant as well as being reviewed and certified by the claimant's supervisor before payment is made. The CEO's claim form must be reviewed and certified by the Chairperson.
- All vouched expenditure must be supported by an invoice or a receipt.
- The Partnership must obtain a signed undertaking from each staff and Board member, who claims mileage expenses, which confirms their car is properly insured and that the LDCs is not liable for any loss or damage resulting from the use of the person's car, prior to driving on any official business.

Training Allowances

- Non-receipted subsistence is set at the level of €5 per day, not exceeding €25 per week up to a maximum of €300 for each beneficiary per Pobal reporting quarter. It is to cover the following:
  - ✓ Food
  - ✓ Travel
  - ✓ Miscellaneous small expenses required for daily subsistence
- A standard form is in place for use in conjunction with non-receipted subsistence expenditure claims. It is essential that this is used and a completed copy for each beneficiary held on file, as appropriate. (*Appendix 2*)
- Childcare must be receipted and should be provided by a registered childminder / crèche facility.
- Rental accommodation can only be reimbursed on the basis of receipted costs from the Landlord in question; the Landlord must be registered for tax purposes.

Insurance

- LDCs must ensure they have adequate insurance in place on all of their assets including leased assets as well as public liability and employer's liability insurance and all the requisite indemnifications must also be in place.

Petty Cash

- Where LDCs operate petty cash systems to pay small amounts where cheque payments would be inappropriate, the following guidelines should be observed:
  - ✓ The actual petty cash on hand must be kept in a secure and locked place.
  - ✓ Petty cash should be operated on an imprest system, with a cash float of no more than €150. The maximum single petty cash payment must not exceed €50.
  - ✓ A detailed petty cash book must be maintained including the date of the payment, the relevant pre-numbered petty cash voucher number, a description of what was purchased, the amount spent and the reducing balance of petty cash remaining.
  - ✓ All petty cash expenditure must be supported by receipts or invoices.
  - ✓ The cash on hand must be reconciled to the balance shown in the petty cash book on a regular basis and be certified at the appropriate level, with any shortages investigated and rectified promptly.

    Please refer to the Manual of Accounting Procedures and Practices (Second Edition – November 2004) – Section 10.

Statutory Redundancy *(Please refer to the Department of Social Protection Website – Brief Guide to Redundancy Payments Scheme)*

A redundancy situation arises where an employee's job ceases to exist, and the employee is not replaced for such reasons as rationalisation/reorganisation, not enough work available, the financial state of the firm, company closures, etc.

- The Redundancy Payments Acts, 1967-2007 obliges employers by law to pay redundant employees what is known as "statutory redundancy entitlement". The amount is related to the employee's length of service and normal weekly earnings up to a maximum weekly amount (*see website for more details on this*).
- Only statutory redundancy costs can be charged to LCDP funding (this applies to both LCDP Programme and Technical Assistance funding).
- Statutory redundancy costs due to LCDP funded employees of the company should be charged in the first instance against the LCDP Technical Assistance Budget and recorded against reimbursable items in the LCDP bank reconciliation and also in the reconciling items template.
- Only the LCDP funded element of the salary should be charged against the Technical Assistance Budget, the balance should be charged against the reimbursable items in the LCDP bank reconciliation and also entered on the reconciling items template until such time as this funding is received and lodged into the LCDP bank a/c.
- Any rebates received in 2014 (due to redundancies made in December 2011 and all of 2012) from the Department of Social Protection must be lodged into the LCDP bank account and recorded against reimbursable receipts (under the LCDP Technical Assistance Budget Heading) in the LCDP bank reconciliation and also in the reconciling items template.
- Once the LCDP Technical Assistance budget is fully utilised including any rebates received (due to redundancies made in December 2011 and all of 2012) from the Department of Social Protection, 100% of the LCDP element of any remaining statutory redundancy costs due to LCDP funded employees of the company is allowed to be paid from the relevant individual's LCDP Salary Budget in the annual plan.
- A copy of the signed Redundancy Certificate (RP50) or alternative document for each employee made redundant must be submitted to Pobal for our records (together with the quarterly return finance documentation) for the quarter in which the payment was made.

- All redundancies that have taken place must be reflected on the staffing sheet. All revised staffing sheets must be submitted to Pobal for our records.

Calculation of Lump Sum

Please note that you must use and print off the online calculator at
https://www.welfare.ie/EN/Secure/Pages/RedundancyCalculator.aspx

Please refer to the Department of Social Protection for the most up to date details at *http://www.welfare.ie/EN/Schemes/RedundancyandInsolvency/redundancy/Pages/RedundancyPayments.aspx#rates*

SUMMARY OF THE KEY CORPORATE GOVERNANCE ISSUES

Corporate Governance is the process by which a Board of Directors ensures that a company is effectively and properly run. The LDCs Board of Directors must ensure that the highest standards are sought and maintained in the operation and administration of all Public monies awarded to them including all Pobal funding.

The LDCs must ensure they fully comply with the principles and spirit of the then Department of Community, Gaeltacht & Rural Affair's Corporate Governance guidance set out in the "Guidelines on the Governance of Integrated Local Development Companies and Urban Based Partnerships"

Memorandum & Articles of Association

Each LDC has been incorporated and operates under the rules and regulations of their Memorandum & Articles of Association as well as by the Companies Acts 1963 to 2009.

The Memorandum sets out the aims of the company, its powers to carry out these aims, a statement that the liability of members is limited and the names and addresses of the first members.

The Articles set out the rules on how the company is run, including items such as the election of Directors, rotation of Directors, roles of officers, keeping accounts, meetings, quorums, etc.

Directors

It is important that each company Director is aware of Irish Company Law requirements and ensure that they are up-to-date in complying with them. Failure to comply with Company Secretarial obligations can result in prosecution and fines for both the Company and the Directors personally, strike–off of the Company from the Companies Register, and disqualification of the Director from acting as a Director in other companies.

For detailed guidance on the responsibilities of Directors, refer to the website of the Director of Corporate Enforcement at **www.odce.ie**.

Company Secretary

The Directors of every limited company must appoint a Company Secretary, who can be one of the Directors or a member of staff. The Company Secretary's role is to ensure that the LDCs keeps to the company rules as set out in the Articles of Association, including the requirements of the Companies Office. There are quite a few such requirements, and it is important that the Company Secretary is very familiar with the relevant obligations and with the Partnership's own Articles of Association. The Company Secretary can enlist professional help from the Partnership's accountant or solicitor to ensure that all the requirements are met. Further guidance on the Company Secretary's role is available on **www.odce.ie**.

Policies & Procedures

The Board of Directors of each LDC are ultimately responsible for safeguarding the assets of their company. The Board of Directors should ensure that all significant decisions that affect the company are discussed and approved at Board level.

The Board of Directors must document and approve the policies and procedures that must be adopted by their staff members and sub committees to ensure that the financial resources allocated to the programmes operated by the LDCs are being used effectively and prudently in accordance with the Public Accountability Requirements. In particular the

LDC's documented policies and procedures must ensure that value for money is always sought and achieved.

Sub-committees

The Board may delegate a function of their responsibility to a sub-committee, where this is deemed appropriate. The Department guidelines require that only Directors can be members of all sub-committees. The terms of reference for all sub-committees must be clearly documented and approved at Board level to ensure the Directors as well as the sub-committees are aware of the powers, duties, responsibilities delegated by the Board. The terms of reference must also outline all or any financial limits imposed by the Board to the decisions that can be taken by the sub-committee. All sub-committees must maintain comprehensive minutes of their meetings and the decisions approved. The sub-committees are required to submit a copy of their sub-committee meeting minutes to the Directors at Board meetings at regular intervals and provide explanations where requested. This will allow clarity and openness about how financial decisions are made, who makes these decisions and how they are implemented, monitored and reported on.

Audit & Finance Sub-committee

Given the public accountability requirements of the LCDP and the current national and international best practice in relation to corporate governance each Partnership must set up an Audit & Finance Sub-committee to monitor and oversee all the finances of the company to ensure the highest standards of good financial management are implemented fully at all times. The membership of the Audit & Finance Sub-committee must include the Chairperson or the Vice Chairperson of the Board of Directors as well as a minimum of two other Board members. At least one of the members on this sub-committee should have the necessary financial experience or qualifications. The Audit & Finance Sub–Committee must be responsible for monitoring and reviewing the actual expenditure to the budgeted expenditure on a regular monthly basis and they must submit written reports to the Board of Directors in this regard.

Keeping of minutes

LDCs must keep minutes of all Board and sub-committee meetings. The minutes must document all financial decisions, and they should be clear, concise, impartial and free from ambiguity. The minutes must clearly list the names of Directors present and other advisors or observers in attendance.

Register of Members and Directors

The LDCs must keep two registers; these are the Register of Members and the Register of Directors. These must be kept up to date. The Registers should be kept at the LDCs registered office.

Code of Conduct

The Directors must fully comply with the Ethics in Public Office Act, which requires a general ethos for all Directors including loyalty, integrity, fairness, impartiality and independence, etc. It is considered national and international best practice that all companies have a documented Directors' Code of Conduct.

Disclosure of interests

The LDCs must have comprehensive documented procedures that enable them to identify situations where there may be possible conflicts of interest with any Director, the Company Secretary or a key staff member. If a conflict of interest arises the LDCs must ensure that the nature of this interest is formally disclosed and the conflict must be addressed and resolved, and

is not allowed to persist in a manner that would have adverse effects or perceived adverse effects for the LDC.
Aside from the Company Law obligations, it is in any event recommended as best practice that where a conflict of interest arises in a matter being discussed, that individual should formally declare the nature of their interest and absent him/herself from the discussion on the matter, and the minutes must record that this was done.

Related Parties
Related Parties include Directors & Company Secretary, key staff members, relatives and relations of above, Parent Company undertakings, Subsidiary Company undertakings, Associated Companies, Joint Ventures, all Companies under common control, if one company has direct or indirect control of other company, etc.
The nature and extent of control over the LDCs or by the LDCs of other companies/ entities must be fully disclosed in writing in advance to Pobal.

The requirements of Financial Reporting Standard (FRS) 8 "Related Party Disclosures" must be fully adhered to by the LDC. All payments to related parties must be based on real identifiable costs.

Statutory/External audit
The Statutory audit will involve a review of the accounting records and an appraisal of whether the financial statements give a true and fair view and comply with the Companies Acts. As such, the statutory audit encompasses all of company's transactions, i.e. both income and expenditure under Pobal-managed programmes as well as income and expenditure under other programmes, and is therefore quite different from a Pobal audit.

Where a statutory auditor is appointed, LDCs must ensure that a letter of engagement is put in place, and includes the following additional provisions/clauses:

- A reconciliation between the annual financial statements and the cumulative expenditure returns submitted to Pobal
- The need for the auditors to familiarise themselves with the public accountability requirements of the various programmes that the LDCs administers
- An all-inclusive audit fee, agreed in writing at the commencement of each audit.

The external auditor must issue a management letter after each statutory audit. If no issues are highlighted during the statutory audit, the management letter should be issued stating this.

LDCs should seek three written quotations in respect of External Auditors every three years to ensure value for money is being obtained.

Financial Statements
The LDCs **must** ensure that Annual Financial Statements are prepared in accordance with Department of Finance Circular 17/2010 (link below) and that the separate reconciliation is completed as per Pobal Template circulated to LDCs in 2011. The Annual Financial Statements must be finalised and approved, so the company's full financial statements are submitted to Pobal, four months after the LDCs year end i.e. for most companies with a 31st December year end this would mean that financial statements must be submitted to Pobal on or before the 30th April each year. The financial statements submitted to Pobal must include a detailed reconciliation of Programme Income and Expenditure against figures reported in the Annual Financial Statements e.g. LCDP, DAF, CSP, IIF, etc. (as per template circulated in 2011) http://circulars.gov.ie/pdf/circular/finance/2010/17.pdf
On Pobal review of the Annual Financial Statements further information and clarification maybe required from the LDC to provide re-assurance to Pobal.

AUDITS BY POBAL

Pobal have a responsibility in administering public funds on behalf of the Irish Exchequer and the EU (where applicable) to ensure funds are spent on the purposes intended. It is the responsibility of the LDCs to ensure that funds are spent on eligible activities, and that both the end users of the funds and the LDCs have adequate controls in place to safeguard the funds at all times.

Pobal independently appraises the financial and administrative controls of LDCs to ensure they comply with the public accountability requirements of the programmes they operate, using EU rules and regulations as a model of best practice.
Pobal carries out this role through the audit team, who continuously carry out comprehensive audits of each of the programmes administered by Pobal.

Rights of Access

Pobal and their agents have right of access at all reasonable times to enter any property owned or occupied by the LDCs and to inspect and take photocopies of all records relating directly or indirectly to the Pobal grant monies.

Conducting the Audit

The audit is carried out at the LDCs premises. The length of the audit varies, depending on issues such as the length of the period being audited, the number of programmes being audited, the complexity of the LDCs, etc.

What the Audit process involves

- If a previous audit was carried out, the auditor will check that the recommendations of the previous audit have been implemented. If these recommendations were not implemented satisfactorily, the audit report will highlight this.

- A major part of the auditor's work is to examine the financial records that the LDC has used to prepare the expenditure returns to Pobal, and the audit trail (i.e. the 'paper trail' or direct link) from the records to the returns. In doing this, the auditor will assess the accuracy of the returns, the eligibility of spending, and the classification of spending in the returns.

- Another major part of the auditors work is to review the adequacy of the accounting systems and related internal controls that the LDCs operates to ensure that the public funding is safeguarded and spent on eligible activities in keeping with the terms and conditions of the providers of funding (e.g. this would typically include the LDCs procedures for appraisal and approval of projects, opening and maintenance of bank accounts, delegation of duties to staff members, etc.)

When the audit is finished

When the auditor has finished the fieldwork, he/she will hold an informal post-audit meeting with the CEO and Financial Controller/Administrator.

The final audit report

The audit report is issued to the CEO of the LDCs and to the Chairperson. The final audit report is accompanied by a management letter that sets out the main findings in a summarised form. The Finance sub-committee of Pobal requires that a full unabridged version of the audit report is circulated to all LDCs Board members in advance of the next Board meeting, and considered at that meeting.

Reply to the Audit Report

The LDCs are asked to submit a signed declaration page, to the audit section, which indicates a reasonable final time scale for the implementation of the recommendations across all programmes, **within 30 days of the next Board meeting and in any event no later than 60 days of the date of the audit report.**

Following the audit

The Pobal Finance Sub-Committee considers in detail the reply sent by the LDCs in response to the audit report. Depending on the reply, and on the particular circumstances of the audit and the LDCs, the committee may then;

- consider the audit complete and satisfactory, or
- agree the timescales, or
- Request further clarifications/assurances from LDCs on a number of issues. In this case, Pobal will issue a letter to the LDCs outlining any concerns or areas requiring further attention, or
- request a meeting with a delegation from the LDCs Board, or
- Suspend funding to the LDCs until certain recommendations have been agreed and implemented.

The LCDP staff may correspond directly with the LDCs in respect of audit report recommendations, as appropriate.

Recurring Audit Issues

Please refer to the best practice letters issued to your company by Pobal in December 2010 and January 2011 which outlined the recurring issues identified by the Pobal Audit team in past audits of LDCs.

Please note that the identification of these issues in audits of LDCs, will lead to expenditure being deemed ineligible and funds being recouped by Pobal from the LDC.

Guidelines for Completion of Staffing Sheet

Staffing Sheet

The staffing sheet is to be completed for all employees who are funded either fully or partly by the Local and Community Development Programme.

Sections to be completed

All sections in pink must be completed – the cells in green are formulated and do not require any completion by the Group.

Group name cell C5 – please choose group name from the drop down menu provide and press return and F9 – this will automatically complete the URN number for you.

Number of hours in standard working week cell F6 - please complete the standard number of hours in a working week as it relates to your programme.

Explanation of a number of the columns

- **Grade/Point on Scale**
  Enter the employee's grade and point on Pobal salary guidelines.

- **Annual Salary (€)**
  Enter the annual basic salary cost for each employee. This figure should show the cost to the LDCs including all non LCDP contributions, for a full-time, 12 month position regardless of whether the position being funded is full time or part time.

- ***Annual FTE (%)***

  All salaries of LDC employees who are funded either fully or party by the LCDP **must** be shown on the staffing details section and should not be included as a specific action cost. The FTE refers to time spent working for the company as a whole not just working on the LCDP.

  This adjustment column allows for a reduction to be made if it is expected that a full years salary will not be charged for an individual i.e. leavers or staff on unpaid leave.
  Examples:
  - If a full time employee leaves at the end of August then the % in this column is 67%. i.e. 100%* 8/12
  - It also allows for an adjustment or a reduction to be made if an employee is a part-time member of staff i.e. not full time 5 days per week.
  - If an employee works 4 days then the % in this column is 80%.
  - If you have a combination, a part time worker who starts at the beginning of May and works 4 days a week then the charge is 54%, i.e. 8/12* 80%.
  - Enter the FTE on the Staffing Spreadsheet as a number and **not** as a %. i.e. 100% FTE = 1. 50% FTE =.5.

- ***Employer PRSI***
  This must be entered as a number e.g. If the charge is 10.75% this must be entered as 10.75.

If the percentage is different to the standard rates (10.75% or 8.5%) please enter the percentage as a number and also explain the reason for this adjusted rate in the email in which you are submitting the staffing sheet to Pobal.

- ***% Employer Contribution to Pension***
  This must be entered as a number e.g. If employer Contribution is 10% this must be entered as 10.
  Employer Contribution to pension must be paid into a managed pension fund directly; the maximum an employer can contribute is 10%.

- ***Explanation re FTE (P/T, starter/leaver)***
  Please provide a detailed explanation for adjustments; entered in "Annual FTE" column e.g. 4 day week, leave date 31/8/10. Please also specify the source/(s) of the Non-LCDP funding e.g. VEC, FAS, LES, etc.

- ***% Split***
  Enter the percentage charged to Admin, Goal 1, Goal 2, Goal 3, Goal 4 and Non-LCDP Funding. In all cases the total percentage charged should equal 100%.

Appendix 1

Staffing Sheet (Appended to Budget)

Local Community and Development Programme

Group Name:	ABC Limited	URN:	101010A
Number of hours in standard working week (e.g. 39 hrs/week):	39		

Validation	Validation Successful

Summary Of Costs

	Euro	FTE
Admin	€141,835	2.15
Goal 1	€33,979	0.6875
Goal 2	€26,314	0.5275
Goal 3	€30,147	0.6075
Goal 4	€30,147	0.6075
Non LCDP	€41,319	0.85
Total	303,740	5.43

Staff Names	Title	Grade / Point on Scale	Annual Salary	Annual FTE	PRSI Rate	Actual Salary Prorata	Total ER PRSI Charge	Actual Salary Prorata (incl PRSI)	% Employer Contrib. to Pension ***	Explanation re FTE (P/T, starter/leaver) - Please also specify source of Non-LCDP funding where relevant	% Split						Cost						Total LCDP Charge
											Admin	Goal 1	Goal 2	Goal 3	Goal 4	Non-LCDP Funding	Admin	Goal 1	Goal 2	Goal 3	Goal 4	Non-LCDP Funding**	
Totals			299,341	5.43		274,258	29,483	303,740									141,835	33,979	26,314	30,147	30,147	41,319	262,421
John Murphy	Programme Manager	PO-2	94,550	1.00	10.75	94,550	10,164	104,714	10.00	15% RDP	85%					15%	89,007	-	-	-	-	15,707	89,007
Jane Smith	Administrator	EO-6	41,531	0.80	10.75	33,225	3,572	36,796	10.00	4 day week	100%						36,796	-	-	-	-	-	36,796
Carol Murphy	Clerical Worker	CO-5	28,950	1.00	10.75	28,950	3,112	32,062	0.00	50% funded by Fas	50%					50%	16,031	-	-	-	-	16,031	16,031
Andrew Smith	Project Officer	EO-10	47,802	0.83	10.75	39,676	4,265	43,941	0.00	Position finishing October 2010		25%	25%	25%	25%		-	10,985	10,985	10,985	10,985	-	43,941
Bernard Smith	Project Officer	EO-7	43,254	0.80	10.75	34,603	3,720	38,323	0.00	4 day week		60%	40%				-	22,994	15,329	-	-	-	38,323
Chris Smith	Project Officer	EO-7	43,254	1.00	10.75	43,254	4,650	47,904	0.00	20% FAS				40%	40%	20%	-	-	-	19,162	19,162	9,581	38,323
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Appendix 2

LOCAL COMMUNITY DEVELOPMENT PROGRAMME
Non-Receipted Expenditure

Claim Form

Name and Address of Beneficiary	______________________ ______________________ ______________________ ______________________
Amount Allocated	______________________
Duration of Allocation (i.e. timeframe)	______________________ ______________________
Purpose of Claim	______________________ ______________________ ______________________ ______________________
Signature of Beneficiary	______________________ Date: ______________________
Signed off by	______________________ Date: ______________________