



POLICY – FINANCIAL CONTROLS

ST MADOC OF FERNS COMMUNITY GROUP

REGISTERED CHARITY 1204104

1. Introduction

The Trustees of The Charity are collectively/jointly responsible for ensuring that the charity's resources are properly managed and accounted for. The following policies and procedures enable the Trustees to delegate financial management to the Treasurer without releasing them from their responsibility.

These policies apply to the Treasurer, other Trustees, other volunteers, employees, contractors, and third-party representatives of our charity. Its requirements must be reflected in other policies and procedures, agreements and contracts, as necessary.

The guidelines have been (minimally) adapted from a template provided by [Charity Excellence](#).

2. Applicability

This policy applies to all trustees, other volunteers, employees, contractors, and third-party representatives of our charity. Its requirements should be reflected in other policies and procedures, agreements and contracts, as necessary.

3. Principles

Separation of Duties: No one person may both authorise and pay any payment or transfer. For example, an on-line banking payment or credit card transaction.

Conflict of Interest: No individual may authorise or make changes to his or her own pay or personnel entitlements or records. Neither may they make payments or enter into contracts with family members or organisations in which they have an interest, either directly or through a close family member.

Restricted funds - are to be accounted for separately to ensure these are only used in accordance with donors' restrictions.

Multi-year funding - is to be accounted for in a way that ensures future year funding is not inadvertently spent in the current accounting year.

4. Internal Controls

4.1. Why we need internal financial controls

Internal financial controls are important. These are essential checks and procedures to help:

- protect the charity's assets, including its money and property
- make informed decisions about the charity's financial position
- meet legal duties, for example to manage the charity's resources responsibly

Suitable internal financial controls help the charity:

- identify and manage risks with its finances and assets
- keep good quality accounting records
- prepare timely and relevant financial information
- make sure its financial reporting complies with the relevant legal requirements

Mismanaging the charity's finances or assets can damage:

- The charity's financial viability, with consequences for how it delivers its services
- staff and volunteers' morale
- The charity's reputation
- public trust and confidence in charities

4.2. Treasurer responsibility for internal financial controls

The treasurer has day-to-day responsibility for looking after the charity's money but reports to the trustee body. They have a duty to provide clear, accurate and up-to-date financial information, including:

- the latest monthly Treasurer's Report, containing performance against budget and may include estimates for future periods
- the reasons for any differences between financial forecasts and the charity's current financial position
- details of cash flow and closing bank balances.

4.3. Chair / Secretary responsibility for internal financial controls

The charity's financial position and performance will be:

- a standing agenda item at trustee meetings
- sent to each trustee before the meeting

4.4. Responsibility of all trustees for internal financial controls

Trustees should question things they don't understand and highlight any concerns to the rest of the Trustees.

They should regularly review the charity's financial position to ensure that the charity is operating as a 'going concern' and isn't facing insolvency.

5. Banking

5.1. Bank accounts and access.

Bank, savings and any other form of investment must only be opened with the documented approval of a majority of the Trustees.

Bank mandates, account signatories and e-banking access are to be kept up-to-date and individuals may only be added with the documented approval of a majority of the Trustees. The list of people with access and their access levels are to be reviewed annually, as part of the audit preparation / AGM preparation process.

5.2. Managing bank accounts.

The account is to be reconciled monthly and made available to trustees.

6. Budgeting

The trustees will scrutinise and approve an annual budget estimate. The budget will contain estimates of income and expenditure to the year. It should include prudent income forecasts that have a reasonable chance of being secured.

All events should either have an expectation of raising funds, or of breaking even (where community engagement is the primary purpose). Any losses are to be investigated, determining the amount and circumstances of the loss and whether the loss arose from weaknesses in procedures and/or a failure to apply procedures correctly.

Appropriate action is to be taken to ensure no further losses occur, arising from similar circumstances.

7. Income

The income policies are to safeguard, monitor and control income including grants, donations & contributions. They will outline the structure of authorisation for dealing with income, credit-control and cash management.

7.1. Receipts by card reader or via website:

Where payments are made via card reader or through the website, the Treasurer, or a delegated individual, will reconcile them to the bank account monthly.

7.2. Payment by BACS:

Where payments are made directly into the bank account via the BACS payment system the Treasurer will check for and identify such payments on-line monthly.

7.3. Payment by cheque or cash:

When cheques or cash arrive the Finance Officer will ensure that cheques are properly signed and made payable to the Charity and will record their arrival in the accounts. Cheques and cash received should be banked the same day where possible but at least once per week. Any cheques or cash not banked immediately must be locked away in a secure location until it is banked. A maximum of £500 cash may be held by one individual overnight (larger amounts may be split between other Trustees if necessary).

Management of cash:

- Cash is secured under lock and key.
- Access is restricted to those who need access.
- A cash limit is set that is within the insurance limit.
- Cash is not sent through the post.
- Cash and cheques are banked regularly, particularly if significant sums of cash are received.
- Cash is banked 'gross' – that is income is not netted off against other expenditure. All transactions must be recorded.
- Cash is kept separate from personal money and is never used for personal expenditure.
- Cash payments will be avoided where possible.
- All persons carrying cash to or from the bank are instructed to put their personal safety first in the event of any attempt to steal the money. Any loss of cash in transit must be notified to the Treasurer immediately.

Anonymous or suspicious donations must be analysed to minimize the risk of fraud.

8. Expenditure

8.1. Approvals and Payment.

All expenditure must be properly authorised, represent good value for money and be on appropriate items or services. The authorising officers of the charity will typically be the Treasurer, Chair and Secretary. Except for the Treasurer, a role may be substituted through the documented agreement of all other trustees.

- Commitments or payments of £50 or under require the prior approval of two authorising officers.
- Commitments or payments of more than £50 but less than £100 require the prior approval of three authorising officers.

- Commitments or payments in excess of £100 require the prior and documented approval of a majority of the Trustees.

Any requests for payment that have not been appropriately authorised will be rejected and remain the personal responsibility of the individual who incurred the expenditure.

If fraud is suspected it is to be brought to the attention of the Trustees.

8.2. Payment Procedures.

Payment systems, such as cheque books, credit cards and on-line systems and passwords should be adequately safeguarded.

Physical items, such as e banking encryption devices and cheque books should be kept secure when not in use. The charity does not have a cheque book but if this changes, the policy will be updated.

8.3. Travel Expenses.

Claims should be by the Treasurer to confirm that the journey was valid, undertaken and the amounts claimed were reasonable in the circumstances. If the Treasurer is claiming, then the responsibility falls to one of the other authorising officers.

8.4. Hospitality.

Employees may be offered hospitality in the form of being taken out to drinks or events, or gifts by suppliers or others. It is essential that this is entirely above board and can be demonstrated to be so.

Employees and trustees may only accept hospitality or gifts, which are worth less than the value of £50. Such gifts are to be declared and minuted at a Trustee Committee Meeting. The Treasurer will review such gifts annually prior to the AGM.

8.5. Pay and Remuneration.

There are no current plans for the charity to pay individuals, but if this changes, the policy will be updated.

9. Financial Reporting

There is a legal duty to keep accounting records for the charity and all charities must prepare annual accounts, and a trustees' annual report.

Financial reports will be reviewed by trustees quarterly. Reports should:

- Explain the charity's current and likely future financial position.
- Focus on the key issues and risks, the action being taken to address these and the expected outcome.
- Highlight any significant deviations from budget or funding shortfalls.

Financial reports and the minutes of Trustee Committee Meetings will be retained for 7 years