

Accounting and Financial Policies

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1 Introduction

- 1.1 In order to maintain sound financial management and to ensure that the organisation complies with Treasury guidance and best practice, the Gambling Commission is committed to undertaking a review of its accounting and financial policies on an annual basis. This formal review is particularly important at the present time as the Commission seeks to implement the accounting and reporting changes under IFRS requirements.
- 1.2 The Commission's current Accounting Policies have been reviewed against HM Treasury's IFRS Financial Reporting Manual (iFReM) guidance (Appendix A) to ensure statutory reporting requirements are continuing to be met.
- 1.3 The Financial and Accounting Policy is supported by, and should be read in conjunction with the following policies and procedures:
- The Gambling Commission's Delegated Authority Policy;
 - The Gambling Commission's Code of Conduct;
 - The Gambling Commission's Procurement Policy.

2 Financial Policy Approval Process

- 2.1 It is proposed that the financial policies shall be considered and approved as follows, prior to formal adoption by the Commission:
- Finance Services Manager to prepare and review.
 - Director of Finance to review and agree.
 - Draft policies made available for review by MB.
 - Chief Executive, as Accounting Officer to review and agree.
 - Final policies published on Intranet.

3 The Financial Policies

- 3.1 The proposed Gambling Commission financial policies are detailed in Table A below.

Table A

The Financial Policies

Policy area	Policy Aims	Policy Statement
<p>1. Fee Income</p>	<p>The Commission will work with DCMS to ensure that fees are set at such a level as to allow the recovery of the full cost attributable to the provision of each licensed service, including an appropriate contribution to overheads, in line with HM Treasury guidance on Fees and Charges.</p> <p>The Commission will ensure the efficient and effective collection of fees and account properly for that income and associated costs.</p> <p>Income will be matched to the work and costs associated with that income and drawn down accordingly</p>	<p>Fees will normally be reviewed and set annually by DCMS in consultation with the Commission. Exceptionally, fees may be set for interim periods.</p> <p>Fees will be set to allow the recovery of the costs fully attributed to each licensing service.</p> <p>Under the 2005 Act, a licence application must be accompanied by the full fee to be valid. This fee income shall be recognised in accordance with the work undertaken in processing the application. Income will therefore be assigned as “Work In Progress” (WIP) within the Balance Sheet, and shall only be allocated as income as work is completed.</p> <p>Allocation of WIP will be undertaken on a monthly basis, using revenue drivers linked to licensing activity. The accuracy and relevance of each revenue driver will be reviewed regularly.</p> <p>Regular reconciliations (at least monthly) of the application fee income and WIP shall be undertaken and any surplus WIP shall be transferred to reserves and any shortfall will be funded from the appropriate reserve account.</p> <p>Annual fees must be paid on or before the annual anniversary of the grant of the licence, in accordance with the 2005 Act and Regulations made under that Act.</p> <p>Income received in respect of personal licences and personal licence maintenance fees shall be allocated over a five year period on an accruals basis. This allocation will be on a ‘straight line’ basis.</p>

Policy area	Policy Aims	Policy Statement
		<p>The Commission's fee income, derived from its core activity of regulation, is considered to be its 'Operating Income' in a reporting context.</p> <p>The disclosure of the Turnover in statutory financial reports will conform with IFRS requirements, and HM Treasury and iFReM guidance.</p> <p>Reconciliation of fee income between bank balances and the Commission information systems shall be carried out on a regular basis (at least monthly).</p>
2. Grant-In-Aid Income	Compliance with the terms and conditions of Grant-in-Aid funding to the Commission	<p>The Commission will plan and account for Grant-in-Aid income on an accruals basis in accordance with IFRS requirements, and HM Treasury and iFReM guidance.</p> <p>In accordance with iFReM guidance, revenue and capital Grant-in-Aid funding will be accounted for as 'Financing', and reported within the 'Reserves' section of the Income and Expenditure Statement.</p> <p>The Commission will comply with the terms and requirements of Grant-in-Aid funding as set out in the Funding Agreement and Management Statement and Financial Memorandum.</p>

Policy area	Policy Aims	Policy Statement
<p>3. Budgeting and Forecasting</p>	<p>Compliance with the targets and reporting requirements of the Funding Agreement and the Management Statement and Financial Memorandum agreed with DCMS.</p> <p>The Commission will have comprehensive budgeting and planning processes in place to enable accurate forecasting and reporting of income and expenditure streams</p>	<p>The financial forecast within the Corporate Plan will cover a period of at least three years.</p> <p>The Commission will maintain a three year rolling budget forecast, which will be reviewed annually as a part of the review of the Commission's Corporate Plan.</p> <p>The Commission will undertake an annual planning and budgeting process, which includes non-financial performance measures and current financial forecasts. The budgeting process will ensure the involvement and ownership by department managers of the financial budgets and related non financial performance measures for their area of operational responsibility.</p> <p>The Commission will undertake financial re-forecasting exercises at quarterly intervals throughout the financial year and monitor performance accordingly</p> <p>Budgets will be prepared in a transparent way and will recognise the need to conduct the Commission's operations in a cost effective and efficient manner.</p>

Policy area	Policy Aims	Policy Statement
<p>4. Management Information</p>	<p>The Commission will agree the annual budget and will receive reports on quarterly re-forecasts.</p> <p>Management information will be reported to each meeting of the Commissioners,</p> <p>Management information will be provided to DCMS as required in the Funding Agreement and the Management Statement and Financial Memorandum.</p> <p>Production of timely, accurate and 'user friendly' departmental management information</p> <p>The Commission will maintain a high level of transparency and accountability to the industry for the fees it charges and to other stakeholders for the activities conducted.</p>	<p>The Commission will prepare and agree a comprehensive, balanced budget in advance of each financial year.</p> <p>A summary of the financial and non financial performance of the Commission's operations will be provided to each Commission meeting.</p> <p>A summary of the financial and non financial performance of the Commission's operations will be provided to the sponsor department in accordance with the terms and conditions of the Funding Agreement and the Management Statement and Financial Memorandum.</p> <p>The Commission will prepare and distribute financial and non-financial departmental management information reports, on at least a monthly basis, to departmental heads and budget holders.</p> <p>Material variances to forecast/budget will be highlighted and budget holders will be required to provide commentaries covering their current and anticipated departmental performance within agreed timescales.</p> <p>Reports and management commentaries will be reviewed by senior management, including the designated Accounting Officer.</p> <p>A departmental "Balanced Scorecard" report will be produced on a monthly basis, incorporating financial and non-financial Key Performance Indicators.</p> <p>The Commission will make appropriate information on its financial and non-financial performance publicly available in its annual report and in support of any consultation on its fees.</p>

Policy area	Policy Aims	Policy Statement
<p>5. Treasury Management</p>	<p>The proper management of cash in line with Government's requirements and the effective conduct of business. Sufficient safeguards to ensure that the Commission is adequately protected against fraud and error.</p>	<p>Treasury management comprises the management of all monies and capital market transactions in connection with the cash and funding sources of the Commission.</p> <p>The responsibility for treasury management lies with the Accounting Officer, but will be delegated to the Director of Finance as appropriate.</p> <p>The Commission will ensure that all income received and other cash handling arrangements are controlled and secure in order to minimise the risk of fraud and error. Appropriate segregation of duties shall be adopted to ensure that all income is handled and recorded. Banking of income will be carried out in a timely manner and at the earliest opportunity.</p> <p>Bank reconciliations shall be undertaken on a regular basis (at least monthly).</p> <p>The Commission's bank accounts will be kept in credit and, under the terms of the Grant-in-aid funding agreement and 2006/07 Management Statement and Financial Memorandum, working capital balances will be kept to a minimum. Regular cash flow forecasting exercises will be undertaken to ensure these requirements are met.</p> <p>The Commission can only borrow money through DCMS.</p> <p>The principle of maximising the earning of interest income through transferring funds surplus funds to a reasonable to deposit accounts will be reviewed and agreed with DCMS.</p> <p>Although it is envisaged that the minimal bank balance requirement shall no longer be applicable from 2007/08, the Commission will continue to undertake regular working</p>

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		<p>capital forecasting.</p> <p>The number of bank accounts in use will be restricted to one current account and one deposit account unless there is a specific need to separately account for funds held 'in trust' for repayment to a third party. The opening of any additional bank accounts must be approved by the Accounting Officer.</p> <p>The amount of cash held at any location will be kept to an absolute minimum, with cash receipts being banked promptly. Where cash balances are held, i.e. petty cash imprests, inspector imprest accounts etc, they will be regularly accounted for, and reconciled to the accounting records (at least monthly).</p> <p>The Commission will review the performance of its bankers regularly (at least every three years) with the aim of ensuring access to competitive banking services by means of regular benchmarking, eg deposit interest, bank charges and range and delivery of service facilities such as ebanking.</p> <p>The regular review of the services provided by the banking provider will be conducted in accordance with the government's guidelines on procurement within the public sector.</p> <p>The Commission will regularly update forecasts (at least monthly) of its funding requirements to maximise the benefits that can be derived from the various funding and treasury management arrangements in place.</p>

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<p>6. Travel and Subsistence</p>	<p>Expenses incurred by Commissioners, management and staff must be wholly and exclusively business related, and subject to an approval process in accordance with the Commission's financial and delegated authority policies.</p> <p>The Finance/Procurement team will obtain the most economic, effective and efficient means of managing travel and related expenditure. This will include the provision of a centralised ordering function, limiting the number of suppliers where appropriate, to obtain discounts for repeat business and/or to maintain control.</p>	<p>All claims for reimbursement of business related expenditure will be made in accordance with the Commission's travel and subsistence policy and must be supported by the required documentary evidence.</p> <p>Train and air travel and accommodation costs will normally be arranged through the Commission's central purchasing arrangements.</p> <p>All personal expense reimbursements must carry a declaration by the claimant that the expenditure has been properly and reasonably incurred.</p> <p>The Commission will operate a 'self certification' policy for expense claims of £350 or less in any one month. To ensure propriety and relevance, the Director of Finance shall undertake regular expense claim audits, on a risk based sample. Claims in excess of £350 must be authorised by the appropriate line manager with delegated authority.</p> <p>A benchmarking exercise will be undertaken regularly to ensure that all travel related goods and services are being acquired in a cost effective and efficient manner.</p> <p>Any amendments or alterations to the Travel and Subsistence policy shall be approved by HMRC prior to adoption by the Commission.</p>

Policy area	Policy Aims	Policy Statement
7. Debtors	<p>The Commission will actively seek to recover all monies owed to them.</p> <p>Agreed debt recovery procedures will be followed to ensure that all debts are recovered in a cost effective and timely manner.</p>	<p>The Commission will adopt a commercial approach to working capital management, through the use of regular debtor status reporting. The status reports will be reviewed for the recoverability of monies owed to the Commission.</p> <p>The Commission will follow normal commercial debt recovery procedures to ensure that any outstanding debts are recovered in a cost effective and timely manner.</p> <p>Any bad debts will be considered by the Accounting Officer prior to being written off as non-recoverable, in accordance with financial and delegated authority policies.</p>

Policy area	Policy Aims	Policy Statement
8. Payroll and Pension	The Commission aims to provide its staff with a timely, accurate and responsive payroll and pension processing service.	<p>The appointment of all employees to the Commission will be conducted in accordance with the Commission's policies and procedures. Policies relating to terminations and resignations of employees are also in place.</p> <p>The Director of Finance will be responsible for keeping all records relating to the processing and reconciliation of payroll. Pension records shall also be maintained by the HR function.</p> <p>All payments to employees will be made in accordance with the HR Pay & Reward policy, and in accordance with the Commission's (financial) payroll processing procedures. The Finance team will ensure that payments, made by or on behalf of the Commission, are timely and accurate and in line with statutory obligations.</p> <p>The outsourced payroll processing service will be reviewed at least every three years, to ensure the service is being provided in a cost effective and efficient manner.</p> <p>Payroll and Pension provisions/ contributions shall be accounted for in line with FReM guidance.</p> <p>The Finance team will ensure that a reliable accounting system is in place to accrue for holiday pay within the financial statements in accordance with IFRS.</p>

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9. Governance	In order to maintain and build upon its reputation as an effective regulator, the Commission will ensure a high level of transparency in its governance activities.	<p>The Commission will review its responsibility for good governance to ensure that its policies and procedures promote a high level of transparency and accountability in its dealings with the industry and other stakeholders.</p> <p>The Commission will strive to minimise and manage the risks to the organisation effectively by adopting best practice approaches to risk management. The Risk Committee will meet at least quarterly</p> <p>All employees are required to comply with the Commission's anti-fraud policy.</p> <p>The Commission recognises it has a duty to protect public assets and will ensure that its policies and procedures meet the standards of probity expected of public sector bodies, as well as ensuring that the resources available to it are applied only in the furtherance of the Commission's legitimate strategies and objectives.</p> <p>The declaration of interests and the acceptance of hospitality and gifts will conform with the Codes of Conduct for Commissioners and employees.</p>

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<p>10. Procurement</p>	<p>Government and EU regulations must be adhered to. Payments must utilise terms and conditions to ensure good treasury management. Management information should be kept to adhere to government requirements. Value for Money (VFM) must be achieved. Delegation limits will be set and a clear segregation of duties achieved between purchasing, ordering and receipting.</p>	<p>The Director of Finance is responsible for ensuring that the Commission complies with its legal obligations concerning UK and European procurement regulations.</p> <p>The Director of Finance is responsible for making all payments to the Commission’s suppliers of goods and services.</p> <p>The Commission will seek to achieve value for money in all procurement activities, in accordance with ‘best commercial practice’ and the guidance issued from time to time by the National Audit Office, the Public Accounts Committee or other relevant bodies. In order to achieve this and to maintain sound financial control, the Commission will establish a central Purchasing function.</p> <p>Management and staff will comply with the Commission’s delegated authority policy, which provides the level of authority necessary for committing the organisation to expenditure on goods and services. These delegations incorporate clear financial limits, and shall be observed by all staff prior to the issue of orders to external parties.</p> <p>The Commission is committed to the payment of suppliers in accordance with:</p> <ul style="list-style-type: none"> - any agreed contractual terms and conditions; - the Commission’s payment approval processes and delegated authorities; and - the UK Government prompt payment policy, which provides that all suppliers of goods and services to a government body should be paid within 30 days of receipt of a valid invoice for the satisfactory receipt of those goods or services, unless different contractual conditions apply.

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		<p>(Detailed statistics will be kept of prompt payment performance for inclusion in the monthly management reports, and the Commission's annual report.)</p> <p>An appropriate separation of duties, for internal control purposes, will be applied to the Commission's procurement and payment processes.</p> <p>All orders raised, goods and services received, invoices received and payments made will be promptly and properly recorded on the accounting system.</p>														
11. Value Added Tax Accounting (VAT)	The Commission is not required to be registered for VAT accounting because of its regulatory body status.	The Commission is not VAT registered and accounts for all financial transactions on a VAT inclusive basis. Although there are no immediate plans to apply for VAT registration, the Commission will periodically review this position.														
12. Fixed assets	The Commission needs to ensure that fixed assets acquired are recognised and properly accounted for in accordance with UK GAAP and Government Accounting requirements, and the Funding Agreement and/or the Management Statement and Financial Memorandum agreed with the sponsor department.	<p>The Commission's accounts will be prepared under the historical cost convention, subject to any modification for the revaluation of fixed assets to current value, in accordance with IFRS and IFRem guidance.</p> <p>Depreciation will be charged to assets throughout their estimated useful lives or lease periods as appropriate.</p> <p>Depreciation is provided on a straight line basis to write off the cost or valuation of the asset evenly over the asset's anticipated useful life. At present, these are:</p> <table border="0" data-bbox="1197 481 1452 929"> <tr> <td>IT Hardware</td> <td>4 years</td> </tr> <tr> <td>IT Software Licences</td> <td>over the life of the licence</td> </tr> <tr> <td>IT Software Development</td> <td>7 years</td> </tr> <tr> <td>Fixtures & Fittings</td> <td>10 years</td> </tr> <tr> <td>Furniture</td> <td>10 years</td> </tr> <tr> <td>Equipment</td> <td>7 years</td> </tr> <tr> <td>Telecoms</td> <td>7 years</td> </tr> </table>	IT Hardware	4 years	IT Software Licences	over the life of the licence	IT Software Development	7 years	Fixtures & Fittings	10 years	Furniture	10 years	Equipment	7 years	Telecoms	7 years
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		<p>All "Start Up" costs associated with the office move to Birmingham and its fitting out shall be defined as Fixed Assets and capitalised accordingly. Ongoing purchases shall only be defined as a Fixed Asset if the original purchase price of an item is £2,500 or more.</p> <p>Software classification will be in accordance with IFRS. In most cases software development will be classified as intangible assets. This includes software development costs that were classified as assets under the course of construction under UK GAAP.</p> <p>A register of fixed assets will be maintained by the Director of Finance. Assets will be inventory checked annually and a review of their values and useful lives will be undertaken. Any significant discrepancies in values or useful lives will be adjusted as necessary.</p> <p>The disposal of fixed assets, whether by sale or write off, will be approved by the Accounting Officer.</p>

Policy area	Policy Aims	Policy Statement
13. Security	The physical security of the Commission's assets must be maintained. This includes security over the information held on the Commission's information technology systems.	<p>The Commission will establish an over-arching strategy on security and policies governing information, people, asset and IT security and procedures for business continuity.</p> <p>It shall be the responsibility of the Head of Intelligence to establish the Commission's policy on security of its data.</p> <p>The Head of IT shall ensure that adequate and up to date firewall and virus protection measures are in place to maintain the integrity and security of the IT network.</p> <p>The Finance function will be responsible for ensuring that the maintenance of financial and statistical information comply with the security policies and practices in place.</p> <p>The Director Of Finance will ensure that suitable security measures are contractually in place with third parties that hold the Commission's financial information, eg payroll and pensions, and that conformity with those measures is regularly monitored.</p>

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14. Audit Arrangements	The Commission will be subject to an external audit by the National Audit Office (NAO), and will have an internal audit function in place which complies with the relevant public sector standards.	<p>The Commission's Accounts will be audited by NAO in accordance with the requirements of the 2005 Act.</p> <p>The Commission will operate an internal audit function which will review financial and other operational areas to confirm the existence and satisfactory operation of appropriate systems of risk management and internal control and to recommend improvements where considered necessary.</p> <p>The Commission's Audit Committee will review the work of the internal audit function and follow up on any recommendations made by NAO in their annual management letter.</p> <p>The Commission will contract out the internal audit function while this remains a cost effective solution.</p>
15. Intellectual property rights and patents	Procedures will be put in place to protect the Commission's intellectual property.	<p>Any activities that give rise to ideas, designs and inventions which may be patentable, are collectively known as intellectual property and will remain the property of the Commission.</p> <p>The Director of Finance is responsible for establishing procedures to deal with any patents accruing to the Commission, including arrangements with contractors.</p>
16. Sustainability	The Commission shall formulate and adopt an environmental strategy to ensure that its activities are consistent with the Government's strategy for sustainable development.	The Commission will develop, and regularly review its Environmental Strategy, identifying the impact that the Commission has on the environment, and how this impact can be managed.

