



Internal Financial Controls Policy

Purpose

This document outlines the procedures for our internal financial controls.

Applicability

This policy applies to trustees, staff, volunteers, contractors, and third-party representatives of our charity.

Its requirements are reflected in other policies and procedures, agreements and contracts.

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
- 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

Contracting

A robust process for obtaining quotes and comparing services is to be implemented at all times, subject to the trustees' scrutiny and approval. Contracts are to be re-evaluated annually to ensure they continue to meet the charity's needs and offer good value for money.

Budgeting

The trustees are to scrutinise and approve an annual budget. The budget should include income forecasts that confirm that there is a reasonable expectation of securing the funding planned for.

Financial Reporting

Up to date financial reports should be submitted to the trustees regularly.

Reports should use simple clear English that all trustees will be able to understand and:

- 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 Management

Trustees are to review financial reports, investigate any variances to budget/forecast and unusual or unexpected transactions that cannot be adequately explained and take appropriate action. Any significant issues should be reflected in reports to the trustees.

Cash

- Cash payments are avoided wherever possible
- Cash is secured under lock and key
- Access is restricted to those who are authorised by the trustees
- Cash is kept separate from personal money and is never used for personal expenditure

Banking

Bank Accounts. Bank savings and any other form of investment are only to be opened with the written approval of the trustees.

- The account is to be reconciled at least monthly
- The bank reconciliation, statement, cheque book and other supporting documentation are cross checked

Bank mandates, account signatories and e-banking access are to be kept up-to-date, and individuals may only be added with the written approval of the trustees. The list of people with access and access levels is to be reviewed annually.

Cheques. All cheque stubs should be completed fully. All payments require two signatures. Cheque books are to be secured under lock and key and must be used in sequence.

Non-Standard Payment Requests. To safeguard against fraud and scams, any non-standard requests for payment, such as phone or video calls, must be verified through a different channel.

International Transfers. These are not permitted as such payments are outside the remit of the charity as described in our Governing Document.

Income

Regular checks are to be carried out to ensure that records are accurately maintained and that there are no discrepancies in the accounting records. Specifically, that:

- Records of cheques received agree with bank paying-in slips
- Paying-in slips equate with the bank statements, both in terms of amount banked and date of credit
- All transfers or other direct payments into the bank can be identified and verified against paperwork

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.

Anonymous or suspicious donations - are to be subject to appropriate due diligence to minimize the risk of fraud.

Expenditure

Delegation of Authority. Expenditure will only be authorised with appropriate approval in advance by a majority of the trustees.

This may be sub delegated, subject to appropriate approval by a majority of the trustees. However, responsibility for all expenditure remains with all trustees and, before delegating authority, they must ensure that the individual to whom a delegation is made is issued with any necessary instructions and is competent.

Approval and Payment. The prior approval by a majority of the trustees is required for any projects or proposals that are not included in the business plan and funded in the budget and for any that will result in a budget being overspent. All expenditure must be properly authorised, represent good value for money and be on appropriate items or services. Delegations and any subsequent changes are to be issued in writing and clearly specify budget limits.

Authorising officers are to check invoices received against orders and confirm that the goods or services have been received, are correctly priced, with any discounts or credit notes taken into account and sales tax (e.g. VAT) excluded if appropriate, before authorising payment.

The Treasurer is to check each invoice before payment. Any that have not been appropriately authorised should be rejected and remain the personal responsibility of the individual who incurred the expenditure.

Electronic Payments. Anyone able to make payments is to be made aware of basic cyber security steps, including the risk of online scams, including AI voice scams. These can very convincingly imitate a member of your charity by using text and video. Always use an alternative verification method if you are contacted 'out of the blue' to make a payment or transfer funds.

Pay and Remuneration. Pay is the single biggest cost and therefore the following safeguards are in place.

- Any proposals to increase staffing are to be submitted to the trustees
- If used, time sheets should be properly completed and signed by line managers/trustees
- The payroll schedule should be checked each month; for example, to check any changes have been authorised by the trustees, the rates used are correct, and issues such as staff being paid twice or for amounts or items that would not be expected
- The staff list should be reconciled to the payroll at random, but regular periods not exceeding 3 months

Ensure that a:

- Leave record system is in place and is properly up-to-date and maintained
- Monitoring system for sick leave is in place and any excessive absences managed accordingly

Pay and personnel records should be kept separate.

Payment Procedures. Payment systems, such as cheque books, bank 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 under lock and key when not in use. Passwords should not be written down or shared and should be changed regularly and if compromised.

Cheques should always be crossed, blank cheques never signed, and mandates restricted to only those who need to sign cheques.

Travel Expenses. Claims should be countersigned by a minimum of two people (to include the Treasurer and/or authorised bank signatories) to confirm that the journey was valid, undertaken and the amounts claimed were reasonable in the circumstances. Expenses claims are to be checked by the Treasurer to ensure that the expenses policy has been complied with.

Novel and Contentious Expenditure. This is defined as follows:

- **Novel** - does not meet the letter of our regulations. That is, using a budget for a purpose for which it was not intended. For example, payment of a bonus to an individual, when there is no such provision in the pay policy. Or exceeding permissible limits. For example, payment of subsistence rates or class of hotel accommodation that exceed the limits in the expenses policy.
- **Contentious** - meets the letter of the relevant policy, but where the need for it or the cost involved may be questioned. For example, where subsistence has been approved within agreed limits, but alcohol or other inappropriate expenditure is claimed for.

Payment of any expenditure which may be novel or contentious requires the prior approval by a majority of the trustees.

Assets

Fixed Assets and Equipment. Purchases of assets that have a life expectancy of, and will provide benefit for, more than one financial year may be treated as capital items and their value written down over the lifetime of the asset. In general, the minimum value for an item to be treated as a capital asset is £500.

- A fixed asset register is maintained and reviewed annually
- Subsequent to the annual review, insurance cover is reviewed to prevent being under or over insured
- Staff do not remove assets or items of equipment without prior approval

Other Issues

Fraud/Bribery. If fraud is suspected, it is to be brought to the attention of the trustees.

Hospitality. Trustees and staff may be offered hospitality in the form of being taken out to drinks or events, or gifts by suppliers or others. These should be politely declined, with the suggestion that a donation is made to the Hall instead, and all trustees informed of the offer.

Losses. Any losses are to be investigated. The amount and circumstances of the loss are to be determined 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. The value of any item is to be at realisable value. Any loss must be approved for write off in line with the delegations from the trustees. The loss is to be written off on the accounting system and the record of investigation and approval for write-off filed for audit purposes.

Records

- Records are to be retained in accordance with the documents policy; in particular, bank statement and other prime books of account are retained for 7 years and supporting vouchers for 18 months
- A secure archive is identified, and records kept under lock and key
- The archive is organised to enable records to be easily identified and retrieved

Experience and Training

- On appointment, appropriate work references are taken up and qualification certificates checked
- Staff are competent and properly trained to carry out their duties in relation to finance
- Staff are made aware of relevant financial policies on appointment and those with financial responsibilities are briefed by the trustees when they commence employment
- Relevant financial policy requirements are included in the Treasurer Handbook and job descriptions
- That this and other guidance is readily available to staff and brought to their attention

IT and Online Security

- Security software e.g. anti-virus and firewalls are to be kept up-to-date, preferably by automatic renewal
- There are effective controls for authorising and managing access
- Software updates are installed promptly
- Passwords are strong, not shared and changed regularly
- Data is remotely backed up on a regular basis
- No sensitive financial information is to be entered into Large Language Model AI systems, such as ChatGPT or Gemini
- Financial information, including back-ups, stored on shared drives is accessible only to those who need to have access to it
- Adequate security procedures are in place for online purchasing
- Staff and volunteers are aware of what they need to do (and not do) to maintain online security

On leaving the organisation, an individual's accounts are to be disabled.

Availability

This policy is published on our website <https://www.colburymemorialhall.org.uk/> and shall be given to anyone who wishes to have a copy.

Version Control - Approval and Review

This policy shall be reviewed and approved annually by trustees, following an incident or other significant factor.

Version No	Approved By	Approval Date	Main Changes	Review Period
1.0	Trustees	31.10.2025	First version approved	Annual