

## Small Charity Financial Controls Policy Template

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If you have any further questions after you have read these documents, please contact GAVS on 020 8309 8231 or Email [info@gavs.biz](mailto:info@gavs.biz)

*The Charity Commission provides guidance to trustees on internal financial controls. For further guidance, Trustees are directed towards [CC8: Internal Financial Controls for Charities Checklist](#), available as a pdf, or in printed format on request.*

*The text below may form the basis of a Financial Controls Policy for your organisation. Please work through each area considering the questions below and amend it accordingly:*

- *Is this appropriate for the size of our organisation?*
- *Do we need more stringent controls than are set out in this template?*
- *Do we need additional policies to set out specific control issues in more detail, e.g. Purchasing procedure? A Trustee approved Expenditure authorisation matrix? Online banking?*

*Your management committee should sign and date the policy and set a date for review – usually annually.*

### 1. Introduction

1.1. Financial records will be kept so that [Small Charity] can:

- a) Meet its legal and other statutory obligations such as Charity Acts, HMRC and common law.
- b) Enable the trustees to be in proper financial control of [Small Charity].
- c) Enable [Small Charity] to meet the contractual obligations and requirements of funders

1.2. Small Charity will keep proper books of accounts, which will include:

- a) A cashbook analysing all the transactions in Small Charity's bank account(s).
- b) A petty cash book if cash payments are being made
- c) Relevant HMRC taxation records in accordance with current legislation and reporting requirements

1.3. The financial year will end on the [day month] each year.

- 1.4. Accounts will be drawn up after each financial year within three months of the end of the year and presented to the next Annual General Meeting.
- 1.5. Prior to the start of each financial year, the trustees will approve a budgeted income and expenditure account for the following year.
- 1.6. A report comparing actual income and expenditure with the budget will be presented to the trustees every three months
- 1.7. The AGM will appoint an appropriately qualified auditor or independent examiner [delete as appropriate] to audit/examine the accounts for presentation to the next AGM.

## **2. Banking**

- 2.1. [Small Charity] will bank with Anybank Bank plc at its Anytown Road Branch. Accounts will be held in the name of Small Charity. The following accounts will be maintained:  
Small Charity Account No 1 (Current account)  
Small Charity Investment Account (Deposit account)
- 2.2. The bank mandate (list of people who can sign cheques on the organisation's behalf) will always be approved and minuted by the trustees
- 2.3. The Charity will require the bank to provide statements every month and these will be reconciled with the cash book no less frequently than every three months. The Treasurer will spot check that this reconciliation has been done at least twice a year, signing the cash book accordingly
- 2.4. The charity will not use any other bank or financial institution or use overdraft facilities or take out a loan without the agreement of the trustees

[SMALL CHARITY MAY WISH TO CONSIDER DOCUMENTING THEIR USE OF ONLINE BANKING AND RELEVANT CONTROLS]

## **3. Receipts (income)**

- 3.1. All monies received will be recorded promptly in the cash analysis book and banked without delay (note this includes sundry receipts such as payment for telephone calls, photocopying etc.). Small Charity will maintain files documentation to back this up.

## **4. Payments (expenditure)**

The aim is to ensure that all expenditure can be demonstrated to be the charity's business and is properly authorised. Whilst an approved budget sets out the planned level of expenditure within the year, signatories should not incur expenses which are outside of their authorised expenditure level, as set out in Appendix 1

- 4.1. The Director will be responsible for holding the cheque book (unused and partly used cheque books) which should be kept under lock and key. [THE CHARITY MAY WISH TO CONSIDER HOW THEY CONTROL THE USE OF COMPANY DEBIT AND CREDIT CARDS, AND ONLINE BANKING PASSWORDS.]
- 4.2. Blank cheques will NEVER be signed
- 4.3. The relevant payee's name will always be inserted on the cheque before signature and the cheque stub will always be properly completed. Supporting documentation will always be presented to the signatory when a request is made to approve a cheque or online transaction.
- 4.4. No cheques should be signed or online transaction approved without original documentation (see below).

## **5. Payments documentation**

- 5.1. Every payment from Small Charity's bank accounts will be evidenced by an original invoice (never against a supplier's statement for final demand). That original invoice will be retained by Small Charity and filed. The cheque signatory should ensure that it is referenced with:
  - Cheque number
  - Date cheque drawn
  - Amount of cheque
  - Who signed the cheque
- 5.2. The only exceptions to cheques not being supported by an original invoice would be for such items as advanced booking fees for a future course, deposit for a venue, VAT, etc. Here a cheque requisition form will be used and a photocopy of the cheque kept.
- 5.3. Wages and salaries. There will be a clear trail to show the authority and reason for EVERY such payment; e.g. a payment requisition asking for payment to an employee, the Inland Revenue, etc. All employees will be paid within the PAYE National Insurance regulations.

- 5.4. All staff appointments/departures will be authorised by the trustees, minuting the dates and salary level. Similarly, all changes in hours and variable payments such as overtime, etc, will be authorised by the trustees.
- 5.5. Petty cash will always be maintained on the imprest system whereby the Administrator is entrusted with a float as agreed by the trustees and currently set at £x.xx. When that is within £x of being expended, a payment requisition will be raised for sufficient funds to bring up the float to the agreed sum, the cheque or online transfer being supported by a complete set of expenditure vouchers, totalling the required amount, analysed as required
- 5.6. Expenses/allowances. The Small Charity will, if asked, reimburse expenditure paid for personally by staff, providing:
- Fares are evidenced by tickets
  - Other expenditure is evidenced by original receipts
  - Car mileage is based on local authority scales

No cheque signatory signs for the payment of expenses to themselves

## **6. Cheque Signatures and cash cards**

**[THIS SECTION WILL NEED TO BE INCLUDE ONLINE BANKING CONTROLS IF RELEVANT TO SMALL CHARITY]**

- 6.1. Each cheque will be signed by at least two people.
- 6.2. A cheque must not be signed by the person to whom it is payable
- 6.3. ATM cash cards will not be used and if issued by the bank they will be immediately destroyed. [CONSIDER IF THIS IS RELEVANT – SMALL CHARITY MAY WISH TO HAVE A CASH FACILITY IF APPROPRIATE CONTROLS ARE INTRODUCED]

## **7. Other undertakings**

- 7.1. Small Charity does not accept liability for any financial commitment unless properly authorised. Any orders placed or undertakings given, the financial consequences of which are, *prima facie*, likely to exceed in total £x.xx, must be authorised and minuted by the trustees. In exceptional circumstances such undertakings can be made with the Chairperson's approval who will then provide full details to the next meeting of the trustees. (This covers such items as new service contracts, office equipments, purchase and hire).
- 7.2. All fundraising and grant application undertaken on behalf of the organisation will be done in the name of the Small Charity with the prior approval of the

trustees or in urgent situations the approval of the Chairperson who will provide full details to the next trustee's meeting.

## **8. Other rules**

Small Charity will adhere to good practice in relation to its finances at all times, e.g. when relevant it will set up and maintain a fixed asset register stating the date of purchase, cost, serial numbers and normal location. Additionally the Small Charity will maintain a property record of items of significant value, with an appropriate record of their use.

This policy is based on a download available via [www.cash-online.org.uk](http://www.cash-online.org.uk)

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